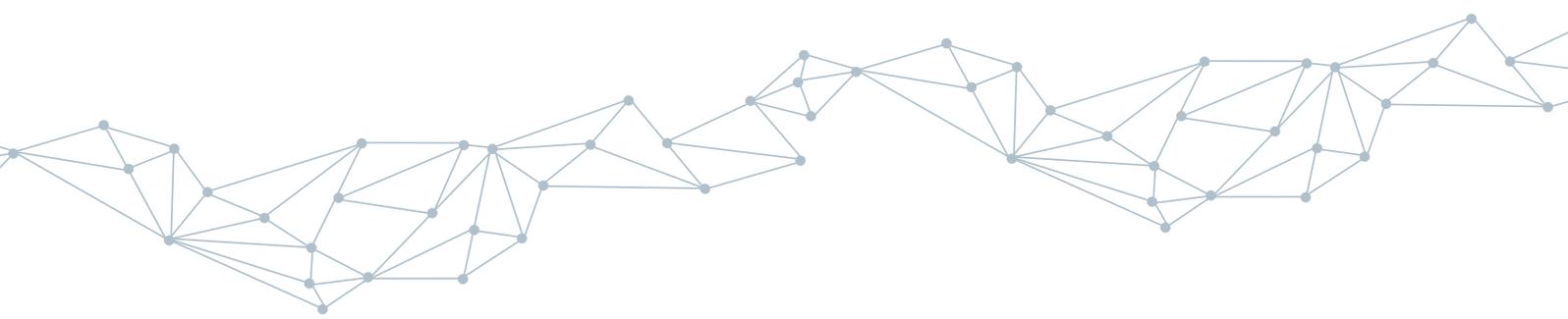




Harnessing
Digital Transformation
for **prosperity** and **growth**

annual report 2018

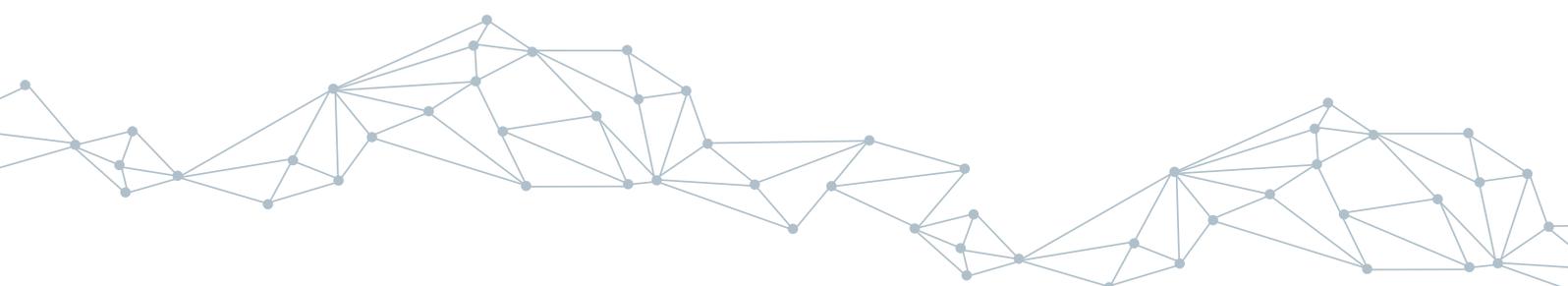


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**H.M. King Hamad
Bin Isa Bin Salman Al Khalifa**

The King of the Kingdom of Bahrain

**H.H. Sheikh Sabah
Al Ahmed Al Jaber Al Sabah**

The Amir of the State of Kuwait



General Information

HEAD OFFICE

BKIC Tower 2775, Road 2835
Seef District 428
Kingdom of Bahrain
PO Box 10166
Telephone: +973 1711 9999
Telefax: +973 1792 1111
Email: info@gig.com.bh
Website: www.gigbh.com
Commercial Registration: 4745

SALMABAD BRANCH

Building 1390, Road 426,
Salmabad 704
Kingdom of Bahrain
PO Box 10166
Telephone: +973 1787 5000
Telefax: +973 1787 5050

ARAD BRANCH

Shop 83, Airport Highway
Entrance 145, Road 44,
Arad 243
Kingdom of Bahrain
PO Box 10166
Telephone: +973 17119991
Telefax: +973 1746 7766

EAST RIFFA BRANCH

Shop 13A, Abu Shaheen Avenue
Al Reem Centre,
East Riffa 923
Kingdom of Bahrain
PO Box 10166
Telephone: +973 17119992
Telefax: +973 1776 4777

SAAR MALL BRANCH

Kiosk 24, Building 133,
Road 25,
Block 525, Saar,
Kingdom of Bahrain
PO Box 10166
Telephone: +973 1711 9993
Telefax: +973 1792 1111

KUWAIT OFFICE

BBK Building, Floors 5 & 6
Ahmed Al-Jabar Street,
Safat 13128, Al Sharq
State of Kuwait
PO Box 26728
Telephone: +965 1885511
Telefax: +965 22468545, 22462169
Email: info@gigbk.com.kw
Commercial Registration: 30713
License: 23

PRINCIPAL BANKERS

BBK
Ahli United Bank
National Bank of Bahrain
Burgan Bank
Gulf Bank

SHARE REGISTRARS

Bahrain

Karvy Computershare WLL
Manama, Kingdom of Bahrain
PO Box 514
Telephone: +973 1721 5080
Telefax: +973 1721 2055

Bahrain Bourse
Manama
Kingdom of Bahrain
P O Box: 3203
Telephone: +973 1710 8781
Telefax: +973 1725 6362

Kuwait

Kuwait Clearing Company
Safat 13081, State of Kuwait
PO Box 22077
Telephone: +965 22465696
Telefax: +965 22469457

AUDITORS

Ernst & Young
Manama, Kingdom of Bahrain
PO Box 140
Telephone: +973 1753 5455
Telefax: +973 1753 5405

ACTUARY

Actuscope Actuaries
Beirut
Republic of Lebanon
P O Box: 11-7503
Telephone: +961 (70) 132321
Telefax: +961 (4) 533040



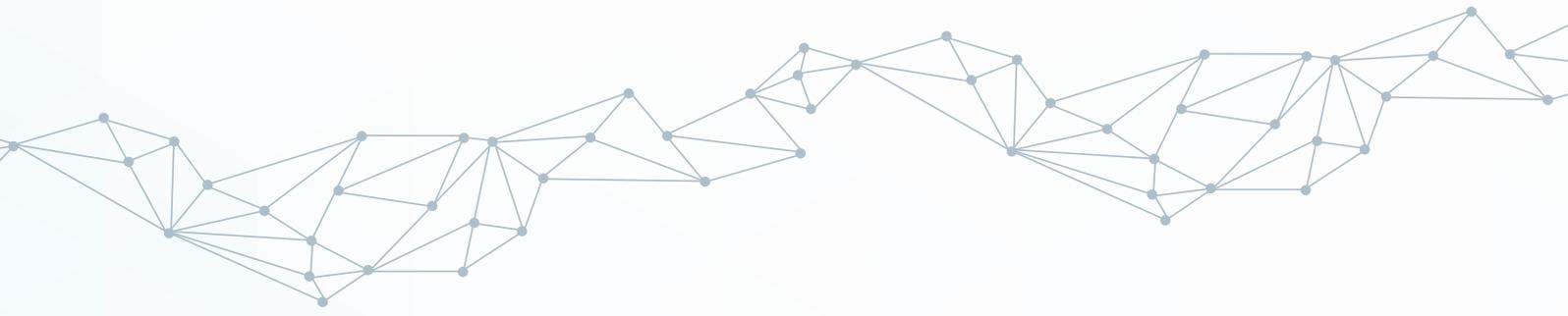
www.gigbh.com

The emergence of innovations in digital technology with reference to banking and finance in the Kingdom of Bahrain, has led to a wave of challenges which bear the marks of an inspiring progress. Creating unique customer experiences through new combinations of information, business resources and digital technologies.

The origin and growth of  has all the attributes the Kingdom of Bahrain has as a modern nation. Today,  has become an insurance innovator, offering guidance and protection to both individuals and corporates.

As  is gearing up for the future, it is committed to achieving excellence by upholding its founding ethos and core values that are rooted in the proud heritage of our land.





Big Data

Big Data Analytics goes much beyond analytics, aiding informed business decisions by collecting and processing large quantities of data. It unearths unseen patterns, unknown correlations, evolving market trends and customer preferences. Big Data Analytics involves high-performance complex applications like predictive models, statistical algorithms and what-if analysis.



Enhancing efficiency. Building trust.



strides forward, tapping the potential of digital technology

to discover new revenue opportunities, improve marketing,
enhance its services and acquire competitive edge.

By renewed operational efficiency,  enjoys the privilege of

being the most trusted insurance provider in the

Kingdom of Bahrain.

