

Bahrain Kuwait Insurance Company B.S.C.

**CONSOLIDATED AND COMPANY'S SEPARATE
FINANCIAL STATEMENTS**

31 DECEMBER 2020

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GENERAL INFORMATION

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Commercial registration : 4745

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State of Kuwait

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Telefax : +965 22468545, 22462169
E-mail : info@gigbk.com.kw

Commercial Registration : 30713

License : 23

PRINCIPAL BANKERS

Bank of Bahrain and Kuwait B.S.C.
Ahli United Bank B.S.C.
National Bank of Bahrain B.S.C.
Burgan Bank K.S.C.
Gulf Bank K.S.C.

SHARE REGISTRARS

Bahrain

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Kingdom of Bahrain	Telefax	: +973 1721 2055

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Kingdom of Bahrain	Telefax	: +973 1722 8061
	Telefax	: +973 1721 0736

Kuwait

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AUDITORS

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Manama	Telephone	: +973 1753 5455
Kingdom of Bahrain	Telefax	: +973 1753 5405

ACTUARY

Lux Actuaries & Consultants FZCO	P O Box	: 371557
Dubai	Telephone	: +971 4876 8530
United Arab Emirates		

DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Murad Ali Murad	-	Chairman
Khalid Saoud Al Hasan	-	Vice-Chairman
Hassan Mohammed Zainalabedin	-	Director
Bijan Khosrowshahi	-	Director
Dr. Emad Jawad Ahmed Bukhamseen	-	Director
Shawqi Ali Yusuf Fakhroo	-	Director
Mohamed Ebrahim Zainal	-	Director
Thamer Ebrahim Arab	-	Director
Mubarak Othman Alayyar	-	Director
Mohamed Ahmed Alrayes	-	Director
Ali Hasan Fardan	-	Secretary to the Board

EXECUTIVE COMMITTEE

Khalid Saoud Al Hasan	-	Chairman
Dr. Emad Jawad Ahmed Bukhamseen	-	Vice-Chairman
Bijan Khosrowshahi	-	Member
Mubarak Othman Alayyar	-	Member
Mohamed Ahmed Alrayes	-	Member

AUDIT & COMPLIANCE COMMITTEE

Hassan Mohammed Zainalabedin	-	Chairman
Shawqi Ali Yusuf Fakhroo	-	Vice-Chairman
Thamer Ebrahim Arab	-	Member
Mohamed Ebrahim Zainal		Member

NOMINATION, REMUNERATION AND GOVERNANCE COMMITTEE

Murad Ali Murad	-	Chairman
Khalid Saoud Al Hasan	-	Member
Hassan Mohammed Zainalabedin	-	Member
Mohamed Ahmed Alrayes	-	Member

RISK COMMITTEE

Thamer Ebrahim Arab	-	Chairman
Mohamed Ebrahim Zainal	-	Vice-Chairman
Mohamed Ahmed Alrayes	-	Member
Dr. Abdulla Sultan	-	Member

EXECUTIVE MANAGEMENT

Dr. Abdulla Sultan	-	Chief Executive Officer
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Bahrain

Waleed Ahmed Mahmood	-	General Manager - Commercial
Ali Ebrahim Noor	-	Chief Operating Officer
R Sundaram	-	Chief Financial Officer
Ahmed Abdulrahman Bucheeri	-	Chief Investment Officer
Manoj Badoni	-	Chief Underwriting Officer

Kuwait

Abdulla Rabia Mohammed	-	General Manager - Kuwait Operations
K Gandhi	-	Chief Underwriting Officer - Kuwait Operations
Thomas Chako		Senior Manager - Finance and Administration - Kuwait Operations

BOARD OF DIRECTORS REPORT

For the year ending 31st December 2020

Dear Shareholders,

On behalf of the Board of Directors, it is a pleasure to present to you the 44th annual report of Bahrain Kuwait Insurance Company (BSC) and to invite you to explore the activities and the performance for the financial year ended 31st December 2020.

BKIC & Covid-19

This is an opportunity to pause and reflect upon an extraordinary year defined by the lasting effects of the Covid-19 pandemic and the unprecedented impact it had on the whole world since nearly the beginning of the year and which it will continue to have for the foreseeable future on all industries, including insurance, until the world discovers a permanent solution. Nonetheless, the Board and Management of BKIC have the unwavering commitment to the objective of guiding and overseeing the creation of long-term value through implementing sound business strategies. More importantly, the center of the Company's endeavors at all times revolves around how to best serve all our esteemed customers.

This global pandemic transformed the manner for trade, travel, business, and conducting all kinds of activities and transactions. Although the outlook for 2021 is somewhat brighter, the process of recovery will be rather gradual. Data from OECD as well IMF suggests global GDP fell by 4.2% in 2020 but varying from country to country and region to region. The outlook going forward is optimistic whereas GDP would grow by the same figure or more. The swift development and delivery of vaccines is expected to lift global output even further and allow for the economy to climb out of the crisis and counteract the negative growth. Overall, the recovery is thought to be strongest in the Asian countries, but the GCC region may also have good recovery because of better people discipline and pandemic management.

For BKIC, the recovery seems to be in line with what is being witnessed on a global scale during the third quarter of the year after the earlier contractions. The government's timely action to support various sectors of Bahrain's economy with BD4.3 billion economic package no doubt had a positive impact which definitively helped through this difficult period. Subsequently, the reopening of various sectors of the economy, especially those hardest hit such as tourism, travel and hotels proved instrumental for the return to growth. Throughout the whole time, BKIC remained the strong and highly rated insurance company it has always been, only to prove once again that it would play a pivotal role in revitalizing the insurance sector, maintaining a leadership position in Bahrain and keeping a strong presence in Kuwait.

BKIC Financial Results

Despite the highly unusual market environment during the major part of the year, BKIC achieved a net profit attributable to the shareholders of BD 3.8 million, compared to BD 2.7 million in 2019, representing an increase of 41%. This coincided with a -13% reduction in

subsidiary share of the profit attributable to BKIC shareholders. Total comprehensive income attributable to the shareholders for the year stands at BD 4.3 million compared to BD 3.8 million for 2019, showing an increase of 13%

The contributing factors for this performance was a 57% increase in underwriting profit and a reduction in the Loss Ratio from 73.6% to 68.8% as well as a reduction in motor claims during the second quarter of the year. On the other hand, investment income reduced to BD1.9 million from BD 2.1 million in 2019. The investment impairment and receivables provisions for the year amounted to 2.2 million compared to BD 1.3 million in 2019. The Group achieved 27 fils per share compared to 19 fils in 2019.

The consolidated total profit available for distribution amounts to BD 3,809,376 and the Board of Directors proposes the following allocations:

➤ Cash dividend (15%) of the paid-up capital <i>(Excluding the Treasury Shares)</i>	BD 2,136,140
➤ Bonus Share of (4.8951%) of the paid-up capital Equivalent to 4.8951 shares for every 100 shares	BD 700,000
➤ Statutory Reserves (10% of BKIC net profit)	BD 331,831
➤ Retained Earnings	BD 10,346,406

During the past year, a sum of BD 163,087 was paid to the directors towards the following:

➤ Directors' remuneration	BD 143,722
➤ Sitting fees	BD 14,254
➤ Travel expenses	BD 5,111

BKIC Internal Climate

The Board of Directors and the management team gave top priority to protecting the staff of the Company during this difficult pandemic time and introduced various measures to minimize health risks for all employees including arranging for them to work from home and ensuring their safety at work. Crucial for this endeavor and adhering to all the necessary requirements and precautions was the prompt coordination between the Company, various Government ministries, and the Central Bank of Bahrain as well as the regulators in Kuwait.

A rather substantial highlight and an event of great importance during the early part of the second quarter was the appointment of Dr Abdulla Sultan as the new Chief Executive Officer. The Board of Directors takes this opportunity to welcome Dr Abdulla and wish him well with the new challenges and leadership role ahead. Dr Abdulla took over the reins replacing Mr Ebrahim Sharif AlRayes, a veteran and a long-standing insurance executive. The Board also sincerely thanks Mr Ebrahim for his longevity and numerous productive years of service to the Company and wishes him the very best with his future endeavors.

Among the top priority initiatives discussed at the review session of the 2020-2022 strategy were the topics of digital transformation and insure-tech. Alongside the need for a more efficient customer service, these have climbed to the top of the list of priorities especially

because of the pandemic. Furthermore, in line with best market practice, succession planning continued to be a permanent item of the agenda of the Board.

Throughout 2020, the Board Risk Management Committee adhered to the needs of the Company's added new risk policies and procedures reflecting our special attention to accommodate for the circumstances under Covid-19 and to properly engage within the scope of enterprise risks affiliated with the socio-economic challenges.

Within the construct of meeting its obligations, BKIC was once again recognized as upholding the FSR rating of A- (Excellent) with a stable outlook by AM Best. Furthermore, at the annual general meeting held on March 25th, 2020, Ernst and Young were reappointed as external auditors for the year ending at December 31, 2020.

The General Assembly also held the election of the Board for the years 2020-2022. I would like to welcome Mr. Mohamed AlRayes as a newly elected member, replacing Dr Abdulrahman Ali Saif who decided not to stand for re-election. On behalf of the Board, we all take this opportunity to thank Dr Abdulrahman for his contribution and involvement during the years he served on the Board.

Maintaining BKIC's Leadership and the Value of Social Responsibility

The Board maintains the belief that planning and preparing for near future unexpected turn of events is an essential part of the recipe for success. However, embracing a thorough and thoughtful succession planning, a valiant commitment to corporate ethics, a stringent risk oversight, and a prudent risk management and talent development will all navigate BKIC through the challenges of the future.

To better adapt for the times ahead and in line with requirements of the Central Bank of Bahrain, the Board scheduled training sessions for its members, emphasizing the importance of Board member development and underlying how this initiative would become a permanent fixture and an ongoing requirement in the future.

Furthermore, the Board undertook to establish policies and procedures for social responsibility for environment and corporate governance (ESG) to measure sustainability. The Board adopted a proactive stance and have recommended to the General Assembly for an adequate appropriation for donations, noting that the ESG endeavor would be deployed within the Company's agenda even further in the coming years.

Embracing the Invaluable Support of Bahrain and Kuwait

On behalf of all members of the Board, we would like to express our gratitude towards all official bodies for their support in the Kingdom of Bahrain and the State of Kuwait, to name a few, the Central Bank of Bahrain, the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain, the Ministry of Commerce and Industry in the State of Kuwait, both the Bahrain Bourse Company and Boursa Kuwait. We would like to convey our gratitude for our

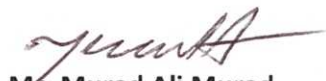
Governments' vital measures taken against the combat of Covid-19. Along the same lines, we appreciate the role of all shareholders, esteemed customers for their support, trust, and confidence in our Company. We commend the management and staff for their undeterred passion and dedication to the common goals and thank the intermediaries, reinsurers, and all business associates for their cooperation and support.

On behalf of all members of the Board, I extend our appreciation to His Majesty King Hamad Bin Isa Bin Salman Al Khalifa, the King of the Kingdom of Bahrain and His Highness Shaikh Nawaf Al Ahmed Al Jaber Al Sabah, the Amir of the State of Kuwait for their guidance. We also extend our thanks and appreciation to His Royal Highness Prince Salman bin Hamad AlKhalifa for his leadership, direction and management of the pandemic. It goes without saying that we truly appreciate and are grateful for the work of all the frontline Team Bahrain including medical staff and volunteers for risking their lives to protect all citizens and residents of Bahrain.

This Board of Directors report would not be complete if it did not mention two saddening events which took place towards the end of the year. The world mourned the unfortunate demise of His Highness Shaikh Sabah AlAhmed AlJaber AlSabah, the Amir of the State of Kuwait in late September. It is notable that during his rule of Kuwait, the nation saw extensive progress and development, a true testament to him being a true leader and a greatly respected statesman. In November, Bahrainis were once again shocked and saddened with the passing of His Royal Highness Prince Khalifa bin Salman AlKhalifa. Widely recognized and praised for being the first prime minister of Bahrain, he capably led the Government since independence, and through his leadership transformed Bahrain into a modern country with diverse cultures, activities and services. Bahrain was recognized as a valuable member of world and regional bodies, most notably a representative member of the Gulf Cooperation Supreme Council. Both of these cherished leaders will be missed dearly.

To conclude on a more personal note, I hereby wish all people of the Kingdom of Bahrain and the State of Kuwait continued good health, peace, and prosperity.

Thank you,


Mr. Murad Ali Murad
Chairman
17th February 2021





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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN KUWAIT INSURANCE COMPANY B.S.C.

Report on the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of Bahrain Kuwait Insurance Company B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BAHRAIN KUWAIT INSURANCE COMPANY B.S.C. (continued)**

Report on the Consolidated and Separate Financial Statements (continued)

Key audit matters (continued)

Description of key audit matter	How the key audit matter was addressed in the audit
<p><u><i>Insurance liabilities of the Group includes claims Incurred But Not Reported (IBNR)</i></u></p> <p>Management is required to make an estimate for the Incurred But Not Reported (IBNR) claims for all lines of business. This estimate is calculated based on various assumptions and projections and using the history of the frequency and severity of previously reported claims.</p> <p>The calculation of the IBNR reserves is complex and require technical input from a qualified actuary. All estimates by their nature require significant judgement and there is a risk that any change in the assumptions used in the calculations may have a significant impact on the reserves calculation and ultimately the reported profit of the Group.</p> <p>The IBNR reserves calculation is outsourced to a third party actuarial firm which is approved by the Central Bank of Bahrain.</p> <p>Refer to note 6 of the consolidated financial statement for significant judgements applied in determination of IBNR reserves, note 4 for significant accounting policies pertaining to IBNR reserves and note 11 for details of IBNR reserves as of 31 December 2020.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> ● Performed a walkthrough of the claims and reserving processes, to confirm our understanding of the flow of transactions relating to paid claims, outstanding claims and the IBNR reserves; and ● Involved our internal specialists to assess the reasonableness of the methodology and key assumptions used in calculating the IBNR reserves. <p>In addition to the above we have performed procedures to assess the completeness and accuracy of the data included in the IBNR reserve calculation which included:</p> <ul style="list-style-type: none"> ● A reconciliation between the claims paid and outstanding data recorded in the policy administration systems and the data used in the actuarial calculations.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BAHRAIN KUWAIT INSURANCE COMPANY B.S.C. (continued)**

Report on the Consolidated and Separate Financial Statements (continued)

Other information included in the Group's 2020 annual report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated and separate financial statements and our auditor's report thereon.

The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Directors report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after the date of auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated and separate financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN KUWAIT INSURANCE COMPANY B.S.C. (continued)

Report on the Consolidated and Separate Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN KUWAIT INSURANCE COMPANY B.S.C. (continued)

Report on the Consolidated and Separate Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Regulatory Requirements

As required by the Bahrain Commercial Companies Law and the Volume 3 of Central Bank of Bahrain (CBB) Rule Book, we report that:

- a) the Company has maintained proper accounting records and the consolidated and separate financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated and separate financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2020 that might have had a material adverse effect on the business of the Company or on its separate and consolidated financial position; and

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BAHRAIN KUWAIT INSURANCE COMPANY B.S.C. (continued)**

Report on Other Regulatory Requirements (continued)

- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's report is Kazim Merchant.

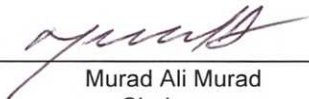
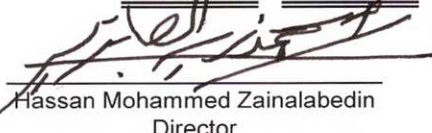
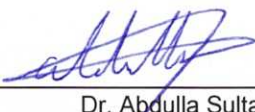


Partner's registration no. 244
17 February 2021
Manama, Kingdom of Bahrain

Bahrain Kuwait Insurance Company B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 BD '000	2019 BD '000
ASSETS			
Cash and balances with banks	7	49,070	41,271
Statutory deposits	8	5,592	4,583
Insurance receivables	9	34,633	49,753
Deferred acquisition costs	10	1,707	1,916
Reinsurers' share of insurance liabilities	11	115,576	119,408
Reinsurers' share of mathematical reserves		2,550	570
Investments	12	23,819	22,694
Investment in an associate		261	207
Investment property	13	1,574	-
Property and equipment	14	4,524	4,704
Due from participants		-	291
Right of use asset	15	217	342
TOTAL ASSETS		239,523	245,739
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	11	149,075	150,714
Mathematical reserves		5,052	2,740
Unearned commissions	16	2,282	2,229
Due to participants		111	-
Payables and accrued liabilities			
Insurance and reinsurance companies		27,016	19,612
Policyholders		7,167	22,361
Others	17	7,133	8,433
Lease liabilities	15	233	355
Total liabilities		198,069	206,444
Equity			
Share capital	18	14,300	14,300
Treasury shares	18	(162)	(80)
Share premium	18	4,362	4,362
Statutory reserve	18	4,508	4,179
General reserve	18	1,358	1,358
Investments fair value reserve		2,819	2,236
Currency translation reserve		(1,090)	(982)
Retained earnings		13,512	12,172
Equity attributable to shareholders of the parent		39,607	37,545
Non-controlling interests		1,847	1,750
Total equity		41,454	39,295
TOTAL LIABILITIES AND EQUITY		239,523	245,739
 Murad Ali Murad Chairman		 Hassan Mohammed Zainalabedin Director	
 Dr. Abdulla Sultan Chief Executive Officer			

The attached notes 1 to 31 form part of these financial statements

Bahrain Kuwait Insurance Company B.S.C.

COMPANY'S SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2020


	Notes	2020 BD '000	2019 BD '000
ASSETS			
Cash and balances with banks	7	30,779	29,718
Statutory deposits	8	5,467	4,458
Insurance receivables	9	28,115	39,043
Deferred acquisition costs	10	1,214	1,342
Reinsurers' share of insurance liabilities	11	109,693	113,041
Investments	12	17,900	16,634
Investment in a subsidiary		6,683	6,683
Investment property	13	3,149	-
Property and equipment	14	3,420	3,543
Right of use asset	15	194	304
TOTAL ASSETS		206,614	214,766
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	11	131,213	132,811
Unearned commissions	16	1,996	1,891
Payables and accrued liabilities			
Insurance and reinsurance companies		24,031	16,199
Policyholders		5,717	20,879
Others	17	5,929	6,769
Lease liabilities	15	208	316
Total liabilities		169,094	178,865
Equity			
Share capital	18	14,300	14,300
Treasury shares	18	(162)	(80)
Share premium	18	4,362	4,362
Statutory reserve	18	4,257	4,043
General reserve	18	1,358	1,358
Investments fair value reserve		2,780	2,149
Currency translation reserve		(1,090)	(982)
Retained earnings		11,715	10,751
Total equity		37,520	35,901
TOTAL LIABILITIES AND EQUITY		206,614	214,766



 Murad Ali Murad
 Chairman



 Hassan Mohammed Zainalabedin
 Director



 Dr. Abdulla Sultan
 Chief Executive Officer

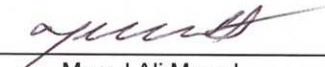
The attached notes 1 to 31 form part of these financial statements

Bahrain Kuwait Insurance Company B.S.C.


CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 BD '000	2019 BD '000
Gross premiums	19	85,430	81,656
Reinsurers' share of gross premiums	11	(51,469)	(48,446)
Retained premiums		33,961	33,210
Unearned premiums adjustment - gross		3,237	(3,911)
Unearned premiums adjustment - reinsurance		(2,760)	3,975
Net premiums		34,438	33,274
Gross claims paid	11	(53,339)	(73,862)
Reinsurers' share of claims paid	11	32,305	51,218
Outstanding claims adjustment - gross		(1,598)	(15,926)
Outstanding claims adjustment - reinsurance		(1,072)	14,089
Net claims		(23,704)	(24,481)
Premium deficiency reserves adjustment		-	(94)
Transfer to family takaful technical reserve		(332)	(269)
General and administration expenses	20	(7,087)	(7,092)
Amortisation of acquisition costs	10	(3,817)	(3,918)
Fee and commission income	21	3,982	4,799
		(7,254)	(6,574)
Underwriting profit		3,480	2,219
Investment income - net	22	1,845	2,071
Share of results of an associate		54	51
Corporate expenses		(1,343)	(1,309)
Other income	23	910	660
Other expenses	23	(629)	(526)
		837	947
Profit including participants' share		4,317	3,166
Less: Participants' share		400	340
Profit for the year		3,917	2,826
Attributable to:			
Shareholders of the parent		3,809	2,701
Non-controlling interests		108	125
		3,917	2,826
Basic and diluted earnings per share	24	27 Fils	19 Fils


Murad Ali Murad
Chairman


Hassan Mohammed Zainalabedin
Director


Dr. Abdulla Sultan
Chief Executive Officer

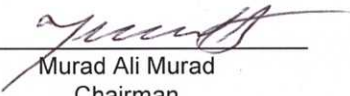
The attached notes 1 to 31 form part of these financial statements

Bahrain Kuwait Insurance Company B.S.C.


COMPANY'S SEPARATE STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 BD '000	2019 BD '000
Gross premiums	19	62,571	59,935
Reinsurers' share of gross premiums	11	(45,042)	(42,158)
Retained premiums		17,529	17,777
Unearned premiums adjustment - gross		3,048	(3,939)
Unearned premiums adjustment - reinsurance		(2,908)	3,787
Net premiums		17,669	17,625
Gross claims paid	11	(39,670)	(58,191)
Reinsurers' share of claims paid	11	29,626	46,119
Outstanding claims adjustment - gross		(1,450)	(17,870)
Outstanding claims adjustment - reinsurance		(440)	16,879
Net claims		(11,934)	(13,063)
Premium deficiency reserves adjustment		-	(94)
General and administration expenses	20	(3,389)	(3,617)
Amortisation of acquisition costs	10	(2,392)	(2,706)
Fee and commission income	21	3,187	3,922
		(2,594)	(2,495)
Underwriting profit		3,141	2,067
Investment income - net	22	1,649	1,662
Corporate expenses		(1,125)	(1,076)
Other income	23	282	10
Other expenses	23	(629)	(526)
		177	70
Profit for the year		3,318	2,137
Basic and diluted earnings per share	24	23 Fils	15 Fils


Murad Ali Murad
Chairman


Hassan Mohammed Zainalabedin
Director


Dr. Abdulla Sultan
Chief Executive Officer

The attached notes 1 to 31 form part of these financial statements

Bahrain Kuwait Insurance Company B.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	BD '000	BD '000
Profit for the year	3,917	2,826
Other comprehensive income to be reclassified to statement of profit or loss in subsequent years:		
<i>Available-for-sale investments:</i>		
Fair value changes arising during the year	723	1,316
Recycled to the statement of profit or loss on disposal/impairment	(151)	(153)
	572	1,163
Currency translation differences	(108)	(40)
Net other comprehensive income for the year to be reclassified to the statement of profit or loss in subsequent years	464	1,123
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,381	3,949
Attributable to:		
Shareholders of the parent	4,284	3,787
Non-controlling interests	97	162
	4,381	3,949

Bahrain Kuwait Insurance Company B.S.C.

COMPANY'S SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	BD '000	BD '000
Profit for the year	3,318	2,137
Other comprehensive income to be reclassified to statement of profit or loss in subsequent years:		
<i>Available-for-sale investments:</i>		
Fair value changes arising during the year	913	1,134
Recycled to the statement of profit or loss on disposal/impairment	(282)	(181)
	631	953
Currency translation differences	(108)	(40)
Net other comprehensive income for the year to be reclassified to the statement of profit or loss in subsequent years	523	913
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,841	3,050

Bahrain Kuwait Insurance Company B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	<i>Notes</i>	2020 BD '000	2019 BD '000
OPERATING ACTIVITIES			
Premiums received net of commission		81,115	75,463
Paid to insurance and reinsurance companies		(41,299)	(47,091)
Claims paid		(54,228)	(76,711)
Claims recovered		32,901	54,062
General and administrative expenses paid		(6,005)	(5,672)
Interest and other payments		(684)	(955)
Statutory deposits		(1,010)	367
Net cash flows from / (used in) operating activities		10,790	(537)
INVESTING ACTIVITIES			
Dividends and interest received		2,677	2,335
Proceeds from sale of investments		9,670	9,896
Payments for investments purchased		(10,635)	(7,010)
Proceeds from sale of property and equipment		13	117
Purchase of property and equipment		(84)	(141)
Purchase of Investment property		(2,148)	-
Bank deposits with maturities of more than three months	7	2,658	(2,134)
Purchase of treasury shares		(82)	(72)
Net cash inflow from deconsolidation of a subsidiary		-	(941)
Net cash flows from investing activities		2,069	2,050
FINANCING ACTIVITY			
Dividend paid		(2,402)	(2,121)
Cash flows used in financing activities		(2,402)	(2,121)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		10,457	(608)
Cash and cash equivalents at beginning of the year		15,550	16,158
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	26,007	15,550
COMPRISING:			
CASH AND BALANCES WITH BANKS			
Cash and balance in current accounts		18,372	11,854
Bank deposits with original maturities of three months or less		7,635	3,696
CASH AND CASH EQUIVALENTS		26,007	15,550
Bank deposits with original maturities of more than three months		23,063	25,721
Cash and balances with banks as per the consolidated statement of financial position	7	49,070	41,271

The attached notes 1 to 31 form part of these financial statements

Bahrain Kuwait Insurance Company B.S.C.
COMPANY'S SEPARATE STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	<i>Notes</i>	2020 BD '000	2019 BD '000
OPERATING ACTIVITIES			
Premiums received net of commission		55,565	54,237
Paid to insurance and reinsurance companies		(34,470)	(40,883)
Claims paid		(39,524)	(58,308)
Claims recovered		29,589	46,174
General and administrative expenses paid		(3,925)	(4,126)
Interest and other payments		(809)	283
Statutory deposits		(1,009)	367
Net cash flows from / (used in) operating activities		5,417	(2,256)
INVESTING ACTIVITIES			
Dividends and interest received		1,784	1,795
Proceeds from sale of investments		8,566	8,187
Payments for investments purchased		(9,036)	(5,834)
Proceeds from sale of property and equipment		13	118
Purchase of property and equipment		(50)	(684)
Bank deposits with maturities of more than three months	7	3,346	2,115
Purchase of treasury shares		(82)	(72)
Purchase of Investment property		(3,149)	
Net cash flows from investing activities		1,392	5,625
FINANCING ACTIVITY			
Dividend paid		(2,402)	(2,121)
Cash flows used in financing activities		(2,402)	(2,121)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,407	1,248
Cash and cash equivalents at beginning of the year		12,959	11,711
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	17,366	12,959
COMPRISING:			
CASH AND BALANCES WITH BANKS			
Cash and balance in current accounts		13,160	9,263
Bank deposits with original maturities of three months or less		4,206	3,696
CASH AND CASH EQUIVALENTS		17,366	12,959
Bank deposits with original maturities of more than three months		13,413	16,759
Cash and balances with banks as per the Company's separate statement of financial position	7	30,779	29,718

The attached notes 1 to 31 form part of these financial statements

Bahrain Kuwait Insurance Company B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital BD '000	Treasury shares BD '000	Share premium BD '000	Statutory reserve BD '000	General reserve BD '000	Investments fair value reserve BD '000	Currency translation reserve BD '000	Retained earnings BD '000	Equity attributable to shareholders of the Parent BD '000	Non-Controlling interests BD '000	Total BD '000
Balance at 1 January 2020	14,300	(80)	4,362	4,179	1,358	2,236	(982)	12,172	37,545	1,750	39,295
Profit for the year	-	-	-	-	-	-	-	3,809	3,809	108	3,917
Other comprehensive income	-	-	-	-	-	583	(108)	-	475	-	475
Non-controlling interests' share of other comprehensive income	-	-	-	-	-	-	-	-	-	(11)	(11)
Total comprehensive income	-	-	-	-	-	583	(108)	3,809	4,284	97	4,381
Dividend for the year 2019 (note 18)	-	-	-	-	-	-	-	(2,140)	(2,140)	-	(2,140)
Purchase of treasury shares	-	(82)	-	-	-	-	-	-	(82)	-	(82)
Transfer to statutory reserve	-	-	-	329	-	-	-	(329)	-	-	-
Balance at 31 December 2020	14,300	(162)	4,362	4,508	1,358	2,819	(1,090)	13,512	39,607	1,847	41,454
Balance at 1 January 2019	14,300	(3)	4,362	3,848	1,354	1,111	(942)	11,945	35,975	1,689	37,664
Profit for the year	-	-	-	-	-	-	-	2,701	2,701	125	2,826
Other comprehensive income	-	-	-	-	-	1,125	(40)	-	1,085	-	1,085
Non-controlling interests' share of other comprehensive income	-	-	-	-	-	-	-	-	-	38	38
Total comprehensive income	-	-	-	-	-	1,125	(40)	2,701	3,786	163	3,949
Dividend for the year 2018	-	-	-	-	-	-	-	(2,144)	(2,144)	-	(2,144)
Purchase of treasury shares	-	(72)	-	-	-	-	-	-	(72)	-	(72)
Transfer to statutory reserve	-	-	-	331	-	-	-	(331)	-	-	-
Transfer to general reserve	-	(5)	-	-	4	-	-	1	-	-	-
Deconsolidation of subsidiary	-	-	-	-	-	-	-	-	-	(102)	(102)
Balance at 31 December 2019	14,300	(80)	4,362	4,179	1,358	2,236	(982)	12,172	37,545	1,750	39,295

The attached notes 1 to 31 form part of these financial statements

Bahrain Kuwait Insurance Company B.S.C.