Board of Directors



Mr. Khalid Saoud Al Hasan
Vice Chairman



Mr. Bijan Khosrowshahi
Director



Mr. Murad Ali Murad
Chairman



Mr. Mohamed Ebrahim Zainal
Director



Mr. Hassan Mohammed Zainalabedin
Director



Dr. Abdul Rahman Ali Saif
Director



Mr. Shawqi Ali Fakhroo
Director



Mr. Thamer Ebrahim Arab
Director



Dr. Emad Jawad Bukhamseen
Director

Mr. Ali Hasan Fardan
Secretary to the Board



Mr. Mubarak Othman Al Ayyar
Director

Executive Management

BAHRAIN



Mr. Waleed Mahmood
Deputy CEO



Mr. K. M. Kurien
Assistant CEO - Technical Affairs



Mr. Ali Noor
Assistant CEO - Support & Development



Mr. R. Sundaram
Chief Financial Officer



Mr. Ahmed Bucheeri
Chief Investment Officer



Mr. Manoj Badoni
Chief Operating Officer



Mr. Ebrahim Alrayes
Chief Executive Officer

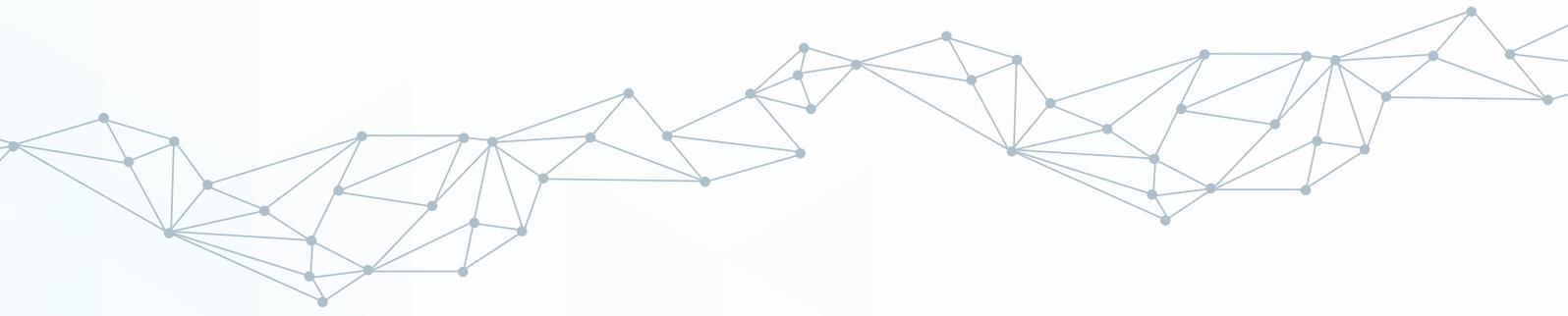
KUWAIT



Mr. Abdulla Rabia
Deputy CEO



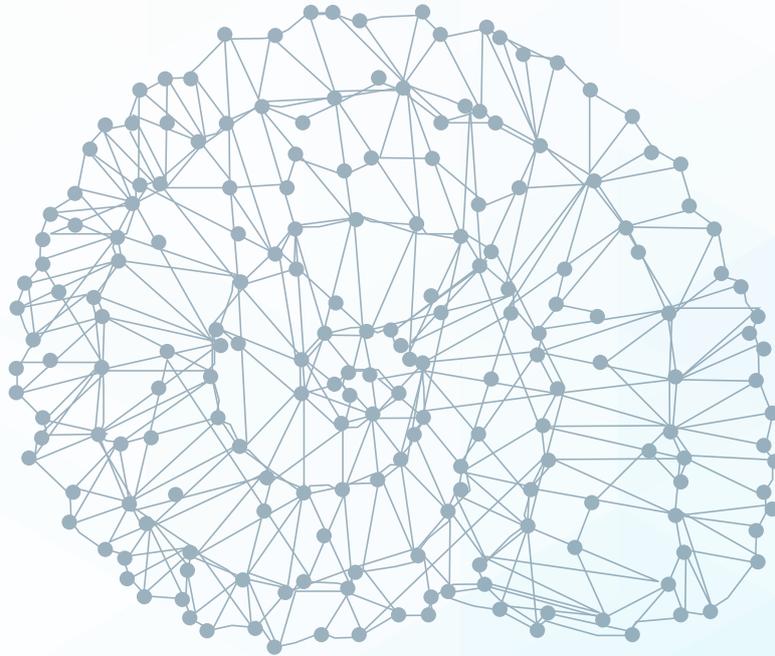
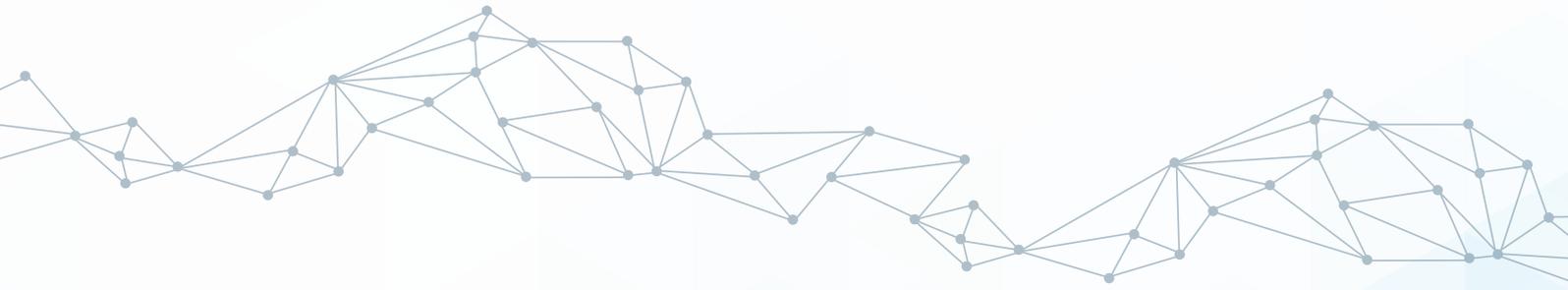
Mr. K Gandhi
Chief Operating Officer



Intelligent Agents

Devises that distinguishes its environment and takes actions that maximize its chance of successfully achieving its goals.

Business Process Management (BPM) and workflows which are human knowledge based phenomenon are moving towards Intelligent Agents which can handle more efficiently and promptly than we do. Autonomy, Reactivity, and Communication ability form the pillars of an Intelligent Agents.



Meeting challenges. Participating in the digital economy.

Computers have moved from back office record keeping to frontline operations of the business. Processes, workflows, our core business systems are now being directly interacted with customers.

We at  take this opportunity to automate our insurance processes and create a virtual corporation whose core competencies are information and knowledge management.

Chairman's Report



Mr. Murad Ali Murad
Chairman

Dear Shareholders,

I am pleased to present to you the report of the Board of Directors and to review with you the 42nd Annual Report of Bahrain Kuwait Insurance Company BSC for the financial year ended 31st December 2018.

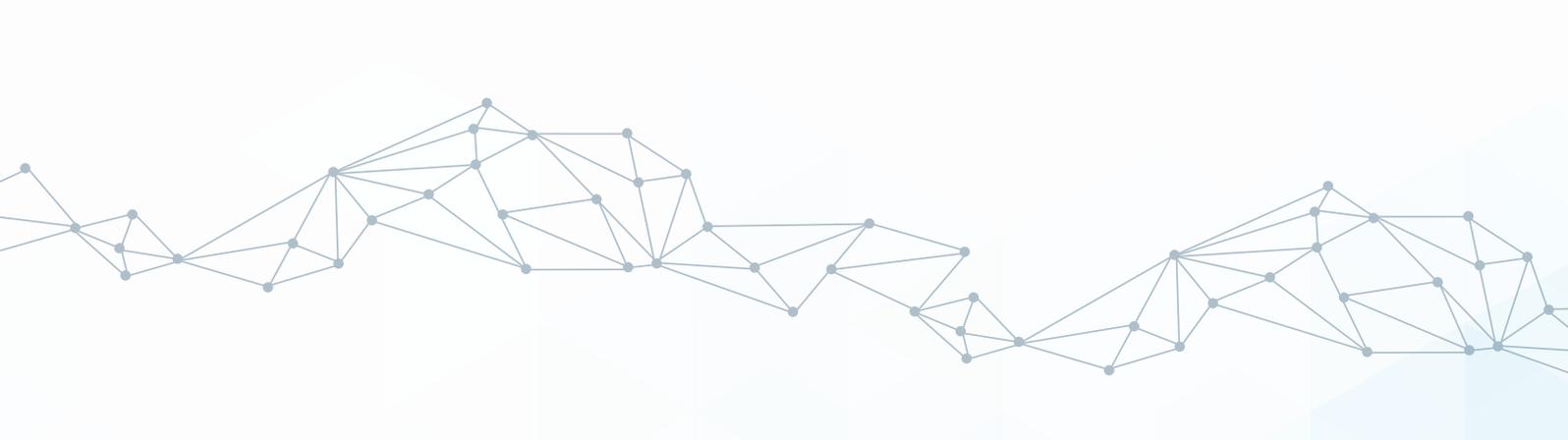
Bahrain experienced unexpected economic challenges in 2018 due to severe fluctuations in world oil market and the continued rise in public debt. This led to difficult choices. The fiscal balance re-engineering program introduced by the government in the second half of the year was an important economic and financial decision, which is expected to help the Kingdom of Bahrain to rebalance its economy and reduce the high level of public debt. This integrated program, supported by Saudi Arabia, United Arab Emirates and State of Kuwait, for US \$ 10 billion spread over a period of 4 years starting from 2019 until 2022, includes a number of economic and financial measures, such as streamlining of subsidies, imposing taxes and fees, introducing an optional retirement program, increasing operational efficiency and spending cuts. This program will encourage significant investment, increase investors' confidence and create new opportunities for all sectors of the economy, including the insurance sector.

On the security and political fronts, Bahrain witnessed more stability in 2018, including the holding of parliamentary and municipal elections on time, the appointment of members of the Shura Council and swearing-in of a new cabinet. As for the inter-Gulf relations, despite few existing problems between some of the GCC countries, all agreed to maintain this important regional entity.

As for the legislative and regulatory matters, The Royal Decree No. (1) was issued concerning the amendment of some provisions of the Commercial Companies Law promulgated by Law No. (21) of 2001, Decree Law No. (23) of 2018 regarding the Health Insurance Law, and Decree No. (48) of the Tax Law the Value Added Tax and its implementation procedures by virtue of Ministerial Resolution No. (12) of 2018. The Ministry of Industry, Trade and Tourism issued Decree No. (19) on Corporate Governance Charter and Decree No. (93) of 2018 concerning fees for conducting commercial activities.

In terms of insurance activity and the company's share of the local market, during the year 2018, the company was able to increase its stake in Takaful International through subscription to rights issue and by acquiring an additional stake to reach 81.94%. Since the markets in which we operate are small and limited in scope for organic growth, we believe that strategic investments like merger or acquisition will help us to maximise investment income and cost saving. A major milestone, which took place in the second quarter of 2018, was that the company doubled its paid-up capital through the distribution of 100% bonus shares to increase its paid up capital to BD 14.3 million.

The Board of Directors has directed the Executive Management to use technology in core areas like online sales and mobile apps. Accordingly, the company launched a mobile application "gig go" which was well received by the general public. The company will continue to explore and implement state of the art technology in pursuit of its financial goals.



With regard to credit rating, A.M. Best affirmed the company's credit rating of A- (Excellent) with a stable outlook in 2018. The rating reflects the financial strength and the excellent ability of the company to meet its ongoing financial obligations.

In the area of corporate governance, a risk management officer was appointed in 2018 who reports to the Board's Audit and Risk Management Committee. The Board is always conscious of adopting best practices in the area of Corporate Governance and gives due importance in the implementation of measures in the company and its subsidiary that would strengthen the corporate governance framework across all activities. This policy is duly reflected in the corporate governance report incorporated in the annual report.

Annual General Meeting of the company held on 22nd March 2018, approved the reappointment of Ernst & Young as external auditors of the company for the year ended 31st December 2018.

We have made remarkable improvements in our financial results compared to the previous year. In a market full of volatility and challenges, these achievements are indeed commendable. The consolidated statement of profit and loss account showed a significant growth of 37% in premiums, from BD 59.5 million in 2017 to BD 81.6 million in 2018. Net profit attributable to the shareholders of the parent increased by 22%, from BD 2.6 million in 2017 to BD 3.2 million in 2018. Total shareholders' equity increased from BD 34.5 million in 2017 to BD 36 million in 2018. The Board of Directors recommended the distribution of cash dividends to shareholders for the year ended 31st December 2018 at a rate of 15%, equivalent to 15 fils per share.

Total profit available for distribution is BD 11,944,711 and the Board of Directors proposes the following allocations:

• Cash dividend (15%) of the paid-up capital	BD 2,143,847
• Statutory reserve (10% of net profit)	BD 262,182
• Retained earnings	BD 9,538,682

During the year sum of BD 177,992 was paid to the directors towards the following:

• Directors' remuneration	BD 143,750
• Sitting fees	BD 25,600
• Travel expenses	BD 8,642

On the social level, the company had reached out to the community as usual to provide contributions and donations to charities, and various cultural, sports and social associations, in view of the important roles played by these institutions in the service of society.

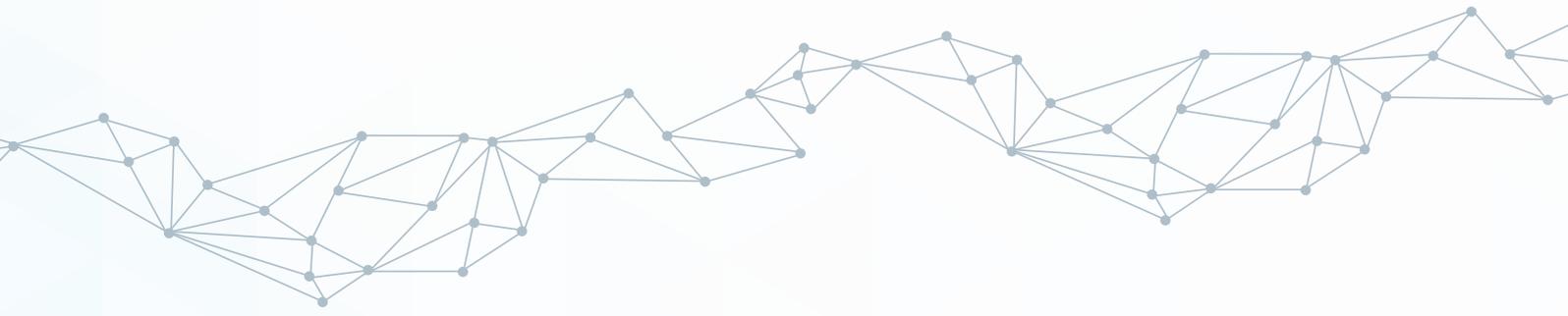
I wish to express my sincere thanks and appreciation to the shareholders for their unstinted cooperation and support. I also wish to thank our esteemed customers for their confidence and trust in the company and its services. I would like to express my sincere gratitude and appreciation to the management and staff for their continued diligence, dedication and determination. I would also like to thank the intermediaries, reinsurance companies and other business associates for their cooperation and support.

I would like to acknowledge with gratitude the support given to our company by all the official bodies in the Kingdom of Bahrain and State of Kuwait, 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, Bahrain Bourse and Boursa Kuwait.

Finally, I would like to express our gratitude to His Majesty King Hamad Bin Isa Bin Salman Al Khalifa, the King of the Kingdom of Bahrain and His Highness Shaikh Sabah Al Ahmed Al Jaber Al Sabah, the Amir of the State of Kuwait and the respective governments, for their support and assistance to the insurance sector in both countries. I wish the people of the Kingdom of Bahrain and the State of Kuwait continued peace and prosperity.

Thank you.

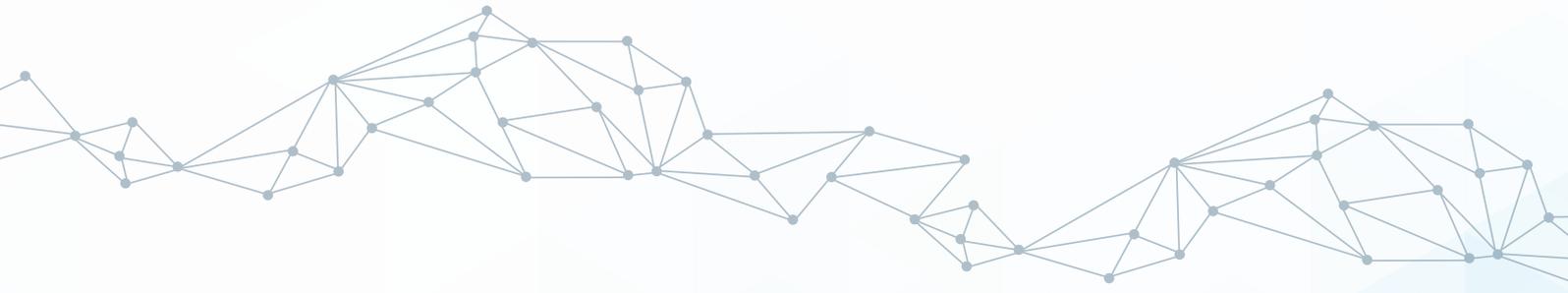
Mr. Murad Ali Murad
Chairman
14th February 2019



Cloud Computing

The Cloud helps insurance providers become more customer-centric by unifying data and engaging more efficiently through new distribution channels. It also inspires to create innovative systems in relationship management, respond quickly and cost-effectively to changing conditions.

With such readiness to adopt newer technologies,
the future will always be brighter.



Inspiring to succeed... Innovating to stand out.



giga Bahrain is gradually moving its operation to the Cloud Solution and investing more in this technology which will save cost on IT infrastructure, at the same time provides us with our services on demand for all our users.

Chief Executive Officer's Report



Mr. Ebrahim Alrayes
Chief Executive Officer

I am very happy to report to you that we have again delivered outstanding performances on both financial and operational parameters across all our business segments despite difficult economic conditions prevailing in the region and Bahrain in particular.

The spectacular improvement in our financial result achieved during the year under review assisted us in maintaining the leadership position in Bahrain market despite many challenges faced by the insurance industry across the region.

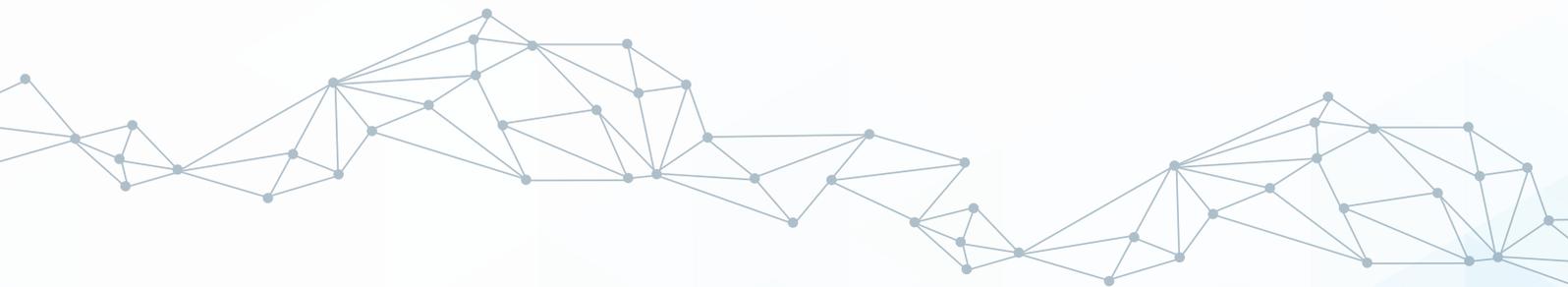
Our Gross premium income grew by 37% from BD 59.5 million in 2017 to BD 81.6 million in 2018 and net premium increased to BD 31.7 million from BD 24.2 million registering a growth of 31%. It is worth mentioning here that during the year 2018, the company won the tender for insuring the largest construction project ever undertaken in Bahrain, at a total sum insured of USD 5.5 billion.

On the other hand, net claims increased by 31% from BD 18.5 million in 2017 to BD 24.4 million in 2018. Despite this increase, there was no change in loss ratio from previous year which remained at 76.8% at the end of the year. I would also like to point out that the company suffered extraordinary gross losses of approximately BD 10 million due to flood caused by heavy rains that hit the State of Kuwait in November 2018, in addition to three major fire incidents occurred in Bahrain, which gave a combined loss figure of approximately BD 36 million. Also, based on the report of the external actuary, additional IBNR provisions amounting to BD 564,000 were made to strengthen the technical reserves which stood at BD 29.5 million compared to BD 26.5 million in the previous year.

As for the technical results, the company achieved significant growth of 66%, from BD 1.2 million in 2017 to BD 1.9 million in 2018. Net investment income increased by 26% from BD 1.6 million to BD 2 million and net profit attributable to the shareholders of the parent increased from BD 2.6 million to BD 3.2 million, registering a growth of 22%.

Takaful International (our subsidiary) too has achieved a good surplus this year, perhaps the best since its inception. Takaful International's Board of Directors had taken several important measures and decisions to reduce operational expenses and improve efficiency, which in turn had assisted that company to achieve better result this year. The process is ongoing to synergize some of the common services/functions of BKIC and Takaful including consolidation of branches with a view to improve efficiency and cost savings for both companies.

During the year 2018, the roles of Risk Management Department were strengthened to ensure internal procedures are implemented and followed up as per the procedure manuals so as to ensure financial soundness with an aim to improve capital efficiency, asset quality and adequacy of reserves and liabilities.



In the area of staff training and development, the number of training courses that benefited employees during the year amounted to 39 across all disciplines, including 33 at the Bahrain Institute for Banking and Finance (BIBF) and 6 abroad Bahrain. It should be noted that five employees have obtained professional certificates in insurance and risk management during the year under review.

Business development continues to be a focus area and to strengthen this section, a competent officer in the position of Assistant Chief Executive for Support and Development joined the company to implement the state of the art information technology and digital solutions within the company which will contribute to better customer service, increased production and efficiency, apart from cost savings.

Among the most important projects that have been completed during the year is the launch of our mobile application “gig go” which is a smart and easy-to-use application that enables customers to buy personal insurance products, renew policies and register their claims online using their smart devices. Besides, this innovative application has various other useful additional informations such as directory of garages, car dealers, travel agencies, airports and embassies.

The company has also implemented a state of the art cloud based HR system which covers all the company’s requirements related to personnel records, payroll, leave, training and attendance apart from employee self-service facilities dispensing paper forms.

The company, in agreement with the General Directorate of Traffic, stopped issuing plastic motor insurance cards as the relevant information is automatically updated in traffic records and e-card is available on our digital platforms. In addition SMS notification is sent simultaneously to the insured as well.

In the area of information and data storage, in accordance with the requirements of the Central Bank of Bahrain we have moved certain process to cloud using Amazon Web Services (AWS) as it is a safe and low-cost system and works with unlimited capacity and high efficiency. In preparation for implementation of VAT effective 1st January 2019, necessary modifications were made to our core insurance and accounting system in October 2018.

In conclusion, I would like to express my sincere thanks and deep appreciation to the Board of Directors for their continued support and guidance provided to the Executive Management. I would also like to commend and thank all our employees in Bahrain and Kuwait for their hard work, dedication and focus, and for the diligence with which they continuously looked after the interests of our clients and shareholders. To our valued clients, shareholders and business partners especially the reinsurance companies and insurance and reinsurance brokers, I would like to express my gratitude and offer a special ‘thank you’ for entrusting us with your confidence and allowing us to take care of your business interests. Your unstinted support and cooperation greatly assisted us in overcoming all challenges.

We remain confident in our ability to create ongoing value for all our stakeholders for the next year and years beyond.

Mr. Ebrahim Alrayes
Chief Executive Officer
14th February 2019

Corporate Governance Report

Year ended 31 December, 2018

1. CORPORATE GOVERNANCE PHILOSOPHY

The Company has a policy of benchmarking against established best practice in the field of corporate governance. The Board has adopted core values and standards which set out the behaviors expected of staff in their dealings with shareholders, customers, colleagues, brokers and other stakeholders of the Company. One of the core values communicated within the Company is a belief that the highest standard of integrity is essential in business. The governance of the Company remains under constant review, in order to enhance compliance levels according to international standards and best practice. The direct responsibility of the Board of Directors is to endeavor to be in line with policies of regulatory authorities and statutory requirements.