COMPANY'S SEPARATE STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital BD '000	Treasury shares BD '000	Share premium BD '000	Statutory reserve BD '000	General reserve BD '000	Investments fair value reserve BD '000	Currency translation reserve BD '000	Retained earnings BD '000	Total BD '000
Balance at 1 January 2020	14,300	(80)	4,362	4,043	1,358	2,149	(982)	10,751	35,901
Profit for the year	-	-	-	-	-	-	-	3,318	3,318
Other comprehensive income / (loss)	-	-	-	-	-	631	(108)	-	523
Total comprehensive income	-	-	-	-	-	631	(108)	3,318	3,841
Dividend for the year 2019 (note 18)	-	-	-	-	-	-	-	(2,140)	(2,140)
Purchase of treasury shares	-	(82)	-	-	-	-	-	-	(82)
Transfer to statutory reserve	-	-	-	214	-	-	-	(214)	-
Balance at 31 December 2020	14,300	(162)	4,362	4,257	1,358	2,780	(1,090)	11,715	37,520
Balance at 1 January 2019	14,300	(3)	4,362	3,781	1,354	1,196	(942)	11,019	35,067
Profit for the year	-	-	-	-	-	-	-	2,137	2,137
Other comprehensive income / (loss)	-	-	-	-	-	953	(40)	-	913
Total comprehensive income	-	-	-	-	-	953	(40)	2,137	3,050
Dividend for the year 2018	-	-	-	-	-	-	-	(2,144)	(2,144)
Purchase of treasury shares	-	(72)	-	-	-	-	-	-	(72)
Transfer to statutory reserve	-	-	-	262	-	-	-	(262)	-
Transfer to general reserve	-	(5)	-	-	4	-	-	1	-
Balance at 31 December 2019	14,300	(80)	4,362	4,043	1,358	2,149	(982)	10,751	35,901

The attached notes 1 to 31 form part of these financial statements

At 31 December 2020

1 INCORPORATION AND ACTIVITIES

Bahrain Kuwait Insurance Company B.S.C. ("the Company") was formed pursuant to Amiri Decree 3 of 1975 under commercial registration number 4745 and is listed on the stock exchanges of the Kingdom of Bahrain and the State of Kuwait. The registered office of the Company is at BKIC Tower 2775, Road 2835, Seef District 428, Kingdom of Bahrain. The Company and its subsidiaries (together the "Group") provide general insurance, takaful and related products and services.

The Company primarily conducts general insurance business through its head office and branches in the Kingdom of Bahrain (the "Head Office") and a branch office in the State of Kuwait (the "Kuwait Branch").

The majority shareholder of the Group is Gulf Insurance Group K.S.C., a listed entity registered and incorporated in the State of Kuwait. The ultimate holding company is Kuwait Projects Company Holding K.S.C. (c), a listed entity registered and incorporated in the State of Kuwait.

Impact of COVID-19

During the year ended 31 December 2020, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. While these developments continue to impact the Group's operations, the scale and duration of further developments remain uncertain at this stage and could potentially further impact the Group's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable.

The consolidated and separate financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 17 February 2021.

2 BASIS OF PREPARATION

Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant provisions of the Bahrain Commercial Companies Law, the Insurance Regulations contained in Volume 3 and applicable provisions of Volume 6 of the Central Bank of Bahrain's (CBB) rulebook, CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse and the Central Bank of Bahrain and Financial Institutions Law 2006.

Accounting convention

The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

Functional currency

The consolidated and separate financial statements have been presented in Bahraini Dinars (BD) which is the functional currency of the Group and are rounded to the nearest BD thousands (BD '000) except when otherwise indicated.

3 BASIS OF CONSOLIDATION

The consolidated and separate financial statements comprise the consolidated and separate financial statements of the Group and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

3 BASIS OF CONSOLIDATION (continued)

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The following are the subsidiaries of the Group:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Effective ownership</i>		<i>Principal activity</i>
		<i>2020</i>	<i>2019</i>	
Takaful International Company B.S.C.	Bahrain	81.9%	81.9%	The principal activity of Takaful is to manage the General and Family takaful activities and investments by adopting wakala and mudaraba models respectively, on behalf of the participants in accordance with the Islamic Shari'a principles.

Investment in an associate

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

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

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

3 BASIS OF CONSOLIDATION (continued)

Investment in an associate (continued)

The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profits or losses from associates is shown on the face of the consolidated statement of profit or loss. This is the profit or loss attributable to equity holders of the associate and therefore is profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group 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 consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the previous financial year, except for new policies in relation to investment property which was acquired in current year and the following new standards and amendments which became effective from 1 January 2020:

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated and separate financial statements as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated and separate financial statements of, nor is there expected to be any future impact to the Group and the Company, respectively.

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated and separate financial statements of the Group and the Company, respectively.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated and separate financial statements of the Group and the Company, respectively.

Interest Rate Benchmark Reform ("IBOR") – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform phase 1)

IBOR reform phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether an economic relationship exists and whether prospectively the hedging relationship is expected to be effective.

The Group has no hedging instruments as of the reporting date.

The adoption of these standards and interpretations did not have any significant effect on the Group's consolidated financial position, consolidated financial statements.

Summary of significant accounting policies

Investment property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of investment property. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and impairment, if any.

Investment property is derecognised when either it is disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss and Company's separate statement of profit or loss in the year of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Investment property (continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to property and equipment, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If property and equipment become investment property, the Group account for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Product classification

Insurance contracts are those contracts in which the Group [the insurer] has accepted significant insurance risk from another party [the policyholder] by agreeing to compensate the policyholder if a specified uncertain future event [the insured event] adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank current accounts and short-term deposits with original maturities of three months or less.

Insurance receivables

Insurance receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated and separate statements of profit or loss.

Deferred acquisition costs

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

Subsequent to initial recognition, these costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised on the same basis used in the calculation of gross unearned premiums. Amortisation is recorded in the consolidated and separate statements of profit or loss.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

Investments

The Group classifies its investments into held-to-maturity and available-for-sale categories. The Group determines the classification of its financial assets on initial recognition.

Financial assets are recognised initially at fair value, including directly attributable transaction costs.

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Investments (continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at fair value, being the consideration paid for the acquisition of the investment including transaction costs directly attributable to the acquisition. After initial measurement these are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the consolidated and separate consolidated and separate statements of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Interest income from held-to-maturity investments are recognised on an accruals basis, using the effective yield method and included under investment income in the consolidated and separate statements of profit or loss.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. These investments are initially recorded at fair value. After initial measurement these are remeasured at fair value. Fair value gains and losses are reported as a separate component in other comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the consolidated and separate statements of profit or loss. Dividend income on available for sale investments is included under investment income in the consolidated and separate statements of profit or loss.

Property and equipment

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

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

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated and separate statements of profit or loss as an expense.

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

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Leases (continued)

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, in rare circumstances, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments, dependent on a rate or index, is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The Group leases a number of properties in the countries from which it operates. The Group's lease payments are fixed over the lease terms and are therefore not sensitive to uplifts due to variable lease payments.

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Foreign currency translation

The consolidated and separate financial statements are presented in Bahraini Dinars which is the functional currency of the Group. The Group's Kuwait office, however uses the Kuwaiti Dinar as its functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated and separate statements of financial position date. All differences are taken to the consolidated and separate statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated and separate statements of profit or loss, except for differences relating to items where gains or losses are recognised directly in equity, in which case the gain or loss is recognised in equity.

The assets and liabilities of the Kuwait branch are translated into Bahraini Dinars at the rate of exchange prevailing at the consolidated and separate statements of financial position date and the consolidated and separate statements of profit or loss is translated at average exchange rates for the year. The exchange differences arising on the translation are taken directly to 'currency translation reserve' a separate component of equity.

Treasury shares

Own equity instruments which are acquired are deducted from equity and accounted for at weighted average cost. No gain or loss is recognised in the consolidated and separate statements of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such gains or losses are recorded in equity.

Dividends on share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the consolidated and separate statements of financial position date are dealt with as an event after the reporting period.

Revenue recognition

Gross premiums

Gross premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the consolidated and separate statements of financial position date. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums and is calculated as follows:

- by the 1/365th method for all annual policies, except for marine cargo business; and
- at 25% of gross premiums and reinsurance cessions for marine cargo business. This approximation method is used because marine cargo policies cover variable periods shorter than one year, in order to spread the premiums earned over the tenure of the insurance policies.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Revenue recognition (continued)

Reinsurance premiums

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

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the consolidated and separate statements of financial position date. The proportions attributable to subsequent periods are deferred and are determined on the same basis used in the calculation of gross unearned premiums.

Fee and commission income

Policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods then they are deferred and amortised on the same basis used in the calculation of gross unearned premiums.

Interest income

Interest income is recognised in the consolidated and separate statements of profit or loss as it accrues and is calculated by using the effective interest rate method.

Rental income

Rental income is recognised on an accrual basis.

Dividends

Dividends are recognised as income when the Group's and Company's right to receive the payment is established.

Government grants

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Claims

Claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Reinsurance commissions

Commissions receivable on outward reinsurance contracts are deferred and amortised over the term of the expected premiums payable.

Reinsurance

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

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

Premiums and claims are presented on a gross basis.

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Reinsurance (continued)

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

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

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statements of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expense is not offset in the consolidated and separate statements of profit or loss unless required or permitted by any accounting standard or interpretation.

Fair value of financial instruments

The Group measures financial instruments such as available for sale investments at fair value at each balance sheet date.

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 by the Group.

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated and separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses at each consolidated and separate statements of financial position date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the consolidated and separate statements of profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each consolidated and separate statements of financial position date.

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. Any subsequent reversal of an impairment loss is recognised in the consolidated and separate statements of profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to the consolidated and separate statements of profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated and separate statements of profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the consolidated and separate statements of profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated and separate statements of profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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, the asset is recognised to the extent of the Group's continuing involvement in the asset.

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)

Financial liabilities

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

Insurance liabilities

Insurance liabilities comprise outstanding claims and unearned premiums.

Outstanding claims

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the consolidated and separate statements of financial position date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the consolidated and separate statements of financial position date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Unearned premiums

The provision for unearned premiums represents premiums received for risks that have not yet expired. The reserve is matched with the premiums earned and released.

Liability adequacy test

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate the deficiency is recognised in the consolidated and separate statements of profit or loss by setting up a provision for liability adequacy.

Employees' end of service benefits

The Group provides end of service benefits to all employees (expatriates and locals) in accordance with the relevant regulations. The entitlement to these benefits is based upon the employees' final salaries and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment based on the notional amount payable if all employees had left at the consolidated and separate statements of financial position date.

With respect to its national employees, the Group makes contributions to the Social Insurance Organisation calculated as a percentage of the employees' salaries in accordance with the relevant regulations. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

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

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Standards issued but not yet effective up to the date of issuance of the Group's consolidated and separate financial statements are listed below. The Group intends to adopt those standards (where applicable) when they become effective:

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group plans to adopt the new standard on the required effective date together with IFRS 9. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on the consolidated statement of profit or loss and Company's separate statement of profit or loss and total equity of the Group and the Company together with presentation and disclosure. Such assessment is still being made by management.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

At 31 December 2020

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Interest Rate Benchmark Reform (Phase 2)

On 27 August 2020 the IASB published 'Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary reliefs to address the accounting issues which arise upon the replacement of an IBOR with an alternative nearly risk-free profit rate. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Interest Rate Benchmark Reform (Phase 2)

The impact of the replacement of interbank offered rates with alternative risk-free rates on the Group's products and services remains a key area of focus. The Group has exposure to contracts referencing IBORs, such as LIBOR, extending beyond FY2021, when it is likely that these IBORs will cease being published or any subsequent timeline as determined by the relevant bodies. The Group is currently assessing the impact of the transition to the new rate regimes after 2021 by considering changes in its products, services, systems and reporting and will continue to engage with internal and external stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

6 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The most significant uses of judgements and estimates are as follows:

Judgements

Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as a held to maturity investment or an available-for-sale investment. Investments are classified as held to maturity if the investment has fixed or determinable payments and a fixed maturity and for which the Group has the intent and ability to hold to maturity. All other investments are classified as available-for-sale.

Estimates and assumptions

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Group will ultimately pay for such claims, The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the consolidated and separate statements of financial position date, for which the insured event has occurred prior to the consolidated and separate statements of financial position date.

All insurance contracts are subject to a liability adequacy test, as is explained in the accounting policy for insurance liabilities above.

Impairment losses on available-for-sale securities

The Group determines that available-for-sale unquoted equity securities and managed funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' as 30% and 'prolonged' as twelve months, subject to a minimum decline of 15% in the market price. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgement, the Group evaluates, amongst other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance and operating and financing cash flows.