2. COMMUNICATION STRATEGY

The Company has a clear policy in relation to its communication with its stakeholders, shareholders, employees, customers, government bodies, regulators and society. Shareholders are invited by the Chairman of the Board to attend the Annual General Meeting in the presence of the Chairman and other directors including the Executive Committee Chairman, the Audit & Risk Management Committee Chairman, the Nomination, Remuneration and Governance Committee Chairman and the External Auditors, who are available to answer any questions raised by shareholders or media representatives with regard to the operations and performance of the Company. Additionally, the Company is cognizant and fully aware of its regulatory and statutory obligations regarding dissemination of information to its stakeholders. Without prejudice to the disclosure standards, guidelines on key persons and other requirements of the relevant statutory bodies, financial and non-financial information is provided by the Company on all events that merit announcement, either on its website: www.gigbh.com or through local newspapers or other means of communication. The financials and annual reports of the Company are made available on the Company's website.

3. SHAREHOLDERS INFORMATION

BKIC's shares are listed on the Bahrain Bourse and Boursa Kuwait. The Company has issued 143,000,000 equity shares, each with a face value of 100 fils. All shares are fully paid.

Shareholders

Name	Nationality	No. of shares	% of Holding
Citizens of the Kingdom of Bahrain and Others	-	33,919,882	23.73
Gulf Insurance Group (KSC)	Kuwait	80,253,818	56.12
Warba Insurance Company (KSC)	Kuwait	19,066,664	13.33
BBK (BSC)	Bahrain	9,759,636	6.82

Distribution schedule of each class of equity

Category	No. of Shares	No. of shares	% of Outstanding Shares
Less than 1%	27,803,604	3,737	19.45
1% up to less than 5%	6,116,278	1	4.28
5% up to less than 10%	9,759,636	1	6.82
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	3,741	100

4. BOARD OF DIRECTORS INFORMATION

BOARD COMPOSITION

The Board composition is based on the Company's Memorandum of Association and Articles of Association and comprises of ten Members. The Board represents a mix of high-level professional skills and expertise. Furthermore, in compliance with the corporate governance requirements, the Board Committees consist of Members with adequate professional background and experience. The Board periodically reviews its composition and the contribution of its Directors and Committees.

The appointment of Directors is subject to prior approval of the Central Bank of Bahrain (CBB). The classification of 'executive' Directors, 'non-executive' Directors and 'independent non-executive' Directors is as per definitions stipulated by the CBB.

Status of Executive, Non-Executive and Independent Directors as at year end 2018

Executive Directors	3
Non Executive Directors	3
Independent & Non-Executive Directors	4

Directors are elected / appointed by the shareholders at the AGM. Election or re-election of a Director at the AGM shall be accompanied by a recommendation from the Board, based on a recommendation from the Nomination, Remuneration and Governance Committee with specific information such as biographical and professional qualifications and other directorships held.

The Board is supported by the Board Secretary who provides professional and administrative support to the general assembly, the Board, its committees and members. The appointment of the Board Secretary is subject to the approval of the Board. The Secretary is also assigned with the responsibility of liaising with the regulatory agencies in both Bahrain and Kuwait.

DIRECTORS' ROLES AND RESPONSIBILITIES

The Company is governed through its Board of Directors. The Board's main roles are to create value to shareholders, to provide entrepreneurial leadership of the Company, to approve Company's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives.

The Board, which meets at least four times a year, has a schedule of matters reserved for its approval.

Corporate Governance Report

Year ended 31 December, 2018

The Board, which meets at least four times a year, has a schedule of matters reserved for its approval.

The specific responsibilities reserved to the Board include:

- Reviewing Company strategy and approving the annual budget for revenues and capital expenditure;
- Reviewing operational and financial performance;
- Approving acquisitions and divestments;
- Reviewing the Company's systems of financial control and risk management;
- Ensuring that appropriate management development and succession plans are in place;
- Approving appointments to the Board and the Company Secretary; and
- Ensuring that a satisfactory dialogue takes place with shareholders.

DIRECTOR'S INDUCTION AND PROFESSIONAL DEVELOPMENT

The Board is required to be up to date with current business, insurance industry, regulatory and legislative developments and trends that will affect the Company's business operations. Immediately after appointment, the Company will provide a formal induction, if necessary. Meetings will also be arranged with Executive Management and the Company's Heads of Departments. This will foster a better understanding of the business environment and markets in which the Company operates. A continuing awareness programme is essential and it may take many different forms, through distribution of publications, workshops, presentations at Board meetings and attendance at conferences encompassing topics on directorship, business, insurance industry and regulatory developments.

The development programmes arranged for the Board members during 2018:

Name of Director	Course: Analyzing Insurance Companies Financial Statement Date: 29th November 2018 for four Hours
Mr. Murad Ali Murad	◆
Mr. Khalid Saoud Al Hasan	◆
Mr. Hassan Mohammed Zainalabedin	◆
Dr. Emad Jawad Bukhamseen	◆
Dr. Abdul Rahman Ali Saif	◆
Mr. Bijan Khosrowshahi	◆
Mr. Shawqi Ali Fakhroo	◆
Mr. Mohamed Ebrahim Zainal	◆
Mr. Thamer Ebrahim Arab	◆
Mr. Mubarak Othman Al Ayyar	◆

BOARD AND COMMITTEES EVALUATION

The Board performs a self-evaluation on an annual basis. The Board annually reviews its Charter and its own effectiveness; and initiates suitable steps for any amendments. The Board will also review self-evaluations of the individual Board members and the Board Committees and consider appropriately any recommendations arising out of such evaluation.

WHISTLE BLOWING POLICY

The Board has approved the whistle blowing policy with designated officials to whom the employee can approach. The policy provides adequate protection to the employees for any reports in good faith. The Board's Audit & Risk Management Committee oversees this policy.

CODE OF CONDUCT

The Board has approved a Code of Conduct for the Company's Directors. The Board has also approved a Code of Ethics for the Executive Management and employees. These codes outline areas of conflict of interest, confidentiality and the responsibilities of signatories to adhere to best practices.

KEY PERSONS TRADING POLICY

The Company has established a "Key Persons Trading Policy" to ensure that insiders are aware of the legal and administrative requirements regarding holding and trading of BKIC shares, with the primary objective of preventing abuse of inside information. "Key Persons" are defined to include the Directors, Executive Management, designated employees and any person or firm connected to the identified key persons. Responsibility for ensuring compliance with the Key Persons Trading Policy is entrusted to the Secretary to the Board.

The policy covers the regulation of Bahrain Bourse relating to key persons.

CONFLICT OF INTEREST POLICY

The Board has also approved the policy for dealing with situations involving 'Conflict of Interest' of Directors. In the event of the Board or its Committees considering any issues involving Conflict of Interest of Directors, the decisions are taken by the full Board / Committees. The concerned Director abstains from the discussion / voting process. These events are recorded in the Board / Committees proceedings. The Directors are required to inform the entire Board of Conflicts of Interest (potential or otherwise) in their activities with, and commitments to, other organisations as they arise and abstain from voting on the matter. This disclosure includes all material facts in the case of a contract or transaction involving the Director.

CORPORATE SOCIAL RESPONSIBILITY

BKIC's contribution towards the well being of the community is an integral part of its corporate role. This corporate social responsibility is translated by the Company through an annual appropriation of a budget allocated for donations to finance community related projects and initiatives. The projects varying in nature fall into any one of the following fields; education & scientific centers, medical centers & facilities, social activity, public awareness programs and environment protection programs.

Corporate Governance Report

Year ended 31 December, 2018

5. DISCLOSURES RELATING TO BOARD OF DIRECTORS

DIRECTOR'S PROFILE

Mr. Murad Ali Murad (*Independent & Non-Executive*)

Chairman

Director since 28 March 2004

Fellow Member of Chartered Institute of Management Accountants, UK

Directors' external appointments

- Chairman of BBK BSC, Bahrain
- Chairman of Al Janabya Company WLL (Family Company), Bahrain
- Vice Chairman of BIBF, Bahrain

Mr. Khalid Saoud Al Hasan (*Executive*)

Vice Chairman

Director since 28 March 2006

Bachelor degree in Political Science and Economics from Kuwait University, Kuwait

Directors' external appointments

- Chairman of Kuwait Insurance Federation (KIF), Kuwait
- Vice Chairman of Gulf Assist, Bahrain
- Board Member of Arab Reinsurance Co., Lebanon
- Board Member of General Arab Insurance Federation (GAIF)
- Board Member of Chief Executive Officer of Gulf Insurance Group (KSC), Kuwait
- Board Member in many of Gulf Insurance Groups' Subsidiaries

Mr. Hassan Mohammed Zainalabedin

(*Independent & Non-Executive*)

Board Member

Director since 1975 (inception)

Bachelor Degree in Economics from Cairo University, Egypt

Directors' external appointments

- Chairman of SYSCON Trading and Mechanical Services Co, WLL, Bahrain
- Chairman of ZEN Trading and Contracting Co., WLL, Bahrain
- Chairman of FAZ Trading and Supplies Co., WLL, Bahrain

Dr. Emad Jawad Bukhamseen (*Non-Executive*)

Board Member

Director since 7 August 2005

Ph.D. in Hotel and Tourism Industry from American University, UK

Doctor in Business Administration from European School of Management (DBA), UK

Master of Business Administration and Economics from University of Liverpool, UK

Bachelor of Financing Accounting from Beirut College, Lebanon

Bachelor of Business Administration from Brad Ford College, America

Directors' external appointments

- Chairman of Al-Arabiya Real Estate Co., Kuwait
- Chairman of Layan Real Estate Co., Dubai
- Chairman of Gourmania International, Kuwait, Dubai and London
- Chairman of Al-Baraka Media Group, Kuwait
- Chairman of National Arabic Company for Restaurant Management (Ruby Tuesday), Kuwait
- Chairman of Al Huda Medical Services Co., Kuwait
- Chairman of Bukhamseen Square Real Estate Company/ Mandarin Oriental
- Chairman & Managing Director of Bukhamseen Aviation Group
- Chairman of Kuwait International Automobile Club
- Chairman, Managing Director & CEO of Al Arabia.com-Real Estate Marketing, Kuwait
- Chairman & Partner of Interiors Collaborative, Kuwait
- Chairman of Al Baraka Kuwait General Trading & Contracting Co., Kuwait
- Chairman of Bukhamseen General Trading & Contracting Co., Kuwait
- Chairman of Arab National Company for Tourism Facilities Management (Marafick National)
- Vice Chairman & CEO of Bukhamseen Group Holding, Kuwait
- Vice Chairman of Arabiya Real Estate Investment Co., Egypt
- Vice Chairman of Kuwait International Education, Kuwait
- Vice Chairman of Jawad Bukhamseen & Sons Charity House, Kuwait
- Board Member of Kuwait Clearing Company, Kuwait
- Board Member of Al Houada Hotels for Travels & Tourism Co., Kuwait
- Board Member of Misr International Towers / Holiday Inn, Maadi, Egypt
- Board Member of Arabian Beverages Company, Kuwait, Saudi Arabia, Bahrain, Egypt, Qatar & Iraq
- Board Member of U.S. Chamber of Commerce for the benefit of US-Iraq Benefit Initiative
- Managing Director of Blue Nile Travels, Egypt
- Editor in Chief of Annahar Daily Newspaper, Kuwait