Impairment losses on held-to-maturity

The Group reviews its individually significant held-to-maturity investments at each consolidated and separate statements of financial position date to assess whether an impairment loss should be recorded in the consolidated and separate statements of profit or loss. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment losses on receivables

The Group assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgement. In making this judgement, the Group evaluates credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated and separate financial statements continue to be prepared on the going concern basis.

7 CASH AND BALANCES WITH BANKS

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
Cash and bank current accounts	18,372	13,160	11,854	9,263
Bank deposits with original maturities of three months or less	7,635	4,206	3,696	3,696
Cash and cash equivalents	26,007	17,366	15,550	12,959
Bank deposits with original maturities of more than three months	23,063	13,413	25,721	16,759
Cash and balances with banks	49,070	30,779	41,271	29,718

8 STATUTORY DEPOSITS

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
Kingdom of Bahrain	250	125	250	125
State of Kuwait	5,342	5,342	4,333	4,333
	5,592	5,467	4,583	4,458

Kingdom of Bahrain

Under the Central Bank of Bahrain and Financial Institutions Law of 2006, all insurance companies operating in the Kingdom of Bahrain must maintain deposits with a retail bank licensed to do business in Bahrain. Such deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the Central Bank of Bahrain.

State of Kuwait

Deposits are required to be placed with Kuwaiti banks in compliance with the regulations of the Kuwaiti Ministry of Commerce and Industry. The deposits, which are based on prior year gross premiums of the Kuwait Branch, are of a revolving nature.

A statutory deposit of BD 5,342 thousand (2019: BD 4,333 thousand) is pledged as security for a regulatory guarantee issued by a bank in favour of the Ministry of Commerce and Industry of the State of Kuwait.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

9 INSURANCE RECEIVABLES

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
Policyholders	29,212	25,078	40,263	33,640
Insurance and reinsurance companies	5,566	3,433	9,590	5,270
Allowance for impairment	(3,025)	(1,718)	(2,134)	(1,264)
	31,753	26,793	47,719	37,646
Other	2,880	1,322	2,034	1,397
	34,633	28,115	49,753	39,043

As at 31 December 2020, gross insurance receivables amounting to BD 8,755 thousand for Group and Company: BD 5,809 thousand (2019: Group BD 18,824 thousand and Company: BD 15,433 thousand) were impaired. Movements in the allowance for impairment of insurance receivables were as follows:

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
Allowance for impairment				
At 1 January	2,134	1,264	1,625	854
Charge for the year	891	454	510	411
Foreign exchange adjustment	-	-	(1)	(1)
At 31 December	3,025	1,718	2,134	1,264

At 31 December, the ageing of insurance receivables was as follows:

9.1 Group	<i>Past due but not impaired</i>					<i>Impaired</i>
	<i>Neither past due nor impaired</i>	<i>Less than 120 days</i>	<i>121 to 180 days</i>	<i>181 to 365 days</i>	<i>More than 365 days</i>	
<i>Total</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
2020	31,753	3,607	14,429	2,419	5,535	5,763
2019	47,719	12,067	10,804	1,507	6,254	17,087
9.2 Company	<i>Past due but not impaired</i>					<i>Impaired</i>
<i>Neither past due nor impaired</i>	<i>Less than 120 days</i>	<i>121 to 180 days</i>	<i>181 to 365 days</i>	<i>More than 365 days</i>		
<i>Total</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
2020	26,793	2,613	14,416	1,916	3,723	4,125
2019	37,646	10,650	7,665	745	4,193	14,393

Allowance for impairment represents the allowance for impaired receivables as per the Group's policy. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

10 DEFERRED ACQUISITION COSTS

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
At 1 January	1,916	1,342	1,959	1,359
Acquisition costs	3,608	2,264	3,876	2,690
Amortisation for the year	(3,817)	(2,392)	(3,918)	(2,706)
Foreign exchange adjustment	-	-	(1)	(1)
At 31 December	1,707	1,214	1,916	1,342

11 INSURANCE LIABILITIES**11.1 Group**

	2020			2019		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	BD '000	share	BD '000	BD '000	share	BD '000
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Outstanding claims	97,890	(79,782)	18,108	96,292	(80,854)	15,438
Unearned premiums	50,834	(35,794)	15,040	54,071	(38,554)	15,517
Premium deficiency reserve	351	-	351	351	-	351
	149,075	(115,576)	33,499	150,714	(119,408)	31,306

(a) Outstanding claims*Movement in outstanding claims*

	2020			2019		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	BD '000	share	BD '000	BD '000	share	BD '000
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
<i>At 1 January</i>						
Reported claims	86,480	(77,181)	9,299	72,830	(63,944)	8,886
IBNR claims	9,812	(3,673)	6,139	7,603	(2,881)	4,722
	96,292	(80,854)	15,438	80,433	(66,825)	13,608
Incurred during the year	54,937	(31,233)	23,704	89,788	(65,307)	24,481
(Paid) recovered during the year	(53,339)	32,305	(21,034)	(73,862)	51,218	(22,644)
Foreign exchange adjustment	-	-	-	(67)	60	(7)
At 31 December	97,890	(79,782)	18,108	96,292	(80,854)	15,438
<i>At 31 December</i>						
Reported claims	83,663	(74,013)	9,650	86,480	(77,181)	9,299
IBNR claims	14,227	(5,769)	8,458	9,812	(3,673)	6,139
	97,890	(79,782)	18,108	96,292	(80,854)	15,438

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

11 INSURANCE LIABILITIES (continued)**(b) Unearned premiums**

11.1 Group (continued)	2020			2019		
	<i>Gross</i> <i>BD '000</i>	<i>Reinsurers'</i> <i>share</i> <i>BD '000</i>	<i>Net</i> <i>BD '000</i>	<i>Gross</i> <i>BD '000</i>	<i>Reinsurers'</i> <i>share</i> <i>BD '000</i>	<i>Net</i> <i>BD '000</i>
At 1 January	54,071	(38,554)	15,517	50,188	(34,600)	15,588
Premiums written (ceded)	85,430	(51,469)	33,961	81,656	(48,446)	33,210
Premiums earned	(88,667)	54,229	(34,438)	(77,745)	44,471	(33,274)
Foreign exchange adjustment	-	-	-	(28)	21	(7)
At 31 December	50,834	(35,794)	15,040	54,071	(38,554)	15,517

11.2 Company	2020			2019		
	<i>Gross</i> <i>BD '000</i>	<i>Reinsurers'</i> <i>share</i> <i>BD '000</i>	<i>Net</i> <i>BD '000</i>	<i>Gross</i> <i>BD '000</i>	<i>Reinsurers'</i> <i>share</i> <i>BD '000</i>	<i>Net</i> <i>BD '000</i>
Outstanding claims	89,166	(76,226)	12,940	87,716	(76,666)	11,050
Unearned premiums	41,696	(33,467)	8,229	44,744	(36,375)	8,369
Premium deficiency reserve	351	-	351	351	-	351
	131,213	(109,693)	21,520	132,811	(113,041)	19,770

(a) Outstanding claims*Movement in outstanding claims*

	2020			2019		
	<i>Gross</i> <i>BD '000</i>	<i>Reinsurers'</i> <i>share</i> <i>BD '000</i>	<i>Net</i> <i>BD '000</i>	<i>Gross</i> <i>BD '000</i>	<i>Reinsurers'</i> <i>share</i> <i>BD '000</i>	<i>Net</i> <i>BD '000</i>
<i>At 1 January</i>						
Reported claims	80,519	(73,954)	6,565	64,416	(57,927)	6,489
IBNR claims	7,197	(2,712)	4,485	5,497	(1,920)	3,577
	87,716	(76,666)	11,050	69,913	(59,847)	10,066
Incurred during the year	41,120	(29,186)	11,934	76,061	(62,998)	13,063
(Paid) recovered during the year	(39,670)	29,626	(10,044)	(58,191)	46,119	(12,072)
Foreign exchange adjustment	-	-	-	(67)	60	(7)
At 31 December	89,166	(76,226)	12,940	87,716	(76,666)	11,050
<i>At 31 December</i>						
Reported claims	77,972	(70,987)	6,985	80,519	(73,954)	6,565
IBNR claims	11,194	(5,239)	5,955	7,197	(2,712)	4,485
	89,166	(76,226)	12,940	87,716	(76,666)	11,050

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

11 INSURANCE LIABILITIES (continued)

(b) Unearned premiums

	2020			2019		
	<i>Gross BD '000</i>	<i>Reinsurers' share BD '000</i>	<i>Net BD '000</i>	<i>Gross BD '000</i>	<i>Reinsurers' share BD '000</i>	<i>Net BD '000</i>
At 1 January	44,744	(36,375)	8,369	40,833	(32,609)	8,224
Premiums written (ceded)	62,571	(45,042)	17,529	59,935	(42,158)	17,777
Premiums earned	(65,619)	47,950	(17,669)	(55,996)	38,371	(17,625)
Foreign exchange adjustment	-	-	-	(28)	21	(7)
At 31 December	41,696	(33,467)	8,229	44,744	(36,375)	8,369

Bahrain Kuwait Insurance Company B.S.C.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

11 INSURANCE LIABILITIES (continued)

Claims development - Group

The following tables show the estimate of cumulative incurred claims, including both reported claims and IBNR for each successive accident year at each consolidated statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Gross outstanding claims										
At end of accident year	34,548	52,809	30,998	31,943	35,886	85,392	87,467	38,315	47,532	444,890
One year later	34,273	61,996	33,257	32,904	42,126	88,188	140,357	40,201		473,302
Two years later	33,528	60,798	34,082	34,070	39,510	86,881	144,076			432,945
Three years later	33,334	56,882	34,605	33,253	39,398	87,441				284,913
Four years later	33,281	57,062	34,305	33,337	40,153					198,138
Five years later	33,409	56,745	34,614	33,389						158,157
Six years later	33,553	56,728	34,815							125,096
Seven years later	33,482	57,008								90,490
Eight years later	33,495									33,495
Current estimate of cumulative claims incurred	33,495	57,008	34,815	33,389	40,153	87,441	144,076	40,201	47,532	518,110
Cumulative payments to date	(32,918)	(56,303)	(34,070)	(32,172)	(38,741)	(83,563)	(93,806)	(32,225)	(18,498)	(422,296)
Liability recognised in the consolidated statement of financial position	577	705	745	1,217	1,412	3,878	50,270	7,976	29,034	95,814
Liability in respect of years prior to 2012										2,076
Total liability included in the consolidated statement of financial position										97,890

Bahrain Kuwait Insurance Company B.S.C.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

11 INSURANCE LIABILITIES (continued)

Claims development - Group (continued)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Net outstanding claims										
At end of accident year	15,217	16,235	16,554	15,941	18,792	16,198	23,156	22,848	21,632	166,573
One year later	14,812	16,715	16,753	16,689	21,088	18,071	24,266	22,778		151,172
Two years later	14,976	17,108	17,365	17,967	21,278	17,985	24,662			131,341
Three years later	15,165	17,414	18,119	17,691	21,455	18,452				108,296
Four years later	15,206	17,679	17,886	17,867	22,044					90,682
Five years later	15,343	17,589	18,086	17,815						68,833
Six years later	15,490	17,634	18,296							51,420
Seven years later	15,430	17,871								33,301
Eight years later	15,422									15,422
Current estimate of cumulative claims incurred	15,422	17,871	18,296	17,815	22,044	18,452	24,662	22,778	21,632	178,972
Cumulative payments to date	(15,004)	(17,398)	(17,855)	(17,368)	(21,675)	(17,495)	(22,768)	(20,280)	(11,371)	(161,214)
Liability recognised in the consolidated statement of financial position	418	473	441	447	369	957	1,894	2,498	10,261	17,758
Liability in respect of years prior to 2012										350
Total liability included in the consolidated statement of financial position										18,108

Bahrain Kuwait Insurance Company B.S.C.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

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11 INSURANCE LIABILITIES (continued)

Claims development - Company

The following tables show the estimate of cumulative incurred claims, including both reported claims and IBNR for each successive accident year at each separate statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Gross outstanding claims										
At end of accident year	21,043	36,242	15,054	17,828	16,343	70,535	73,032	24,745	35,299	177,045
One year later	19,436	43,529	15,327	17,288	21,122	71,493	124,777	26,827		188,195
Two years later	18,684	41,691	15,608	18,003	17,927	71,264	128,094			183,177
Three years later	18,254	37,683	15,921	17,536	17,622	71,201				178,217
Four years later	18,156	37,809	15,698	17,550	17,802					107,015
Five years later	18,243	37,562	15,830	17,476						89,111
Six years later	18,373	37,556	16,013							71,942
Seven years later	18,271	37,832								56,103
Eight years later	18,278									18,278
Current estimate of cumulative claims incurred	18,278	37,832	16,013	17,476	17,802	71,201	128,094	26,827	35,299	368,822
Cumulative payments to date	(17,724)	(37,223)	(15,342)	(16,386)	(16,838)	(68,003)	(78,988)	(20,015)	(11,126)	(281,645)
Liability recognised in the separate statement of financial position	554	609	671	1,090	964	3,198	49,106	6,812	24,173	87,177
Liability in respect of years prior to 2012										1,989
Total liability included in the separate statement of financial position										89,166

Bahrain Kuwait Insurance Company B.S.C.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

11 INSURANCE LIABILITIES (continued)

Claims development - Company (continued)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Net outstanding claims										
At end of accident year	9,462	9,416	8,584	8,247	8,839	7,758	13,962	12,544	11,648	90,460
One year later	8,339	8,991	8,073	8,138	10,623	8,200	14,221	12,319		78,904
Two years later	8,448	8,958	8,322	9,213	10,534	8,435	14,426			68,336
Three years later	8,449	9,235	8,954	8,925	10,512	8,523				54,598
Four years later	8,495	9,395	8,658	9,009	10,540					46,097
Five years later	8,515	9,227	8,744	8,816						35,302
Six years later	8,598	9,254	8,920							26,772
Seven years later	8,504	9,474								17,978
Eight years later	8,501									8,501
Current estimate of cumulative claims incurred	8,501	9,474	8,920	8,816	10,540	8,523	14,426	12,319	11,648	93,167
Cumulative payments to date	(8,071)	(8,995)	(8,461)	(8,378)	(10,221)	(7,682)	(12,915)	(10,703)	(5,180)	(80,606)
Liability recognised in the separate statement of financial position	430	479	459	438	319	841	1,511	1,616	6,468	12,561
Liability in respect of years prior to 2012										379
Total liability included in the separate statement of financial position										12,940

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

12 INVESTMENTS

	2020 Group BD '000	2020 Company BD '000	2019 Group BD '000	2019 Company BD '000
<i>Available-for-sale</i>				
Quoted equity investments	18,339	12,952	17,171	12,389
Unquoted equity investments	1,364	1,364	2,184	1,394
Other managed funds	223	35	523	35
	19,926	14,351	19,878	13,818
<i>Held-to-maturity</i>				
Fixed rate bonds	4,091	3,747	3,014	3,014
	4,091	3,747	3,014	3,014
Allowance for impairment	(198)	(198)	(198)	(198)
	3,893	3,549	2,816	2,816
	23,819	17,900	22,694	16,634

Movement in available-for-sale investments

	2020 Group BD '000	2020 Company BD '000	2019 Group BD '000	2019 Company BD '000
Opening balance	19,878	13,818	19,437	13,154
Addition during the year	7,043	5,768	5,006	3,830
Disposals during the year	(6,520)	(5,397)	(5,206)	(3,539)
Realised fair value gains on sale of investments	(952)	(751)	(749)	(762)
Impairment loss for the year	(1,047)	(469)	(695)	(580)
Unrealised fair value gains/(losses) recognised	1,524	1,382	2,085	1,715
Closing balance	19,926	14,351	19,878	13,818

12.1 During the year impairment loss amounting to BD 1,047 thousand (2019: BD 695 thousand) relating to equity investments and other managed funds was recognised in the consolidated statement of profit or loss. An impairment loss of BD 469 thousand (2019: BD 580 thousand) relating to equity investments and other managed funds was recognised in Company's separate statement of profit or loss.

12.2 As at 31 December 2020, the gross amount of impaired debt investments for both Group and Company was BD 198 thousand (Group and Company 2019: BD 198 thousand). No impairment loss has been recognised related to held to maturity investments in the consolidated and separate statement of profit or loss of the Group and the Company, respectively (Group and Company 2019: BD 36 thousand).

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

13 INVESTMENT PROPERTY

	2020 Group BD '000	2020 Company BD '000	2019 Group BD '000	2019 Company BD '000
Cost:				
As at 1 January	-	-	-	-
Additions	1,577	3,154	-	-
As at 31 December	1,577	3,154	-	-
Accumulated depreciation:				
As at 1 January	-	-	-	-
Depreciation	3	5	-	-
As at 31 December	3	5	-	-
Carrying amount				
As at 31 December	1,574	3,149	-	-
Estimated useful live	25 years	25 years		

Investment property in the books of the Company comprises of land of BD 1,654 thousand and building of BD 1,495 thousand as at 31 December 2020. A part of the building is being leased to the subsidiary. The Building was jointly owned by Takaful International Company B.S.C. (the subsidiary of the Company or "the subsidiary") and AIKffa Holding B.S.C. (c).

The Group is exposed to risk arising from movements in properties and land prices. A 10% change in property prices will have effect of BD 157 thousand (2019: nil) on the Group's consolidated statement of profit and loss and BD 315 thousand (2019: nil) on Company's separate statement of profit or loss.

14 PROPERTY AND EQUIPMENT

14.1 Group	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
Cost:				
At 1 January 2020	5,997	5,124	73	11,194
Transfers	11	(11)	-	-
Additions during the year	26	82	-	108
Disposals during the year	-	(1,526)	-	(1,526)
At 31 December 2020	6,034	3,669	73	9,776
Accumulated depreciation and impairment:				
At 1 January 2020	1,542	4,875	73	6,490
Relating to transfers	1	(1)	-	-
Depreciation for the year	177	111	-	288
Relating to disposals	-	(1,526)	-	(1,526)
At 31 December 2020	1,720	3,459	73	5,252
Carrying amount:				
At 31 December 2020	4,314	210	-	4,524
Estimated useful lives	25 years	3-10 years	4 years	

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

14 PROPERTY AND EQUIPMENT (continued)

14.2 Company	<i>Land and buildings BD '000</i>	<i>Furniture and equipment BD '000</i>	<i>Vehicles BD '000</i>	<i>Total BD '000</i>
<i>Cost:</i>				
At 1 January 2020	4,349	2,663	15	7,027
Additions during the year	-	50	-	50
Disposals during the year	-	(13)	-	(13)
At 31 December 2020	4,349	2,700	15	7,064
<i>Accumulated depreciation:</i>				
At 1 January 2020	963	2,506	15	3,484
Depreciation for the year	113	58	-	171
Relating to disposals	-	(11)	-	(11)
At 31 December 2020	1,076	2,553	15	3,644
<i>Carrying amount:</i>				
At 31 December 2020	3,273	147	-	3,420
Estimated useful lives	25 years	3-10 years	4 years	
<i>14.1 Group</i>				
	<i>Land and buildings BD '000</i>	<i>Furniture and equipment BD '000</i>	<i>Vehicles BD '000</i>	<i>Total BD '000</i>
<i>Cost:</i>				
At 1 January 2019	6,062	5,177	90	11,329
Additions during the year	13	126	-	139
Disposals during the year	-	(178)	(18)	(196)
Foreign exchange adjustment	-	(1)	1	-
Impairment	(78)	-	-	(78)
At 31 December 2019	5,997	5,124	73	11,194
<i>Accumulated depreciation and impairment:</i>				
At 1 January 2019	1,385	4,889	85	6,359
Depreciation for the year	157	135	5	297
Relating to disposals	-	(150)	(17)	(167)
Foreign exchange adjustment	-	1	-	1
At 31 December 2019	1,542	4,875	73	6,490
<i>Carrying amount:</i>				
At 31 December 2019	4,455	249	-	4,704
Estimated useful lives	25 years	3-10 years	4 years	

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14 PROPERTY AND EQUIPMENT (continued)

14.2 Company	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
<i>Cost:</i>				
At 1 January 2019	3,735	2,710	14	6,459
Additions during the year	614	70	-	684
Disposals during the year	-	(116)	-	(116)
Foreign exchange adjustment	-	(1)	1	-
At 31 December 2019	4,349	2,663	15	7,027
<i>Accumulated depreciation and impairment:</i>				
At 1 January 2019	856	2,570	14	3,440
Depreciation for the year	107	51	1	159
Relating to disposals	-	(116)	-	(116)
Foreign exchange adjustment	-	1	-	1
At 31 December 2019	963	2,506	15	3,484
<i>Carrying amount:</i>				
At 31 December 2019	3,386	157	-	3,543
Estimated useful lives	25 years	3-10 years	4 years	

Properties owned by the Group

Name of the property	Address	Description	Existing use	Nature	Age of the property
BKIC Tower	Building 2775, Road 2835 Seef - Block - 428 Kingdom of Bahrain	Building measuring 6,591 square meters	Operational purpose	Building on freehold	8 years and 11 months
Salmabad branch building	Building 1390, Road 426 Salmabad 704 Kingdom of Bahrain	Building measuring 612 square	Operational purpose	Building on freehold	19 years
BKIC (Former Takaful Head Office)	Building 680, Road 2811 Seef - Block - 428 Kingdom of Bahrain	Building measuring 3,626 square meters	Operational purpose / Investment purposes	Building on freehold	15 years
BKIC (Former Takaful Salmabad branch)	Building 2164, Road 437 Salmabad 704 Kingdom of Bahrain	Building measuring 550 square meters	Operational purpose	Building on freehold	12 years

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

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15 LEASES

The Group leases a number of properties in the countries in which it operates. The Group's lease payments are fixed over the lease terms and are therefore not sensitive to uplifts due to variable lease payments.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Right of use asset

15.1 Group	31 December 2020		31 December 2019	
	<i>Rented</i>	<i>Total</i>	<i>Rented</i>	<i>Total</i>
	<i>properties</i>		<i>properties</i>	
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
At 1 January 2020	342	342	429	429
Addition during the year	10	10	47	47
Depreciation expense	(135)	(135)	(134)	(134)
At 31 December 2020	217	217	342	342

15.2 Company	31 December 2020		31 December 2019	
	<i>Rented</i>	<i>Total</i>	<i>Rented</i>	<i>Total</i>
	<i>properties</i>		<i>properties</i>	
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
At 1 January 2020	304	304	375	375
Addition during the year	10	10	47	47
Depreciation expense	(120)	(120)	(118)	(118)
At 31 December 2020	194	194	304	304

Lease liabilities	31 December 2020		31 December 2019	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
At 1 January 2020	355	316	425	375
Addition during the year	11	11	47	47
Interest expense	15	12	20	16
Lease payments	(148)	(131)	(137)	(122)
At 31 December 2020	233	208	355	316

16 UNEARNED COMMISSIONS

	2020	2020	2019	2019
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
At 1 January	2,229	1,891	2,322	2,009
Commission received	3,761	3,038	4,324	3,454
Commission earned (note 21)	(3,708)	(2,933)	(4,415)	(3,570)
Foreign exchange adjustment	-	-	(2)	(2)
At 31 December	2,282	1,996	2,229	1,891

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17 PAYABLES AND ACCRUED LIABILITIES - OTHERS

	<i>2020</i> Group <i>BD '000</i>	<i>2020</i> Company <i>BD '000</i>	<i>2019</i> <i>Group</i> <i>BD '000</i>	<i>2019</i> <i>Company</i> <i>BD '000</i>
Due to garages, spare part suppliers and others	1,522	1,446	1,755	1,278
Provision for employees' leaving indemnities (17.1)	1,386	1,080	1,471	1,233
Accrued expenses	1,872	1,202	1,332	959
Premiums booked in advance	959	959	1,383	1,383
Premium reserve deposits	362	362	414	414
Unclaimed dividends (17.2)	-	-	364	261
Current portion of deferred third party administrator income	-	-	246	-
Provision for leave pay	196	187	184	157
Advance claim recoveries	16	16	53	53
Other liabilities	820	677	1,231	1,031
	7,133	5,929	8,433	6,769

Retirement benefit costs

The Group employed 152 Bahrainis and 55 expatriates in Bahrain branches and 8 Kuwaitis and 41 expatriates (including 1 Bahraini) in its Kuwait Branch at 31 December 2020 [2019: 136 Bahrainis and 56 expatriates in Bahrain branches and 7 Kuwaitis and 38 expatriates (including 1 Bahraini) in its Kuwait Branch].

Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and the Group contributes a fixed percentage of salaries. The Group's contributions in respect of Bahraini employees amounted to BD 212 thousand and the Company's contributions in respect of Bahraini employees amounted to BD 124 thousand (2019: The Group's contributions in respect of Bahraini employees amounted to BD 227 thousand and the Company's contributions in respect of Bahraini employees amounted to BD 131 thousand).

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

17 PAYABLES AND ACCRUED LIABILITIES - OTHERS (continued)

Pension rights (and other social benefits) for Kuwaiti employees are covered by the Public Institute for Social Security scheme to which employees and the Group contributes a fixed percentage of salaries. The Group's contributions in respect of Kuwaiti employees amounted to BD 10 thousand (2019: BD 10 thousand).

17.1 Provision for employees' leaving indemnities

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
At 1 January	1,471	1,233	1,431	1,199
Charge for the year	267	196	302	269
Paid during the year	(352)	(349)	(262)	(235)
At 31 December	1,386	1,080	1,471	1,233

17.2 Unclaimed dividends

Unclaimed cash dividends were deposited with the Central Bank of Bahrain in accordance with the Bahrain Bourse resolution 3 of 2020 dated 27 April 2020.

18 EQUITY AND RESERVES

Equity - Group and Company

	2020	2019
	BD '000	BD '000
<i>Authorised share capital</i>		
200 million ordinary shares of 100 fils each (2019: 200 million ordinary shares of 100 fils each)	20,000	20,000

Issued and fully paid share capital

143 million ordinary shares of 100 fils each (2019: 143 million ordinary shares of 100 fils each).

	2020	2019	2020	2019
	%	%	BD '000	BD '000
Bahraini shareholders	30.55	30.55	4,368	4,368
Kuwaiti shareholders				
Gulf Insurance Group K.S.C.	56.12	56.12	8,026	8,026
Warba Insurance Company S.A.K.	13.33	13.33	1,906	1,906
	100.00	100.00	14,300	14,300

(i) Treasury shares represent 590,680 (2019: 310,043) shares. Out of this, 280,637 treasury shares (2019: 233,177) are purchased by the Company during the year and nil shares were relating to odd lots allotted to the Group, without any cash consideration, at the time of a rights issue and include subsequent bonus share issues on these shares.

(ii) Names and nationalities of the major shareholders and the number of shares held in which they have an interest of 5% or more of outstanding shares are as follows:

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At 31 December 2020

18 EQUITY AND RESERVES (continued)

At 31 December 2020

<i>Name of the shareholder</i>	<i>Nationality</i>	<i>Number of shares</i>	<i>Percentage of total outstanding shares</i>
Gulf Insurance Group K.S.C.	Kuwait	80,253,818	56.12
Warba Insurance Company S.A.K.	Kuwait	19,066,664	13.33
BBK B.S.C.	Bahrain	9,759,636	6.82

At 31 December 2019

<i>Name of the shareholder</i>	<i>Nationality</i>	<i>Number of shares</i>	<i>Percentage of total outstanding shares</i>
Gulf Insurance Group K.S.C.	Kuwait	80,253,818	56.12
Warba Insurance Company S.A.K.	Kuwait	19,066,664	13.33
BBK B.S.C.	Bahrain	9,759,636	6.82

(iii) Distribution schedule of equity shares is as follows:

At 31 December 2020

<i>Categories</i>	<i>Number of shares</i>	<i>Number of shareholders</i>	<i>Percentage of total outstanding shares</i>
Less than 1%	27,519,028	3,704	19.24%
1% up to less than 5%	6,400,854	1	4.48%
5% up to less than 10%	9,759,636	1	6.83%
10% up to less than 20%	19,066,664	1	13.33%
20% and above	80,253,818	1	56.12%
Total	143,000,000	3,708	100.00%

At 31 December 2019

<i>Categories</i>	<i>Number of shares</i>	<i>Number of shareholders</i>	<i>Percentage of total outstanding shares</i>
Less than 1%	27,753,396	3,710	19.41%
1% up to less than 5%	6,166,486	1	4.31%
5% up to less than 10%	9,759,636	1	6.83%
10% up to less than 20%	19,066,664	1	13.33%
20% and above	80,253,818	1	56.12%
Total	143,000,000	3,714	100.00%

Share premium

The share premium is not available for distribution except in the circumstances stipulated in the Bahrain Commercial Companies Law and following approval of the Central Bank of Bahrain.