Mr. Shawqi Ali Fakhroo (*Non-Executive*)

Board Member

Director since 25 February 2008

Directors' external appointments

- Chairman & Managing Director of Ali Bin Yousif Fakhro & Sons WLL, Bahrain
- Chairman & Managing Director of Shawki Ali Fakhroo & Sons WLL, Bahrain
- Chairman & Managing Director of Fakhroo Trading Agencies WLL, Bahrain
- Chairman & Managing Director of Fakhroo Investment WLL, Bahrain
- Chairman of Mohammed Fakhroo & Brothers WLL, Bahrain
- Chairman of Fakhroo Information Technology Service WLL, Bahrain
- Chairman of Shutdown Maintenance Services WLL, Bahrain
- Board Member of Zallaq Resort Co. (BSC), Bahrain
- Board Member of BMMI (BSC), Bahrain
- Board Member of Bahrain Cinema Co. (BSC), Bahrain

Corporate Governance Report

Year ended 31 December, 2018

Dr. Abdul Rahman Ali Saif (*Independent & Non-Executive*) Board Member

Director since 28 February 2011

Ph.D. Economics from University of Leicester, UK

Directors' external appointments

- Deputy Chief Executive, Wholesale Banking Group in BBK (BSC), Bahrain
- Chairman, BBK Geojit Securities (KSC), Kuwait
- Deputy Chairman of Aegila Capital Management Limited, London, UK
- Board Member of Bahrain Commercial Facilities Company (BCFC), Bahrain
- Board Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tas'heelat Automotive Company S.P.C. (TAC), Tas'heelat Car Leasing Company W.L.L. (TCL), Bahrain; and Tas'heelat for General Trading and Cars W.L.L. (TGTC), Erbil-Kurdistan, Republic of Iraq

Mr. Bijan Khosrowshahi (*Non-Executive*)

Board Member

Director since 28 February 2011

MBA and Bachelor Degree in Mechanical Engineering from Drexel University, USA

Directors' external appointments

- President & CEO of Fairfax International, London
- Board Member of Gulf Insurance Group KSC, Kuwait
- Board Member of Gulf Insurance & Reinsurance Company (GIRI), Kuwait.
- Board Member of Arab Misr Insurance Group, Egypt
- Board Member of Arab Orient Insurance Company, Jordan
- Board Member of Gulf Sigorta A.S., Turkey
- Board Member of Alliance Insurance P.S.C., Dubai
- Board Member of Jordan Kuwait Bank, Jordan
- Board Member of Commercial International Bank (CIB), Egypt
- Board Member of Colonnade Insurance S.A., Luxembourg
- Board Member of Southbridge Compañía de Seguros Generales S.A., Chile
- Board Member of La Meridional Compañía Argentina de Seguros S.A., Argentina
- Board Member of SBS Seguros Colombia S.A., Colombia

Mr. Mohamed Ebrahim Zainal (*Independent & Non-Executive*) Board Member

Director since 5 March 2014

Masters of Business Administration from University of Strathclyde, Glasgow, UK

BSc. in Management Information Systems from University of Texas, Arlington, USA

Directors' external appointments

- Board Member of Mohamed Ali Zainal Abdulla BSC ©, Bahrain
- Board Member of Zainal Enterprises WLL, Bahrain

Mr. Thamer Ebrahim Arab (*Executive*)

Board Member

Director since 23 March 2017

BSc. in Computer Science from California University, America

Directors' external appointments

- Deputy CEO for Support Departments in Gulf Insurance & Reinsurance Co., Kuwait
- Board Member of United Networks Group, Kuwait
- Secretary to the Board of Gulf Insurance Group, Kuwait

Mr. Mubarak Othman Al Ayyar (*Executive*)

Board Member

Director since 23 March 2017

BSc. in Management from Ajman University of Science & Technology, UAE

CII in Insurance from the Chartered Insurance Institute, UK

Directors' external appointments

- Director of Distribution.
- Manager of Reinsurance Department in Gulf Insurance & Reinsurance Co., Kuwait
- Board Member of Egyptian Life Takaful, Egypt

DIRECTOR'S AND RELATED PARTIES' INTERESTS

The number of shares held by Directors as of 31 December 2018 was as follows:

Name of Directors	Type of shares	31 Dec 2018	31 Dec 2017
Mr. Murad Ali Murad	Ordinary	286,000	143,000
Mr. Hassan Mohammed Zainalabedin	Ordinary	924,056	462,028
Mrs. Shahnaz Ishaq Abdulrahman Ishaq*	Ordinary	4,414	617
Mr. Faisal Hassan Mohammed Zainalabedin*	Ordinary	59,564	29,782
Syscon Trading & Mechanical Services Co*	Ordinary	301,546	150,773
Mr. Shawqi Ali Fakhroo	Ordinary	500,934	250,467
Mr. Ali Shawqi Ali Fakhroo*	Ordinary	13,088	6,544
Inheritors of Ali Bin Yusuf Fakhroo*	Ordinary	843,106	421,553
Mr. Mohamed Ebrahim Ali Zainal**	Ordinary	77,702	38,851
Mohammed Ali Zainal Abdulla BSC (MAZA)*	Ordinary	6,116,278	3,058,139

* Related Party. Mrs. Shahnaz Ishaq Abdulrahman Ishaq purchased 3,180 shares in July 2018.

** The Board members did not trade in the shares of the company during the financial year ended 31 December 2018.

*** The Chief Executive officer, Deputy CEO and other members holding positions of approved status within the company do not hold any shares of the Company in their names or in the names of their families.

Corporate Governance Report

Year ended 31 December, 2018

6. BOARD MEETINGS

As per the charter of the Board, the directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

BOARD MEETINGS AND RECORD OF ATTENDANCE

During the year 2018, the Board of Directors met six times, and a record of the member's attendance at the meetings is set below:

Name of Director	Title	21 Feb	22 Mar	9 May	9 Aug	8 Nov	29 Nov	Meetings Attended	% of Meetings attended
Mr. Murad Ali Murad	Chairman	★	★	★	★	★	★	6	100
Mr. Khalid Saoud Al Hasan	Vice Chairman	★	★	★	★	★	★	6	100
Mr. Hassan Mohammed Zainalabedin	Board Member	★	★	★	★	★	★	6	100
Dr. Emad Jawad Bukhamseen	Board Member	★	★	✧	★	★	★	5	83
Dr. Abdul Rahman Ali Saif	Board Member	★	★	★	★	✧	★	5	83
Mr. Bijan Khosrowshahi	Board Member	★	✧	★	★	★	★	5	83
Mr. Shawqi Ali Fakhroo	Board Member	★	★	★	★	★	★	6	100
Mr. Mohamed Ebrahim Zainal	Board Member	★	★	★	★	★	★	6	100
Mr. Thamer Ebrahim Arab	Board Member	★	★	★	★	★	★	6	100
Mr. Mubarak Othman Al Ayyar	Board Member	★	★	★	★	★	★	6	100

Corporate Governance Report

Year ended 31 December, 2018

The summary of final decisions taken on Key Matters discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision
21 st Feb 2018	Recommendation to AGM to distribute cash dividends of 25% of paid-up Capital and to distribute bonus shares of 100% through capitalizing the general reserve.	Approved
	The consolidated financials at 31 December 2017.	Approved
	Recommendation to AGM to re-appoint Ernst & Young as external auditors for the year 2018.	Approved
	Amend the investment policy.	Approved
	The Company's Succession Plan.	Approved
	The directors' remunerations for 2017.	Approved
	The Staff bonus for 2017.	Approved
	Amend the HR Policies of Bahrain and Kuwait offices.	Approved
	Recommendation to AGM to amend the Company's Memorandum & Articles of Association.	Approved
22 nd Mar 2018	Amend the list of authorized signatories of Bahrain and Kuwait Offices.	Approved
	Additional purchase of TIC's shares.	Approved
	Approved the Audit fees for External Auditors.	Approved
9 th May 2018	Authorize the CEO to execute the amendments of the Memorandum and Articles of Association in front of the Notary Public.	Approved
	Underwriting the Rights Issues of TIC.	Approved
	The consolidated financials at 31 March 2018.	Approved
	The appointment of M/s Grant Thornton as a consulting firm to develop the Company's integrated business continuity plan.	Approved
9 th Aug 2018	Approved a donation to Al Rahma Society for Disabled Care.	Approved
	The consolidated financials at 30th June 2018.	Approved
	Approved the policy of amending the Company's policies and procedure manuals.	Approved
	Amend the Company's Authority Matrix of Bahrain and Kuwait offices.	Approved
8 th Nov 2018	Amend the list of authorized signatories of Bahrain office.	Approved
	To purchase the entire stake of IIG in Takaful.	Approved
	Changing the Logo of the subsidiary "Takaful".	Approved
	The consolidated financials at 30 September 2018.	Approved
	Recommendation to AGM to purchase of treasury shares by not more than 10% of the total shares.	Approved
29 th Nov 2018	Amend the Company's Donation Policy.	Approved
	To consolidate some branches with the subsidiary "TIC".	Approved
	The company's budget for the year 2019.	Approved
	Appoint of First Deputy CEO apart of the succession plan.	Approved

Corporate Governance Report

Year ended 31 December, 2018

7. BOARD COMMITTEES

Board committees are formed and their members are appointed by the Board of Directors at the beginning of each Board term. They are considered the high level link between the Board and the Executive Management. The objective of these committees is to assist the Board in monitoring the actual operations of the Company, by reviewing issues that are submitted by management to the Board and making recommendations to the Board for their final review.

The Board reserves the right to form temporary committees and discontinue them from time to time and as it deems necessary. Further, the members of the Board are provided with copies of meeting minutes of the said committees, as required by the regulators.

BOARD COMMITTEES' RESPONSIBILITIES, MEETINGS AND RECORD OF ATTENDANCE

Executive Committee

The Board has delegated the following responsibilities to the Executive Committee:

- The development and recommendation of strategic plans for consideration by the Board that reflect the long-term objectives and priorities established by the Board;
- Implementation of the strategies and policies of the Company as determined by the Board;
- Monitoring of the operational and financial results against plans and budgets;
- Monitoring the quality and effectiveness of the investment process against objectives and guidelines;
- Prioritizing allocation of capital, technical and human resources;

The members of the Executive Committee and their attendance at the four meetings held during the year were as follows:

Name of Director	Title	21 Feb	9 May	9 Aug	8 Nov	Meetings Attended
Mr. Khalid Saoud Al Hasan	Chairman	♦	♦	♦	♦	4
Dr. Emad Jawad Bukhamseen	Vice Chairman	♦	♦	♦	♦	3
Dr. Abdul Rahman Ali Saif	Member	♦	♦	♦	♦	3
Mr. Bijan Khosrowshahi	Member	♦	♦	♦	♦	4
Mr. Mubarak Othman Al Ayyar	Member	♦	♦	♦	♦	4

Audit & Risk Management Committee

The Board has delegated the following responsibilities to the Audit & Risk Management Committee:

- Reviewing the Company's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon;
- Reviewing the appropriateness of the Company's accounting policies and other operational procedures;
- Reviewing regularly the potential impact in the Company's financial statements of certain matters such as impairment of fixed asset values and proposed changes in International Financial Reporting Standards and International Accounting Standards applicable to the Company;
- Reviewing compliance of requirements specified in the Rulebook issued by the Central Bank of Bahrain;
- Reviewing and approving the terms of engagement for the audit;
- Reviewing an annual report on the Company's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and
- Reviewing the internal audit functions terms of reference, its work programme and quarterly reports on its work during the year.