Statutory reserve

As required by the Bahrain Commercial Companies Law and the Insurance Regulations contained in Volume 3 of the Central Bank of Bahrain Rulebook, 10% of the profit for the year is to be transferred to a statutory reserve until such time as the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following approval of the Central Bank of Bahrain.

As the statutory reserve does not exceed the minimum required limit of 50% of the paid up share capital therefore, transfer is made amounted to BD 214 thousand in 2020 (2019: BD 262 thousand).

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At 31 December 2020

18 EQUITY AND RESERVES (continued)**General reserve**

Appropriations to the general reserve are made as proposed by the Board of Directors and approved by the shareholders. The reserve represents retained earnings and is available for distribution subject to approval of the Central Bank of Bahrain.

Proposed appropriations

The Board of Directors, at a meeting held on 17 February 2021, recommended the following appropriations, which are subject to approval of the shareholders at the Annual General Meeting to be held on 29 March 2021.

	2020	2019
	BD '000	BD '000
- Cash dividend of 15 fils per share (2019: 15 fils per share)	2,136	2,140
- Bonus shares of 4.8951 shares for every 100 shares (2019: nil)	700	-
- Transfer to statutory reserve	332	214

19 GROSS PREMIUMS

	2020	2019
	BD '000	BD '000
19.1 Group		
Led by the Group - net of refunds	80,754	78,773
Led by other insurance companies - Group's share	4,676	2,883
	85,430	81,656

	2020	2019
	BD '000	BD '000
19.2 Company		
Led by the Company - net of refunds	57,955	57,562
Led by other insurance companies - Company's share	4,616	2,373
	62,571	59,935

20 GENERAL AND ADMINISTRATION EXPENSES

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
Employee related costs	4,219	2,822	4,755	2,916
Depreciation (note 14)	288	171	297	159
Impairment loss (note 14)	-	-	78	-
Other operating expenses	1,368	396	1,109	542
Other takaful expenses	1,212	-	853	-
	7,087	3,389	7,092	3,617

21 FEE AND COMMISSION INCOME

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
Commission income (note 16)	3,708	2,933	4,415	3,570
Policy and other fees	274	254	384	352
	3,982	3,187	4,799	3,922

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At 31 December 2020

22 INVESTMENT INCOME - NET

	2020 Group BD '000	2020 Company BD '000	2019 Group BD '000	2019 Company BD '000
Interest income on:				
Held-to-maturity investments	146	134	198	198
Balances with banks	1,118	760	1,080	807
Available-for-sale financial assets				
Dividend income	473	387	662	576
Interest on AFS bonds	515	515	306	306
Gain on sale of investments	1,188	751	1,032	762
Rental income on Investment property	9	18	-	-
	3,449	2,565	3,278	2,649
Impairment loss on investments (note 12)	(1,047)	(469)	(731)	(616)
Investment management expenses	(499)	(389)	(428)	(323)
Advisory fees	(58)	(58)	(48)	(48)
	1,845	1,649	2,071	1,662

23 OTHER INCOME AND EXPENSES

	2020 Group BD '000	2020 Company BD '000	2019 Group BD '000	2019 Company BD '000
Other income				
Third party administrator fees - Takaful	-	-	289	-
Foreign exchange gain	-	-	9	9
Profit on sale of assets	-	-	7	1
Miscellaneous income	-	-	25	-
Operating income	478	15	330	-
Government grant- COVID 19	432	267	-	-
	910	282	660	10
	2020 Group BD '000	2020 Company BD '000	2019 Group BD '000	2019 Company BD '000

Other expenses*

Provision for National Labour/ Support Tax and Zakat tax	49	49	32	32
Bank charges	51	51	58	58
Provision for doubtful debts	454	454	411	411
Bad debts	41	41	-	-
VAT expenses	8	8	3	3
Interest expense on premium reserve deposit	7	7	6	6
Foreign exchange loss	7	7	-	-
Interest as per IFRS 16	12	12	16	16
	629	629	526	526

* Other takaful expenses of Takaful International Company B.S.C. are included in general and administration expenses as these expenses are related to takaful participants.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

24 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding at the reporting date.

The income and share data used in the computation of earnings per share are as follows:

	2020	2020	2019	2019
	Group	Company	Group	Company
Profit for the year (BD - thousand)	3,809	3,318	2,701	2,137
Weighted average number of ordinary shares outstanding, net of treasury shares	142,566,482	142,566,482	142,918,066	142,918,066
Earnings per share	27 Fils	23 Fils	19 Fils	15 Fils

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

Other information	2020	2019
Proposed bonus shares of 4.8951 shares for every 100 shares (note 18)	4.8951 Fils	-
Proposed cash dividend per share (note 18)	15 Fils	15 Fils
Net asset value per share	263 Fils	251 Fils
Share price per Bahrain Bourse at 31 December	320 Fils	311 Fils
Price to earnings ratio at 31 December	14 times	21 times
Total market capitalisation at 31 December (BD - thousand)	45,621	44,448

25 CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 December 2020, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

25.1 Group	Available- for-sale BD '000	Financial assets at amortised cost BD '000	Loans and receivables BD '000	Total BD '000
Cash and balances with banks	-	-	49,070	49,070
Statutory deposits	-	-	5,592	5,592
Insurance receivables	-	-	34,328	34,328
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	74,013	74,013
Investments	19,926	3,893	-	23,819
	19,926	3,893	163,003	186,822
				Financial liabilities at amortised cost BD '000
Insurance liabilities				83,663
- Outstanding claims - Reported claims				37,491
Payables and accrued liabilities				233
Lease liabilities				111
Due to participants				121,498

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

25 CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

25.2 Company	<i>Available- for-sale BD '000</i>	<i>Financial assets at amortised cost BD '000</i>	<i>Loans and receivables BD '000</i>	<i>Total BD '000</i>
Cash and balances with banks	-	-	30,779	30,779
Statutory deposits	-	-	5,467	5,467
Insurance receivables	-	-	27,913	27,913
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	70,987	70,987
Investments	14,351	3,549	-	17,900
	14,351	3,549	135,146	153,046
				<i>Financial liabilities at amortised cost BD '000</i>
Insurance liabilities				
- Outstanding claims - Reported claims				77,972
Payables and accrued liabilities				31,882
Lease liabilities				208
				110,062

At 31 December 2019, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

25.1 Group	<i>Available- for-sale BD '000</i>	<i>Financial assets at amortised cost BD '000</i>	<i>Loans and receivables BD '000</i>	<i>Total BD '000</i>
Cash and balances with banks	-	-	41,271	41,271
Statutory deposits	-	-	4,583	4,583
Insurance receivables	-	-	48,953	48,953
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	77,181	77,181
Investments	19,878	2,816	-	22,694
Due from participants	-	-	291	291
	19,878	2,816	172,279	194,973
				<i>Financial liabilities at amortised cost BD '000</i>
Insurance liabilities				
- Outstanding claims - Reported claims				86,480
Payables and accrued liabilities				45,788
Lease liabilities				355
				132,623

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At 31 December 2020

25 CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

25.2 Company	<i>Available- for-sale BD '000</i>	<i>Financial assets at amortised cost BD '000</i>	<i>Loans and receivables BD '000</i>	<i>Total BD '000</i>
Cash and balances with banks	-	-	29,718	29,718
Statutory deposits	-	-	4,458	4,458
Insurance receivables	-	-	38,617	38,617
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	73,954	73,954
Investments	13,818	2,816	-	16,634
	<u>13,818</u>	<u>2,816</u>	<u>146,747</u>	<u>163,381</u>
				<i>Financial liabilities at amortised cost BD '000</i>
Insurance liabilities				
- Outstanding claims - Reported claims				80,519
Payables and accrued liabilities				40,115
Lease liabilities				316
				<u>120,950</u>

26 FAIR VALUE MEASUREMENT

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.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated 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; or other valuation models.

The fair values of the funds that are listed on active markets are determined by reference to their quoted bid prices. The fair values of unlisted funds are based on net asset values which are determined by the fund manager using the quoted market prices of the underlying assets, if available, or other acceptable methods such as a recent price paid by another investor or the market value of a comparable company.

The Group 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; and

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

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26 FAIR VALUE MEASUREMENT (continued)

Following are the fair value hierarchy level wise details of available-for-sale investments:

26.1 Group

	<i>31 December 2020</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Available-for-sale investments				
Quoted equities				
Banking	6,177	-	-	6,177
Industrial	2,995	-	-	2,995
Communications	255	-	-	255
Consumer Service	465	-	-	465
Government	6,820	-	-	6,820
Other sectors	1,627	-	-	1,627
Unquoted equity investments				
Insurance	-	-	1,319	1,319
Other sectors	-	-	45	45
Other managed funds				
Consumer Service	-	-	125	125
Other sectors	-	-	98	98
	18,339	-	1,587	19,926

26.2 Company

	<i>31 December 2020</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Available-for-sale investments				
Quoted equities				
Banking	4,547	-	-	4,547
Industrial	2,995	-	-	2,995
Communications	255	-	-	255
Consumer Service	387	-	-	387
Government	4,688	-	-	4,688
Other sectors	80	-	-	80
Unquoted equity investments				
Insurance	-	-	1,319	1,319
Other sectors	-	-	45	45
Other managed funds				
Other sectors	-	-	35	35
	12,952	-	1,399	14,351

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

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26 FAIR VALUE MEASUREMENT (continued)

Following are the fair value hierarchy level wise details of available-for-sale investments:

26.1 Group	31 December 2019			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	5,606	-	-	5,606
Industrial	3,561	-	-	3,561
Consumer Service	2,405	-	-	2,405
Government	3,049	-	-	3,049
Other sectors	2,550	-	-	2,550
Unquoted equity investments				
Insurance	-	-	1,414	1,414
Consumer Service	-	-	392	392
Other sectors	-	-	378	378
Other managed funds				
Consumer Service	-	-	187	187
Other sectors	-	-	336	336
	<u>17,171</u>	<u>-</u>	<u>2,707</u>	<u>19,878</u>

26.2 Company	31 December 2019			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	4,264	-	-	4,264
Industrial	3,561	-	-	3,561
Consumer Service	2,172	-	-	2,172
Government	1,298	-	-	1,298
Other sectors	1,094	-	-	1,094
Unquoted equity investments				
Insurance	-	-	1,334	1,334
Consumer Service	-	-	60	60
Other managed funds				
Other sectors	-	-	35	35
	<u>12,389</u>	<u>-</u>	<u>1,429</u>	<u>13,818</u>

Valuations are dated 31 December each year.

Reconciliation of movement in level 3 financial instruments measured at fair value - Group and Company

	At 1 January 2020 BD '000	Losses recognised in other comprehensive income BD '000	At 31 December 2020 BD '000
Group			
Available-for-sale investments unquoted equity investments and other managed funds	<u>2,707</u>	<u>(1,120)</u>	<u>1,587</u>
Company			
Available-for-sale investments Unquoted equity investments and other managed funds	<u>1,429</u>	<u>(30)</u>	<u>1,399</u>

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26 FAIR VALUE MEASUREMENT (continued)

Reconciliation of movement in level 3 financial instruments measured at fair value - Group and Company (continued)

	<i>At 1 January 2019 BD '000</i>	<i>Gains / (losses) recognised in other comprehensive income BD '000</i>	<i>At 31 December 2019 BD '000</i>
Group			
Available-for-sale investments unquoted equity investments and other managed funds	2,159	548	2,707
Company			
Available-for-sale investments Unquoted equity investments and other managed funds	1,490	(61)	1,429

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value hierarchies, and no transfers into or out of Level 3 fair value hierarchy (2019: No transfers).

Significant unobservable inputs to valuation - Available-for-sale investment in unquoted equity

A reasonably possible increase (decrease) in the key assumptions by 10% would result in a fair value (decrease) increase of (BD 159 thousand) BD 159 thousand [2019: (BD 271 thousand) BD 271 thousand] at the Group's level. The fair values of the financial assets and financial liabilities are not materially different from their carrying values at the reporting date.

In case of available-for-investments, the impairment charge in the consolidated and separate statement of profit or loss of the Company would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through other comprehensive income) and, would not have an effect on the consolidated and separate statement of profit or loss of the Company.

Carrying amount and fair values of financial instruments not carried at fair value

The management assessed that the fair values of cash and bank balances, statutory deposits, insurance receivables, reinsurers' share of insurance liabilities - reported claims, insurance liabilities - reported claims, payables to insurance and reinsurance companies, policyholders, other payables and lease liabilities, approximate their carrying amounts largely due to short-term maturities of these instruments. These financial instruments are classified under level 2 of the fair value hierarchy.

A majority of the Group's held-to-maturity investments are in quasi-sovereign bonds. Following the impairment allowance recognised on certain of these bonds, management has assessed that the fair values of held-to-maturity investments approximate their carrying amounts as at the reporting date. Fair values of held-to-maturity investments are classified under level 3 of the fair value hierarchy.

27 SEGMENTAL INFORMATION

For management purposes, the Group is organised into departments based on the classes of insured risks. The reportable operating segments of the Group are as follows:

- **Fire and general** offers insurance policies to cover various risks of fire, general accident and engineering, medical, group life and special contingency;
- **Motor** offers insurance policies to cover risks of motor third party, motor comprehensive and extended warranty; and
- **Marine and aviation** offers insurance policies to cover risks of marine cargo, marine hull and marine aviation.
- **Family Takaful** offers insurance policies to cover risks of group life, education, protection, savings etc.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

27 SEGMENTAL INFORMATION (continued)

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents of segment revenues, measurement of segment profit for the year and their reconciliation to the Group's and the Company's income and profit for the year.