Under its terms of reference, the Audit & Risk Management Committee monitors the integrity of the Company's financial statements and any formal announcements relating to the Company's performance. The Committee is responsible for monitoring the effectiveness of the external audit and internal process.

It is responsible for ensuring that an appropriate relationship between the Company and the external auditors is maintained. It also reviews annually the Company's systems of internal control and the processes for monitoring and evaluating the risks facing the Company. The Committee reviews the effectiveness of the internal audit and is responsible for approving, upon the recommendation of the Chief Executive Officer, the appointment and termination of the internal auditors. The Committee reviews its charter and its effectiveness annually and recommends to the Board, any changes required as a result of the review.

The Committee meets with the Directors and management, and as and when considered required with both the external and internal auditors.

The internal audit function is outsourced to KPMG, Bahrain who conduct their procedures as per the agreed terms of reference, and provide their periodic reports directly to the Audit & Risk Management Committee.

Fines & penalties

The Company did not pay any fines or penalties to regulatory or governmental agencies during the year.

Corporate Governance Report

Year ended 31 December, 2018

The members of the Audit Committee and their attendance at the four meetings held during the year were as follows:

Name of Director	Title	20 Feb	8 May	8 Aug	7 Nov	Meetings Attended
Mr. Hassan Mohammed Zainalabedin	Chairman	✦	✦	✦	✦	4
Mr. Shawqi Ali Fakhroo	Vice Chairman	✦	✦	✦	✦	4
Mr. Mohamed Ebrahim Zainal	Member	✦	✦	✦	✦	4
Mr. Thamer Ebrahim Arab	Member	✦	✦	✦	✦	4

Nomination, Remuneration and Governance Committee

The Board has delegated the following responsibilities to the Nomination, Remuneration and Governance Committee:

- Assist the Board of Directors in identifying and nominating individuals qualified to serve as Board and committee members of the Board.
- Recommend the remuneration and rewards policy for the Company and in particular, for the directors and senior management team, and lead the performance review of Board and committees.
- Enhance the company's governance and compliance levels according to international standards and best practice to be in line with policies of regulatory authorities and statutory.

The members of the Nomination, Remuneration and Governance Committee and their attendance at the four meetings held during the year were as follows:

Name of Director	Title	14 Jan	1 Feb	26 Jul	25 Nov	Meetings Attended
Mr. Murad Ali Murad	Chairman	✦	✦	✦	✦	4
Dr. Abdul Rahman Ali Saif	Vice Chairman	✦	✦	✦	✦	4
Khalid Saoud Al Hasan	Member	✦	✦	✦	✦	4
Hassan Mohammed Zainalabedin	Member	✦	✦	✦	✦	4

Corporate Governance Report

Year ended 31 December, 2018

8. RISK MANAGEMENT, COMPLIANCE AND ANTI-MONEY LAUNDERING

Bahrain Kuwait Insurance Company BSC is fully aware of its responsibilities in observing all regulatory provisions and the best international practices in relation to its functioning. It is committed to complying with the international best practices on risk management, compliance and anti-money laundering as reflected by the requirements of the Central Bank of Bahrain.

The Company has Risk Management, Compliance and Anti-Money Laundering Officers. These functions are independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function. In addition, following a rigorous review to ensure compliance with the regulatory requirements in regard of these functions, the Risk Management, Compliance and Anti-Money Laundering Officers now reports directly to the Chief Executive Officer and has full access to the Board of Directors through the Board Audit & Risk Management Committee.

The Company retains an approved Anti-Money Laundering Policy, which contains Customer Due Diligence measures, procedures for identifying and reporting suspicious transactions, an annual awareness programme for staff training, record keeping requirements and documentation. The Internal and External Auditors regularly carry out an independent review of Anti Money Laundering controls for the attention of the Central Bank.

9. SOLVENCY

Solvency margin requirements are determined in accordance with the regulatory requirements established by the Central Bank of Bahrain and are calculated with reference to a prescribed premium and claims basis. Where these calculations resulting solvency margin requirements falling below the minimum fund size prescribed by regulations, such minimum fund size is considered as the required margin of solvency.

Summarised solvency position of the Company is given below:

	31 Dec, 2018 BD '000	31 Dec, 2017 BD '000
Capital available	30,413	28,409
Solvency margin required	5,838	4,246
Total excess of capital available over the solvency margin required	24,576	24,163

10. REMUNERATION POLICY

FOR DIRECTORS

The Board of directors is paid an annual remuneration as approved by the shareholders at the annual general meeting. While the amount of remuneration is not directly linked to the performance of the Company, factors such as the Company's performance, industry comparison and the time and effort committed by the directors to the Company, are considered for determining the total remuneration. Directors remuneration is accounted as an expense as per International accounting standards and CBB regulations, the payment of which is subject to approval by the shareholders at the annual general meeting. In addition, the members are paid sitting fees for the various sub-committees of the Board of directors.

FOR EMPLOYEES

As the quality of human capital is fundamental to success, the Company's remuneration policy is to attract, retain and motivate the best talent. In line with this strategy, employee remuneration and benefits are reviewed and revised annually in the context of business performance, industry and local practices. The executive management under the guidance of the CEO is responsible for administering the employee performance process. While a major component of employee remuneration consists of fixed monthly salaries and allowances, employees are provided with several other benefits like performance bonus, medical, life insurance cover and retirement benefits.

11. AUDITORS

The Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Company. This includes monitoring the use of the auditors for audit and non-audit services, and also the budget of the total fees paid to the auditors.

Details with regards to the audit and non-audit fees for 2018, paid by the Company are stated below:

Audit fees	BD 79,602
Non-audit fees	BD 37,374

Corporate Governance Report

Year ended 31 December, 2018

12. THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The division of responsibilities between the Chairman of the Board and the Chief Executive Officer is clearly defined and has been approved by the Board. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organizing the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day to day business of the Company. The Chairman facilitates the effective contribution of Directors and constructive relations between them, ensures that the directors receive accurate, timely and clear information and effective communication with shareholders.

The Chief Executive has direct charge of the Company on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Company.

SENIOR MANAGEMENT'S PROFILE

Mr. Ebrahim Alrayes Chief Executive Officer

Joined BKIC on 8 January 1984

Academic & Professional Qualification

- B. Com (Accounting) from Arab University of Beirut, Lebanon
- Certificate of Insurance Proficiency (COP) from Chartered Insurance Institute, UK

Assignments Held

- Chairman of AWRIS, Bahrain
- Board Member of Takaful International Co., Bahrain
- Board Member of United Insurance Co., Bahrain
- Board Member of Bahrain Insurance Association, Bahrain
- Board Member of General Arab Insurance Federation (GAIF), Egypt
- More than 35 years of expertise in Insurance Industry

BAHRAIN OFFICE

Mr. Waleed Ahmed Mahmood Deputy CEO

Joined BKIC on 1 February 2005

Academic & Professional Qualification

- Chartered Insurer and an Associate of Chartered Insurance Institute, UK
- Master of Business Administration, Westminster University, UK
- Bachelor in Industrial Management (Marketing) from King Fahad University of Petroleum & Minerals, KSA

Assignments Held

- Board Member of Gulf Assist, Bahrain
- More the 28 years of experience, of which 22 years have been in Insurance Industry

Mr. K. M. Kurien Assistant CEO – Technical Affairs

Joined BKIC on 22nd October 1977

Academic & Professional Qualification

- Associate of Insurance Institute of India
- Bachelor of Arts

Assignments Held

- Currently overseeing all aspects of Underwriting, Claims, and Reinsurance across all classes of BKIC business.
- Actively involved in serving major Corporate Clients
- 45 years of substantial experience in Insurance Industry

Corporate Governance Report

Year ended 31 December, 2018

Mr. Ali Ebrahim Noor
Assistant CEO – Support and Development
Joined BKIC on 4 February 2018

Academic & Professional Qualification

- Insurance Dip Cert

Assignments Held

- Board Member of Health 360° Ancillary Services W.L.L, Bahrain
- Head of BIA Medical Committee, has worked closely with the Supreme Council of Health in regards to the National Medical Fund
- Expertise in the fields of Medical, Life, Business Development, Marketing and distribution Channels
- Involved in Digital Transformation of the company's processes
- 25 years of substantial experience in Insurance Industry

Mr. R. Sundaram
Chief Financial Officer
Joined BKIC on 28 September 2013

Academic & Professional Qualification

- B.Sc. with Mathematics
- Associate of the Institute of Chartered Accountants of India
- Associate of Chartered Insurance Institute, UK
- Associate of Insurance Institute of India
- Intermediate of Institute of Company Secretaries of India

Assignments Held

- Heads the Finance and Accounts Department of BKIC
- More than 34 years of experience in Insurance/Reinsurance Sectors

Mr. Ahmed A. Rahman Bucheeri
Chief Investment Officer
Joined BKIC on 1 December 2011

Academic & Professional Qualification

- Chartered Alternative Investment Analyst
- Commercial studies Diploma
- Treasury and capital markets Diploma
- Investment representative program (Series 7)

Assignments Held

- Board Member of Takaful International Company, Bahrain
- Board Member INVITA Claims Management Company, Bahrain
- Manages investments and treasury of BKIC
- 19 years of experience in banking and investments

Mr. Manoj Badoni
Chief Operating Officer
Joined BKIC on 10 August 2016

Academic & Professional Qualification

- Masters in Economics (MA)
- Fellow of Insurance Institute of India (FII)

Assignments Held

- Responsible for Underwriting & Claims of Property, Engineering, Liability, Marine, Life & Medical Lines of business
- 31 years of experience in General Insurance Industry which includes FAC Reinsurance Underwriting

Corporate Governance Report

Year ended 31 December, 2018

KUWAIT OFFICE

Mr. Abdulla Rabia **Deputy CEO**

Joined BKIC on 20 January 1990

Academic & Professional Qualification

- Diploma in Motor Vehicle Engineering

Assignments Held

- Board Member of Takaful International Company, Bahrain
- Holds the overall responsibility of all functions of general management of BKIC Kuwait office
- 37 years of substantial experience in Insurance Sector all over GCC, of which 27 years have been in Insurance Industry in Kuwait Market

Mr. K. Gandhi **Chief Operating Officer**

Joined BKIC on 2 July 2006

Academic & Professional Qualification

- Post Graduate in Engineering
- Associate of Indian Institute of Bankers, India
- Master of Business Administration