2020	Group	<i>Fire and general BD '000</i>	<i>Motor BD '000</i>	<i>Marine and aviation BD '000</i>	<i>Family Takaful BD '000</i>	<i>Total BD '000</i>
	Gross premiums from external customers	62,506	19,492	1,984	1,448	85,430
	Retained premiums	13,928	18,839	312	882	33,961
	Net premiums	13,962	19,289	309	878	34,438
	Fee and commission income	3,302	158	522	-	3,982
	Segment revenue	17,264	19,447	831	878	38,420
	Net claims / (recoveries)	10,462	12,992	(10)	260	23,704
	Transfer to family takaful technical reserve	-	-	-	332	332
	General and administrative expenses	3,739	2,906	361	81	7,087
	Acquisition costs	1,984	1,549	114	170	3,817
	Underwriting profit	1,079	2,000	366	35	3,480
	Unallocable income*					2,809
	Unallocable expenses**					(1,972)
	Profit including participants' share					4,317
	Less: Participants' share					400
	Profit for the year					3,917
2020	Company	<i>Fire and general BD '000</i>	<i>Motor BD '000</i>	<i>Marine and aviation BD '000</i>		<i>Total BD '000</i>
	Gross premiums from external customers	50,279	10,679	1,613		62,571
	Retained premiums	6,955	10,363	211		17,529
	Net premiums	6,424	11,028	217		17,669
	Fee and commission income	2,577	158	452		3,187
	Segment revenue	9,001	11,186	669		20,856
	Net claims / (recoveries)	5,076	6,886	(28)		11,934
	General and administrative expenses	1,723	1,371	295		3,389
	Acquisition costs	1,280	1,040	72		2,392
	Underwriting profit	922	1,889	330		3,141
	Unallocable income*					1,931
	Unallocable expenses**					(1,754)
	Profit including participants' share					3,318
	Less: Participants' share					-
	Profit for the year					3,318

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27 SEGMENTAL INFORMATION (continued)

2019	Group	<i>Fire and general BD '000</i>	<i>Motor BD '000</i>	<i>Marine and aviation BD '000</i>	<i>Family Takaful BD '000</i>	<i>Total BD '000</i>
	Gross premiums from external customers	57,068	19,998	3,206	1,384	81,656
	Retained premiums	13,194	19,185	295	536	33,210
	Net premiums	12,926	19,496	306	546	33,274
	Fee and commission income	3,938	179	682	-	4,799
	Segment revenue	16,864	19,675	988	546	38,073
	Net claims	7,884	16,348	105	144	24,481
	Net Premium deficiency reserves adjustment	-	94	-	-	94
	Transfer to family takaful technical reserve	-	-	-	269	269
	General and administrative expenses	3,475	3,115	389	113	7,092
	Acquisition costs	2,115	1,636	117	50	3,918
	Underwriting profit (loss)	3,390	(1,518)	377	(30)	2,219
	Unallocable income*					2,782
	Unallocable expenses**					(1,835)
	Profit including participants' share					3,166
	Less: Participants' share					340
	Profit for the year					2,826
2019	Company	<i>Fire and general BD '000</i>	<i>Motor BD '000</i>	<i>Marine and aviation BD '000</i>		<i>Total BD '000</i>
	Gross premiums from external customers	45,553	11,566	2,816		59,935
	Retained premiums	6,369	11,181	227		17,777
	Net premiums	5,910	11,476	239		17,625
	Fee and commission income	3,147	179	596		3,922
	Segment revenue	9,057	11,655	835		21,547
	Net claims	2,697	10,269	97		13,063
	Net Premium deficiency reserves adjustment	-	94	-		94
	General and administrative expenses	1,618	1,683	316		3,617
	Acquisition costs	1,460	1,169	77		2,706
	Underwriting profit (loss)	3,282	(1,560)	345		2,067
	Unallocable income*					1,672
	Unallocable expenses**					(1,602)
	Profit including participants' share					2,137
	Less: Participants' share					-
	Profit for the year					2,137

*Includes investment income - net, share of results of an associate and other income.

**Includes corporate expenses and other expenses.

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At 31 December 2020

27 SEGMENTAL INFORMATION (continued)

The following table presents disclosure of segment assets:

		<i>Fire and general BD '000</i>	<i>Motor BD '000</i>	<i>Marine and aviation BD '000</i>	<i>Family Takaful BD '000</i>	<i>Unallocable assets * BD '000</i>	<i>Total BD '000</i>
<i>Segment assets</i>							
2020	Group	108,174	7,127	1,677	2,855	119,690	239,523
2020	Company	103,751	5,581	1,575	-	95,707	206,614
<i>Segment assets</i>							
2019	Group	110,619	8,489	1,855	931	123,845	245,739
2019	Company	105,855	6,786	1,742	-	100,383	214,766
		<i>Fire and general BD '000</i>	<i>Motor BD '000</i>	<i>Marine and aviation BD '000</i>	<i>Family Takaful BD '000</i>	<i>Unallocable liabilities ** BD '000</i>	<i>Total BD '000</i>
<i>Segment liabilities</i>							
2020	Group	120,465	28,402	1,992	5,550	41,660	198,069
2020	Company	112,441	18,928	1,840	-	35,885	169,094
<i>Segment liabilities</i>							
2019	Group	121,292	29,065	2,148	3,178	50,761	206,444
2019	Company	112,385	20,329	1,988	-	44,163	178,865

* Segments assets do not include cash and bank balances, statutory deposits, insurance receivables, investments, investment in an associate, investment property, property and equipment, right of use asset and due from participants as these assets are managed on an integrated basis.

** Segment liabilities do not include payables to insurance and reinsurance companies, policyholders and other payables, due to participants and lease liabilities as these liabilities are managed on an integrated basis.

Cash flows relating to segments are not disclosed separately as these are managed on an integrated basis.

		<i>Bahrain BD '000</i>	<i>Kuwait BD '000</i>	<i>Total BD '000</i>
2020	Group			
	Gross premiums from external customers*	68,029	17,401	85,430
	Non-current assets**	6,148	167	6,315
2020	Company			
	Gross premiums from external customers*	45,170	17,401	62,571
	Non-current assets**	6,596	167	6,763
2019	Group			
	Gross premiums from external customers*	63,189	18,467	81,656
	Non-current assets**	4,780	266	5,046
2019	Company			
	Gross premiums from external customers*	41,468	18,467	59,935
	Non-current assets**	3,581	266	3,847

* The gross premium information is based on the location of the customer.

** Non-current assets for this purpose consist of property and equipment, investment property and right of use asset and is based on the location of the property and equipment.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

28 RISK MANAGEMENT

Financial instruments consist of financial assets and financial liabilities. The Group has no derivative financial instruments.

Financial assets include cash and cash equivalents, deposits, receivables and investments. Financial liabilities include payables (to insurance and reinsurance companies, policyholders and other parties). Accounting policies for financial assets and financial liabilities are set out in note 4.

The risks involved with financial instruments and the Group's approach to managing such risks are discussed below:

a) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risks that the Group faces under such contracts is the occurrence of the insured event and the severity of the reported claim. The Group's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

The Group principally issues the following types of general insurance contracts: Marine, Motor and Fire and General Accident. Risks under these policies usually cover twelve months. For General Accident insurance contracts the most significant risks arise from accidents, climate changes, natural disasters and terrorist activities. These risks do not vary significantly in relation to the location of the risk insured type of risk insured or by industry.

Underwriting and retention policies and procedures and limits precisely regulate who is authorised and accountable for concluding insurance and reinsurance contracts and on what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of insurance risk is the transfer of the risks to third parties via reinsurance, The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Group is not dependent on a single reinsurer or a single reinsurance contract.

Reinsurance is used to manage insurance risk. Although the Group has reinsurance arrangements, they do not, however, discharge the Group's liability as the primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Group minimises such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

Concentration of insurance risk

The Group does not have any single insurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the statement of profit or loss (2019: 5%). The geographical and segmental concentration of insurance risk is set out in note 27.

b) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Bahraini Dinars and Kuwaiti Dinars and its exposure to foreign exchange risk arises primarily because the Kuwaiti Dinar is not pegged to the United States Dollar or Bahraini Dinar. The table below summarises the Group's exposure to foreign currency exchange rate risk at the statement of financial position date by categorising monetary assets and liabilities by major currencies.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

28 RISK MANAGEMENT (continued)

b) Currency risk (continued)

Currency risk - Group

	31 December 2020				
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
ASSETS					
Cash and balances with banks	26,121	11,672	9,844	1,433	49,070
Statutory deposits	250	5,342	-	-	5,592
Insurance receivables	12,522	3,550	18,561	-	34,633
Reinsurers' share of insurance reserves - outstanding claims - Reported claims	12,923	59,482	1,608	-	74,013
Investments	4,597	2,278	16,205	739	23,819
	56,413	82,324	46,218	2,172	187,127
31 December 2020					
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
LIABILITIES					
Insurance liabilities - outstanding claims - Reported claims	23,520	60,143	-	-	83,663
Unearned commissions	938	1,225	-	119	2,282
Payables and accrued liabilities	29,324	11,066	926	-	41,316
Lease liabilities	80	153	-	-	233
	53,862	72,587	926	119	127,494
Net exposure	2,551	9,737	45,292	2,053	59,633

Currency risk - Company

	31 December 2020				
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
ASSETS					
Cash and balances with banks	8,814	11,672	8,860	1,433	30,779
Statutory deposits	125	5,342	-	-	5,467
Insurance receivables	7,148	3,550	17,417	-	28,115
Reinsurers' share of insurance reserves - outstanding claims - Reported claims	11,505	59,482	-	-	70,987
Investments	3,145	2,278	12,206	271	17,900
	30,737	82,324	38,483	1,704	153,248
31 December 2020					
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
LIABILITIES					
Insurance liabilities - outstanding claims - Reported claims	17,829	60,143	-	-	77,972
Unearned commissions	771	1,225	-	-	1,996
Payables and accrued liabilities	20,088	11,066	4,523	-	35,677
Lease liabilities	56	152	-	-	208
	38,744	72,586	4,523	-	115,853
Net exposure	(8,007)	9,738	33,960	1,704	37,395

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

28 RISK MANAGEMENT (continued)

b) Currency risk (continued)

Currency risk - Group

	31 December 2019				
	<i>Bahraini Dinars</i>	<i>Kuwaiti Dinars</i>	<i>United States Dollars</i>	<i>Other</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
ASSETS					
Cash and balances with banks	18,896	16,424	5,371	580	41,271
Statutory deposits	250	4,333	-	-	4,583
Insurance receivables	17,536	9,602	22,615	-	49,753
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	11,857	64,292	1,032	-	77,181
Investments	6,821	1,924	9,575	4,374	22,694
	<u>55,360</u>	<u>96,575</u>	<u>38,593</u>	<u>4,954</u>	<u>195,482</u>
31 December 2019					
	<i>Bahraini Dinars</i>	<i>Kuwaiti Dinars</i>	<i>United States Dollars</i>	<i>Other</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
LIABILITIES					
Insurance liabilities - outstanding claims - Reported claims	21,124	65,239	117	-	86,480
Unearned commissions	1,164	1,065	-	-	2,229
Payables and accrued liabilities	11,408	12,424	26,574	-	50,406
Lease liabilities	106	249	-	-	355
	<u>33,802</u>	<u>78,977</u>	<u>26,691</u>	<u>-</u>	<u>139,470</u>
Net exposure	<u>21,558</u>	<u>17,598</u>	<u>11,902</u>	<u>4,954</u>	<u>56,012</u>

Currency risk - Company

	31 December 2019				
	<i>Bahraini Dinars</i>	<i>Kuwaiti Dinars</i>	<i>United States Dollars</i>	<i>Other</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
ASSETS					
Cash and balances with banks	7,793	16,424	4,928	573	29,718
Statutory deposits	125	4,333	-	-	4,458
Insurance receivables	8,751	9,602	20,690	-	39,043
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	9,662	64,292	-	-	73,954
Investments	5,224	1,924	6,058	3,428	16,634
	<u>31,555</u>	<u>96,575</u>	<u>31,676</u>	<u>4,001</u>	<u>163,807</u>
31 December 2019					
	<i>Bahraini Dinars</i>	<i>Kuwaiti Dinars</i>	<i>United States Dollars</i>	<i>Other</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
LIABILITIES					
Insurance liabilities - outstanding claims - Reported claims	15,280	65,239	-	-	80,519
Unearned commissions	945	946	-	-	1,891
Payables and accrued liabilities	5,882	12,424	25,541	-	43,847
Lease liabilities	66	250	-	-	316
	<u>22,173</u>	<u>78,859</u>	<u>25,541</u>	<u>-</u>	<u>126,573</u>
Net exposure	<u>9,382</u>	<u>17,716</u>	<u>6,135</u>	<u>4,001</u>	<u>37,234</u>

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

28 RISK MANAGEMENT (continued)

b) Currency risk (continued)

A 5% movement in the Kuwaiti Dinar exchange rate against the Bahraini Dinar would impact consolidated statement of other comprehensive income and Company's separate statement of other comprehensive income by BD 487 thousand (2019: BD 676 thousand).

c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group's short-term deposits are at fixed interest rates and mature within six months. Investments in bonds consist of both fixed rate instruments and have maturities ranging from 1 year to 10 years.

The Group does not use any derivative financial instruments to hedge its interest rate risk.

A 50 basis point change in the interest rates would impact the consolidated statement of profit or loss by BD 245 thousand and the company's separate statement of profit or loss by BD 154 thousand (Group 2019: BD 206 thousand and Company 2019: BD 149 thousand).

d) Price risk

Price 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 Group is exposed to price risk with respect to its investments (listed and unlisted shares, bonds and managed funds). The geographical concentration of the Group's investments is set out below:

Geographical concentration of investments

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
Bahrain	10,670	7,378	10,643	7,213
UAE	1,833	1,238	4,327	3,416
Saudi Arabia	1,363	852	1,782	1,677
Kuwait	2,985	2,684	2,591	2,325
Qatar	1,239	786	1,196	726
Oman	4,886	4,421	1,168	709
Asia/BRIC	176	-	213	-
Other countries/global	667	541	774	568
	23,819	17,900	22,694	16,634

The Group limits market risk by maintaining a diversified portfolio, proactively monitoring the key factors that affect stock and bond market movements and periodically analysing the operating and financial performance of investees.

The Group's equity investments comprise securities quoted on the stock exchanges in Bahrain, Kuwait, Saudi Arabia and UAE. A 5% change in the prices of the equities, with all other variables held constant, would impact the Group's equity by BD 143 thousand and the Company's equity by BD 97 thousand (Group 2019: BD 350 thousand and Company 2019: BD 281 thousand). There would be no impact on the Group's consolidated statement of profit or loss and Company's separate statement of profit or loss as all equity investments are classified as available-for-sale.

e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise. The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

28 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

The table below summarises the maturity profile of the assets and liabilities of the Group based on remaining undiscounted contractual obligations. As the Group does not have any interest bearing liabilities, the totals in the table match the consolidated and separate statement of financial position.

Liquidity risk - Group

	31 December 2020			
	One year or less BD '000	More than one year BD '000	No term BD '000	Total BD '000
ASSETS				
Cash and balances with banks	49,070	-	-	49,070
Statutory deposits	-	-	5,592	5,592
Insurance receivables	25,989	8,644	-	34,633
Deferred acquisition costs	1,707	-	-	1,707
Reinsurers' share of insurance liabilities	115,576	-	-	115,576
Reinsurers' share of mathematical reserves	2,550	-	-	2,550
Investments	7,017	16,802	-	23,819
Investment in associate	-	-	261	261
Investment property	-	-	1,574	1,574
Property and equipment	-	-	4,524	4,524
Due from participants	-	-	-	-
Right to use asset	-	-	217	217
	201,909	25,446	12,168	239,523
LIABILITIES				
Insurance liabilities	149,075	-	-	149,075
Mathematical reserves	5,052	-	-	5,052
Unearned commissions	2,282	-	-	2,282
Due to participants	111	-	-	111
Payables and accrued liabilities	41,316	-	-	41,316
Lease liabilities	233	-	-	233
	198,069	-	-	198,069

Liquidity risk - Company

	31 December 2020			
	One year or less BD '000	More than one year BD '000	No term BD '000	Total BD '000
ASSETS				
Cash and balances with banks	30,779	-	-	30,779
Statutory deposits	-	-	5,467	5,467
Insurance receivables	22,668	5,447	-	28,115
Deferred acquisition costs	1,214	-	-	1,214
Reinsurers' share of insurance liabilities	109,693	-	-	109,693
Investments	5,687	12,213	-	17,900
Investment in a subsidiary	-	-	6,683	6,683
Investment property	-	-	3,149	3,149
Property and equipment	-	-	3,420	3,420
Right to use asset	-	-	194	194
	170,041	17,660	18,913	206,614
LIABILITIES				
Insurance liabilities	131,213	-	-	131,213
Unearned commissions	1,996	-	-	1,996
Payables and accrued liabilities	35,677	-	-	35,677
Lease liabilities	208	-	-	208
	169,094	-	-	169,094

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

28 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

Liquidity risk - Group

	31 December 2019			
	One year or less BD '000	More than one year BD '000	No term BD '000	Total BD '000
ASSETS				
Cash and balances with banks	41,271	-	-	41,271
Statutory deposits	-	-	4,583	4,583
Insurance receivables	32,029	17,724	-	49,753
Deferred acquisition costs	1,916	-	-	1,916
Reinsurers' share of insurance liabilities	119,408	-	-	119,408
Reinsurers' share of mathematical reserves	570	-	-	570
Investments	3,589	5,288	13,817	22,694
Investment in a subsidiary	-	-	207	207
Property and equipment	-	-	4,704	4,704
Due from participants	291	-	-	291
Right of use asset	-	-	342	342
	<u>199,074</u>	<u>23,012</u>	<u>23,653</u>	<u>245,739</u>
LIABILITIES				
Insurance liabilities	150,714	-	-	150,714
Mathematical reserves	2,740	-	-	2,740
Unearned commissions	2,229	-	-	2,229
Payables and accrued liabilities	31,858	18,548	-	50,406
Lease liabilities	126	229	-	355
	<u>187,667</u>	<u>18,777</u>	<u>-</u>	<u>206,444</u>

Liquidity risk - Company

	31 December 2019			
	One year or less BD '000	More than one year BD '000	No term BD '000	Total BD '000
ASSETS				
Cash and balances with banks	29,718	-	-	29,718
Statutory deposits	-	-	4,458	4,458
Insurance receivables	24,650	14,393	-	39,043
Deferred acquisition costs	1,342	-	-	1,342
Reinsurers' share of insurance liabilities	113,041	-	-	113,041
Investments	1,799	1,018	13,817	16,634
Investment in a subsidiary	-	-	6,683	6,683
Property and equipment	-	-	3,543	3,543
Right of use asset	-	-	304	304
	<u>170,550</u>	<u>15,411</u>	<u>28,805</u>	<u>214,766</u>
LIABILITIES				
Insurance liabilities	132,811	-	-	132,811
Unearned commissions	1,891	-	-	1,891
Payables and accrued liabilities	25,537	18,310	-	43,847
Lease liabilities	110	206	-	316
	<u>160,349</u>	<u>18,516</u>	<u>-</u>	<u>178,865</u>

f) 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. Credit risk on receivables is limited to receivables from policyholders which are carried net of impairment losses, and to insurance and reinsurance companies. The Group manages credit risk with respect to receivables from policyholders by monitoring risks in accordance with defined policies and procedures.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

28 RISK MANAGEMENT (continued)

f) Credit risk (continued)

Management seeks to minimise credit risk with respect to insurance and reinsurance companies by only ceding business to companies with good credit ratings in London, as well as European and Middle East reinsurance markets.

The Group manages credit risk on its cash deposits and investments by ensuring that the counterparties have an appropriate credit rating. The Group does not have an internal credit rating of counterparties and uses external credit rating agencies' websites to rate the companies. The following balances are with counterparties having a credit rating of BBB- (2019: BBB-) or above:

	2020	2020	2019	2019
	Group	Company	Group	Company
	BD '000	BD '000	BD '000	BD '000
Cash and balances with banks	49,070	30,779	41,271	29,718
Statutory deposits	5,592	5,467	4,583	4,458
Reinsurers' share of insurance reserves				
- Outstanding claims - Reported claims	74,013	70,987	77,181	73,954
Investments - held-to-maturity	3,893	3,549	2,816	2,816
Insurance receivables	34,328	27,913	48,953	38,617

The Group's maximum exposure to credit risk on its financial assets was BD 187,749 thousand and the Company's maximum exposure to credit risk on its financial assets was BD 153,925 thousand (Group 2019: BD 195,589 thousand and Company 2019: BD 163,272 thousand).

g) Fair values 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. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Group's cash and cash equivalents, investments, receivables and payables are not materially different from their carrying values as shown in the consolidated and separate statement of financial position and further discussed in note 26.

h) Capital management

Capital requirements are set and regulated by the Central Bank of Bahrain. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue capital securities.

The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to the Group's objectives, policies and processes for capital management from the previous year.

29 RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Group and its Parent, and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions.

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

29 RELATED PARTIES (continued)

Transactions with related parties included in the statement of profit or loss are as follows:

29.1 Group	31 December 2020			
	Key management		Entities related to	
	personnel	Shareholders	shareholders	Others
	BD '000	BD '000	BD '000	BD '000
Gross premiums	2	3,123	161	-
Reinsurers' share of gross premiums	-	6,759	-	-
Gross claims paid	-	4,166	71	-
Reinsurers' share of claims paid	-	8,504	-	-
Fee and commission income	-	860	-	-
Acquisition costs	-	389	-	-
Corporate expenses	-	-	-	137
Income from an associate	-	-	-	54

29.2 Company	31 December 2020			
	Key management		Entities related to	
	personnel	Shareholders	Subsidiary	shareholders
	BD '000	BD '000	BD '000	BD '000
Gross premiums	1	3,123	35	149
Reinsurers' share of gross premiums	-	6,759	154	-
Gross claims paid	-	4,166	-	71
Reinsurers' share of claims paid	-	8,504	36	-
Fee and commission income	-	860	33	-
Investment income - net	-	-	7	-
Purchase of Takaful land and building	-	-	1,550	-
Acquisition costs	-	389	-	-
Corporate expenses	-	-	-	20

29.3 Group	31 December 2019			
	Key management		Entities related to	
	personnel	Shareholders	shareholders	Others
	BD '000	BD '000	BD '000	BD '000
Gross premiums	3	1,193	162	-
Reinsurers' share of gross premiums	-	4,220	-	-
Gross claims paid	1	2,139	38	-
Reinsurers' share of claims paid	-	6,558	-	-
Fee and commission income	-	971	-	-
Acquisition costs	-	1	-	-
Corporate expenses	-	-	-	140
Income from an associate	-	-	-	51

29.4 Company	31 December 2019			
	Key management		Entities related to	
	personnel	Shareholders	Subsidiary	shareholders
	BD '000	BD '000	BD '000	BD '000
Gross premiums	2	1,193	44	162
Reinsurers' share of gross premiums	-	4,220	182	-
Gross claims paid	1	2,139	-	38
Reinsurers' share of claims paid	-	6,558	302	-
Fee and commission income	-	971	37	-
Purchase of Salmabad land and building	-	-	600	-
Acquisition costs	-	1	-	-
Corporate expenses	-	-	-	39

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

29 RELATED PARTIES (continued)

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

29.5 Group	31 December 2020		
	Entities related to		
	Shareholders BD '000	shareholders BD '000	Others BD '000
Insurance receivables	642	20	-
Reinsurers' share of insurance liabilities	38,472	-	-
Insurance liabilities	35,016	-	-
Payables and accrued liabilities	-	3	-
Investment in an associate	-	-	261

29.6 Company	31 December 2020		
	Entities related to		
	Shareholders BD '000	Subsidiary BD '000	shareholders BD '000
Insurance receivables	642	24	20
Reinsurers' share of insurance liabilities	38,472	56	-
Insurance liabilities	35,016	2	-
Payables and accrued liabilities	-	62	1

29.7 Group	31 December 2019			
	Key management personnel BD '000	Entities related to		
		Shareholders BD '000	shareholders BD '000	Others BD '000
		Shareholders BD '000	Subsidiary BD '000	shareholders BD '000
Insurance receivables	1	1,090	31	-
Reinsurers' share of insurance liabilities	-	31,621	-	-
Insurance liabilities	-	26,538	-	-
Available for sale - investments	-	164	-	-
Investment in an associate	-	-	-	207

29.8 Company	31 December 2019			
	Key management personnel BD '000	Entities related to		
		Shareholders BD '000	Subsidiary BD '000	shareholders BD '000
		Shareholders BD '000	Subsidiary BD '000	shareholders BD '000
Insurance receivables	1	884	64	31
Reinsurers' share of insurance liabilities	-	31,621	117	-
Insurance liabilities	-	26,538	7	-
Payables and accrued liabilities	-	-	5	-

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2020 Group BD '000	2020 Company BD '000	2019 Group BD '000	2019 Company BD '000
Salaries and benefits	968	781	989	808
Remuneration and attendance fees to Directors	251	163	261	185
Employees' end of service benefits	50	43	89	71
	1,269	987	1,339	1,064

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2020

30 CONTINGENT LIABILITIES

A contingent liability exists at the consolidated statement of financial position date in respect of letters of guarantee amounting to BD 5,511 thousand (2019: BD 4,499 thousand) issued by banks in Kuwait in favour of the Ministries of Commerce and Industry and Health, State of Kuwait to comply with statutory requirements. The Group maintains a deposit of BD 5,369 thousand (2019: BD 4,358 thousand) in the same banks to cover the amounts guaranteed.

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial position.

31 COMPARATIVES

Certain prior year amounts have been regrouped to conform to the current year's presentation. Such regrouping did not effect previously reported profit for the year or equity.

Bahrain Kuwait Insurance Company B.S.C.

SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

At 31 December 2020

**(The attached financial information do not
form part of the consolidated and
company's separate financial statements)**

SUPPLEMENTARY DISCLOSURES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL INFORMATION

At 31 December 2020

COVID-19 pandemic is presenting challenges for many entities throughout the world. The pandemic arrested the growth in business & resulted in pulling down the activities of the Group. However, it is difficult to identify full extent of any financial impact yet. The Group is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its disaster recovery, business continuity & risk management plan to manage the potential business disruption on its operations and financial performance.

The Central Bank of Bahrain (CBB) announced various measures to combat the effects of COVID-19 to ease liquidity conditions in the economy as well as to assist financial institutions in complying with regulatory requirements.

The Government of Kingdom of Bahrain has announced BD 4.3 billion economic stimulus package to support the country's citizens and private sector and counter the effects of the coronavirus (COVID-19) in these challenging times. The Government paid the salaries of all private sector employees for three months from April 2020 from the unemployment fund, following constitutional procedures and in line with the Social Insurance Law. Also the Government paid individuals' and businesses' Electricity and Water Authority utility bills for six months from April 2020 (capped to electricity bill amount during the same period in 2019).

The overall impact on the financial statements as assessed by the group is as below:

	<i>Net impact on the Group's consolidated income statement BD '000</i>	<i>Net impact on the Group's consolidated financial position BD '000</i>	<i>Net impact on the Group's consolidated owners' equity BD '000</i>	<i>Net impact on the Company income statement BD '000</i>	<i>Net impact on the Company's financial position BD '000</i>	<i>Net impact on the Company's owners' equity BD '000</i>
Capital Expenditure	-	21	-	-	18	-
Liabilities	-	3	-	-	3	-
Revenue Expenditure	(131)	-	(127)	(109)	-	(109)
Impairment on receivables	(287)	(287)	(59)	(59)	(59)	(59)
Loss of Investment income & provision for Impairments	(758)	(758)	(733)	(621)	(621)	(621)
Loss of Profit on reduction in Gross premium due - to cancelation or halt in specific schemes	(160)	-	(160)	(160)	-	(160)
COVID-19 related claims	(38)	-	(38)	(38)	-	(38)
Rent concessions	15	-	15	15	-	15
Total Impact	(1,359)	(1,021)	(1,102)	(972)	(659)	(972)
Government Grant for Salaries & Electricity charges	433	-	403	267	-	267
Net Impact	(926)	(1,021)	(699)	(705)	(659)	(705)

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14th July 2020. This indication should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of the COVID-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be out-of-date. In addition, this information does not represent the exact full comprehensive assessment of COVID-19 impact on the Group. This information is not subject to a formal review by the external auditors.