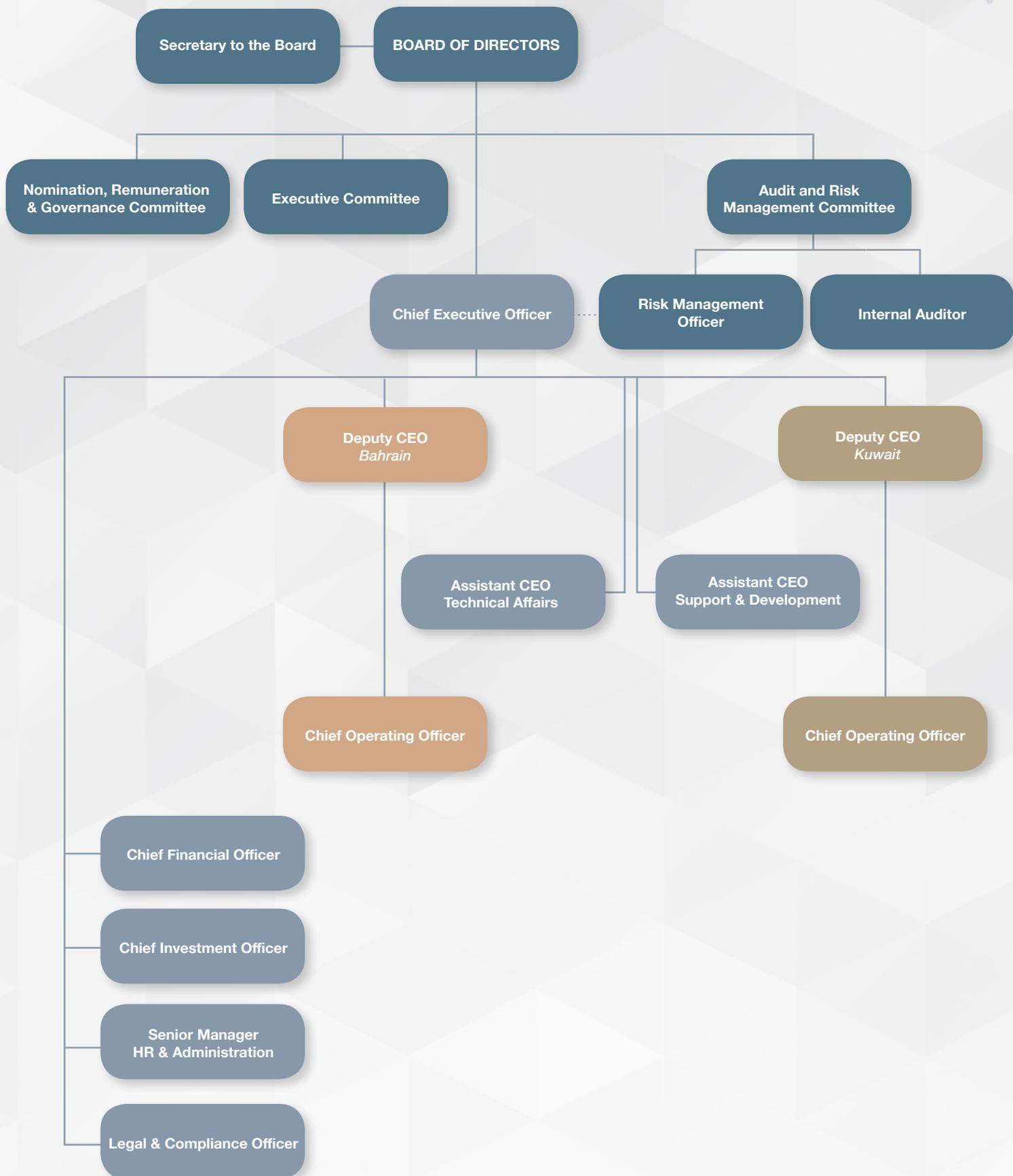
Assignments Held

- Holds the overall functional responsibility of Underwriting, Claims and Reinsurance of Non-Life Division
- Actively involved in serving major Corporate Clients and assists Deputy CEO in the day-to-day General Administration and Management of the Technical functions of the Company
- More than 34 years of experience in Insurance Industry, out of which 17 years in Gulf

Corporate Governance Report

Year ended 31 December, 2018

13. Organisational Structure



Financial Highlights

Year ended 31 December, 2018

143,000,000 Shares

BD35.98 million Shareholders' equity is BD 35.98 million in 2018 as compared to BD 34.51 million in 2017.

BD3.15 million The Net Profit recorded BD 3.15 million in 2018 as compared to BD 2.60 million in 2017.

BD31.56 million Technical Reserves is BD 31.56 million in 2018 as compared to BD 28.10 million in 2017.

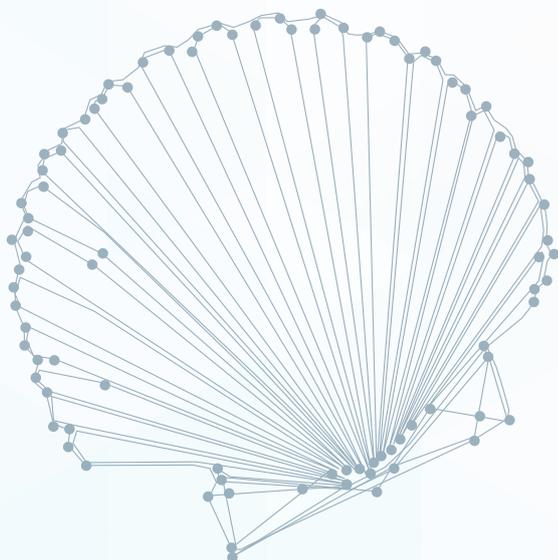
BD1.95 million Underwriting Profit is BD 1.95 million in 2018 as compared to BD 1.17 million in 2017.

BD81.61 million Gross Premium is BD 81.61 million in 2018 as compared to BD 59.50 million in 2017.

Return on Equity stands at **8.77%** in 2018 as against 7.50% in the year 2017.

Financial Highlights

Year ended 31 December, 2018



Technical Reserves

BD Millions

2018		31.56
2017		28.10
2016		13.10
2015		13.15
2014		13.14

Gross Premiums

BD Millions

2018		81.61
2017		59.50
2016		42.07
2015		38.12
2014		39.77

Net Profits

BD Millions

2018		3.15
2017		2.60
2016		2.86
2015		2.71
2014		4.24

Underwriting Profits

BD Millions

2018		1.95
2017		1.17
2016		1.76
2015		3.03
2014		2.96

Shareholders' Equity

BD Millions

2018		35.98
2017		34.51
2016		33.81
2015		34.16
2014		35.00



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Directors and Management

BOARD OF DIRECTORS

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

EXECUTIVE COMMITTEE

Mr. Khalid Saoud Al Hasan	-	Chairman
Dr. Emad Jawad Ahmed Bukhamseen	-	Vice-Chairman
Mr. Bijan Khosrowshahi	-	Member
Dr. Abdul Rahman Ali Saif	-	Member
Mr. Mubarak Othman Alayyar	-	Member

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION, REMUNERATION AND GOVERNANCE COMMITTEE

Mr. Murad Ali Murad	-	Chairman
Dr. Abdul Rahman Ali Saif	-	Vice-Chairman
Mr. Hassan Mohammed Zainalabedin	-	Member
Mr. Khalid Saoud Al Hasan	-	Member

GENERAL MANAGEMENT

Mr. Ebrahim Alrayes	-	Chief Executive Officer
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Bahrain

Mr. Waleed Ahmed Mahmood	-	Deputy Chief Executive Officer
Mr. K M Kurien	-	Assistant Chief Executive Officer -Technical Affairs
Mr. Ali Ebrahim Noor	-	Assistant Chief Executive Officer -Support & Development
Mr. R Sundaram	-	Chief Financial Officer
Mr. Ahmed Abdulrahman Bucheeri	-	Chief Investment Officer
Mr. Manoj Badoni	-	Chief Operating Officer

Kuwait

Mr. Abdulla Rabia Mohammed	-	Deputy Chief Executive Officer
Mr. K Gandhi	-	Chief Operating Officer

Independent Auditors' Report to the Shareholders of Bahrain Kuwait Insurance Company (BSC)

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 subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31st December 2018, 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 consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group as at 31st December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), 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 31st December 2018. 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.

Insurance liabilities

Risk: 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.

The calculation of the IBNR reserves are 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.

The Group does not employ an internal actuary and so the IBNR reserves calculations are outsourced to a third party actuarial firm, Actuscope Actuaries which is approved by the Central Bank of Bahrain.

Our response

As part of our audit procedures, we have:

- 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;
- Supported by our actuarial team, evaluated the reasonableness of the management's methodology (supported by the third party actuarial firm), in calculating the IBNR reserves;

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:

- A reconciliation between the claims paid and outstanding data recorded in the policy administration systems and the data used in the actuarial calculations.

Purchase Price Allocation (PPA) on Acquisition of a Subsidiary

Risk: 1 April 2018 marked the completion of the 12-month measurement period for the finalisation of the Purchase Price Allocation exercise (in accordance with IFRS3 Business Combinations) relating to the acquisition of Takaful International B.S.C. ('Takaful').

Consistent with the provisional values calculated, management has concluded that there is no goodwill on the acquisition of Takaful.

IFRS3 allows a 12 month "measurement period" from the transaction date. The standard states, "During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date."

Independent Auditors' Report to the Shareholders of Bahrain Kuwait Insurance Company (BSC) (Continued)

Report on the Consolidated and Separate Financial Statements (Continued)

Key audit matters (Continued)

There is a risk that management may not have correctly accounted for and disclosed any goodwill arising from this transaction in accordance with IFRS3 Business Combinations.

Our response

As part of our audit procedures, we have:

- Reviewed management's justifications for concluding that no goodwill has arisen on the acquisition;
- Ensured that the PPA exercise was finalized within 12 months from the date of acquisition as required by IFRS 3;
- Reviewed the accounting entries passed to opening retained earnings of BD 499k, relating to the reversal of the goodwill to ensure that they are in accordance with IFRS;

Other information included in the Groups 2018 annual report :

Other information consists of the information included in the Group's 2018 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 that date.

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 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 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.

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.

Independent Auditors' Report to the Shareholders of Bahrain Kuwait Insurance Company (BSC) (Continued)

Report on the Consolidated and Separate Financial Statements (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

- 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.
- 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 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 Central Bank of Bahrain (CBB) Rule Book (Volume 3), we report that:

- a) the Company has maintained proper accounting records and the consolidated and separate financial statements are in agreement therewith; and
- 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 31st December 2018 that might have had a material adverse effect on the business of the Company or on its consolidated financial position.
- 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 Sarah Sanders.



Ernst & Young

Partner's registration no. 210
14th February 2019
Manama, Kingdom of Bahrain

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2017 BD '000	2016 BD '000
ASSETS			
Cash and balances with banks	7	39,845	37,748
Statutory deposits	8	4,950	5,032
Insurance receivables	9	33,112	22,460
Deferred acquisition costs	10	1,959	1,813
Reinsurers' share of insurance liabilities	11	101,425	80,901
Reinsurers' share of mathematical reserves		311	383
Investments	12	24,171	17,572
Property and equipment	13	4,970	5,225
Due from participants		805	964
TOTAL ASSETS		211,548	172,098
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	11	130,878	107,351
Mathematical reserves		2,421	2,063
Unearned commissions	14	2,322	2,540
Payables and accrued liabilities			
Insurance and reinsurance companies		16,914	11,641
Policyholders		13,252	4,862
Others	15	8,097	7,110
Total liabilities		173,884	135,567
Equity			
Share capital	16	14,300	7,150
Treasury shares	16	(3)	(3)
Share premium	16	4,362	4,362
Statutory reserve	16	3,848	3,783
General reserve	16	1,354	8,504
Investments fair value reserve		1,111	1,444
Currency translation reserve		(942)	(873)
Retained earnings		11,945	10,142
Equity attributable to shareholders of the parent		35,975	34,509
Non-controlling interests		1,689	2,022
Total equity		37,664	36,531
TOTAL LIABILITIES AND EQUITY		211,548	172,098

Mr. Murad Ali Murad
Chairman

Mr. Hassan Mohammed Zainalabedin
Director

Mr. Ebrahim Al-Rayes
Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements.

Company's Separate Statement of Financial Position

At 31 December 2018

	Note	2018 BD '000	2017 BD '000
ASSETS			
Cash and balances with banks	7	30,585	32,213
Statutory deposits	8	4,825	4,907
Insurance receivables	9	21,884	12,633
Deferred acquisition costs	10	1,359	1,348
Reinsurers' share of insurance liabilities	11	92,456	71,449
Investments	12	17,888	12,267
Investment in a subsidiary		6,683	3,999
Property and equipment	13	3,019	3,142
TOTAL ASSETS		178,699	141,958
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	11	111,003	88,369
Unearned commissions	14	2,009	2,207
Payables and accrued liabilities			
Insurance and reinsurance companies		13,646	9,171
Policyholders		11,707	2,129
Others	15	5,267	5,531
Total liabilities		143,632	107,407
Equity			
Share capital	16	14,300	7,150
Treasury shares	16	(3)	(3)
Share premium	16	4,362	4,362
Statutory reserve	16	3,781	3,781
General reserve	16	1,354	8,504
Investments fair value reserve		1,196	1,446
Currency translation reserve		(942)	(873)
Retained earnings		11,019	10,184
Equity attributable to shareholders of the parent		35,067	34,551
Total equity		35,067	34,551
TOTAL LIABILITIES AND EQUITY		178,699	141,958

Mr. Murad Ali Murad
Chairman

Mr. Hassan Mohammed Zainalabedin
Director

Mr. Ebrahim Al-Rayes
Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements.

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Note	2018 BD '000	2017 BD '000
Gross premiums	17	81,610	59,507
Reinsurers' share of gross premiums	11	(48,227)	(33,104)
Retained premiums		33,383	26,403
Unearned premiums adjustment - gross		(12,406)	(2,417)
Unearned premiums adjustment - reinsurance		10,747	199
Net premiums		31,724	24,185
Gross claims paid	11	(74,149)	(51,360)
Reinsurers' share of claims paid	11	51,189	34,851
Outstanding claims adjustment - gross		(11,296)	(36,809)
Outstanding claims adjustment - reinsurance		9,899	34,771
Net claims		(24,357)	(18,547)
Premium deficiency reserves adjustment		24	(137)
Transfer to family takaful technical reserve		(431)	(522)
General and administration expenses	18	(6,724)	(5,835)
Amortisation of acquisition costs	10	(3,689)	(3,218)
Fee and commission income	19	5,400	5,246
		(5,420)	(4,466)
Underwriting profit		1,947	1,172
Investment income - net	20	2,005	1,597
Share of results of an associate		-	31
Corporate expenses		(1,104)	(909)
Other income	21	827	309
Other expenses	21	(206)	(498)
		1,522	530
Profit including participants' share		3,469	1,702
Less: Participants' share		196	(894)
Profit for the year		3,273	2,596
Attributable to:			
Shareholders of the parent		3,155	2,592
Non-controlling interests		118	4
		3,273	2,596
Basic and diluted earnings per share	22	22 Fils	36 Fils

The comparative figures represent nine months consolidated results for the Group (Please refer note 3)

Mr. Murad Ali Murad
Chairman

Mr. Hassan Mohammed Zainalabedin
Director

Mr. Ebrahim Al-Rayes
Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements.

Company's Separate Statement of Profit or Loss

Year ended 31 December 2018

	Note	2018 BD '000	2017 BD '000
Gross premiums	17	59,576	45,610
Reinsurers' share of gross premiums	11	(41,929)	(29,185)
Retained premiums		17,647	16,425
Unearned premiums adjustment - gross		(11,246)	(3,617)
Unearned premiums adjustment - reinsurance		10,913	1,691
Net premiums		17,314	14,499
Gross claims paid	11	(58,956)	(37,886)
Reinsurers' share of claims paid	11	46,551	28,237
Outstanding claims adjustment - gross		(11,562)	(38,286)
Outstanding claims adjustment - reinsurance		10,215	36,592
Transfer to family takaful technical reserve		-	-
Net claims		(13,752)	(11,343)
Premium deficiency reserves adjustment		24	(137)
General and administration expenses	18	(3,344)	(3,372)
Amortisation of acquisition costs	10	(2,641)	(2,378)
Fee and commission income	19	4,338	(4,684)
		(1,623)	(1,203)
Underwriting profit		1,939	1,953
Investment income - net	20	1,807	1,568
Share of results of an associate		-	31
Corporate expenses		(926)	(794)
Other income	21	8	30
Other expenses	21	(206)	(156)
		683	679
Profit for the year		2,622	2,632
Basic and diluted earnings per share	22	18 Fils	37 Fils

Mr. Murad Ali Murad
Chairman

Mr. Hassan Mohammed Zainalabedin
Director

Mr. Ebrahim Al-Rayes
Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	2018 BD '000	2017 BD '000
Profit for the year	3,273	2,596
Other comprehensive income (loss) 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	(220)	448
Share of other comprehensive income of an associate	-	37
Recycled to the statement of profit or loss on disposal/impairment	(129)	(230)
Recycled to the statement of profit or loss on derecognition of associate	-	(187)
	(349)	68
Currency translation differences	(69)	179
Net other comprehensive income (loss) for the year to be reclassified to the statement of profit or loss in subsequent years	(418)	247
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,855	2,843
Attributable to:		
Shareholders of the parent	2,755	2,841
Non-controlling interests	100	2
	2,855	2,843

The attached notes 1 to 28 form part of these financial statements.

Company's Separate Statement of Comprehensive Income

Year ended 31 December 2018

	2018 BD '000	2017 BD '000
Profit for the year	2,622	2,632
Other comprehensive income (loss) 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	9	484
Share of other comprehensive income of an associate	-	37
Recycled to the statement of profit or loss on disposal/impairment	(259)	(262)
Recycled to the statement of profit or loss on derecognition of associate	-	(187)
	(250)	72
Currency translation differences	(68)	179
Net other comprehensive income (loss) for the year to be reclassified to the statement of profit or loss in subsequent years	(318)	251
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,304	2,883

The attached notes 1 to 28 form part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Note	2018 BD '000	2017 BD '000
OPERATING ACTIVITIES			
Premiums received net of commission		82,388	61,457
Paid to insurance and reinsurance companies		(44,696)	(34,959)
Claims paid		(74,521)	(53,092)
Claims recovered		51,533	36,626
General and administrative expenses paid		(7,093)	(5,152)
Interest and other payments		910	(745)
Statutory deposits		83	(625)
Net cash flows from operating activities		8,604	3,510
INVESTING ACTIVITIES			
Dividends and interest received		2,354	1,702
Proceeds from sale of investments		3,740	5,611
Payments for investments purchased		(10,342)	(8,934)
Net cash inflow on acquisition of a subsidiary	3	(434)	4,354
Proceeds from sale of property and equipment		53	95
Purchase of property and equipment	13	(99)	(167)
Bank deposits with maturities of more than three months		(5,403)	(562)
Net cash flows from investing activities		(10,131)	2,099
FINANCING ACTIVITY			
Dividend paid		(1,778)	(2,223)
Cash flows used in financing activities		(1,778)	(2,223)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,305)	3,386
Cash and cash equivalents at beginning of the year		19,463	18,242
Less: Bank deposits with maturities of more than three months and statutory deposits included in net cash inflow on acquisition of a subsidiary		-	(2,165)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	16,158	19,463
COMPRISING:			
CASH AND BALANCES WITH BANKS			
Cash and balance in current accounts		13,252	13,177
Bank deposits with maturity of three months or less		2,906	6,286
CASH AND CASH EQUIVALENTS		16,158	19,463
Bank deposits with maturity of more than three months		23,687	18,285
Cash and balances with banks as per the consolidated statement of financial position	7	39,845	37,748

The attached notes 1 to 28 form part of these financial statements.

Company's Separate Statement of Cash Flows

Year ended 31 December 2018

	Note	2018 BD '000	2017 BD '000
OPERATING ACTIVITIES			
Premiums received net of commission		60,893	47,762
Paid to insurance and reinsurance companies		(37,790)	(30,606)
Claims paid		(59,008)	(37,678)
Claims recovered		46,579	28,192
General and administrative expenses paid		(3,643)	(3,410)
Interest and other payments		(482)	(243)
Statutory deposits		82	(625)
Net cash flows from operating activities		6,631	3,392
INVESTING ACTIVITIES			
Dividends and interest received		1,816	1,418
Proceeds from sale of investments		2,708	4,557
Payments for investments purchased		(8,320)	(7,277)
Net cash outflow on acquisition of a subsidiary	3	(2,684)	(1,568)
Proceeds from sale of property and equipment		43	95
Purchase of property and equipment	13	(44)	(106)
Bank deposits with maturities of more than three months		(2,807)	(383)
Net cash flows used in investing activities		(9,288)	(3,264)
FINANCING ACTIVITY			
Dividend paid		(1,779)	(2,223)
Cash flows used in financing activities		(1,779)	(2,223)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(4,436)	(2,095)
Cash and cash equivalents at beginning of the year		16,147	18,242
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	11,711	16,147
COMPRISING:			
CASH AND BALANCES WITH BANKS			
Cash and balance in current accounts		10,702	11,190
Bank deposits with maturity of three months or less		1,009	4,957
CASH AND CASH EQUIVALENTS		11,711	16,147
Bank deposits with maturity of more than three months		18,874	16,066
Cash and balances with banks as per the Company's separate statement of financial position	7	30,585	32,213

The attached notes 1 to 28 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	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 2018	7,150	(3)	4,362	3,783	8,504	1,444	(873)	10,142	34,509	2,022	36,531
Adjustment to provisional fair values of net assets of subsidiary (note 3)	-	-	-	-	-	-	-	499	499	-	499
Balance as at 1 January 2018 (restated)	7,150	(3)	4,362	3,783	8,504	1,444	(873)	10,641	35,008	2,022	37,030
Profit for the year	-	-	-	-	-	-	-	3,155	3,155	118	3,273
Other comprehensive income	-	-	-	-	-	(333)	(69)	-	(402)	-	(402)
Non-controlling interests' share of other comprehensive loss	-	-	-	-	-	-	-	-	-	(18)	(18)
Total comprehensive income	-	-	-	-	-	(333)	(69)	3,155	2,753	100	2,853
Dividend for the year 2017 (note 16)	-	-	-	-	-	-	-	(1,786)	(1,786)	-	(1,786)
Transfer to statutory reserve	-	-	-	65	-	-	-	(65)	-	-	-
Bonus shares issued (note 10)	7,150	-	-	-	(7,150)	-	-	-	-	-	-
Additional purchase in TIC	-	-	-	-	-	-	-	-	-	(433)	(433)
Balance at 31 December 2018	14,300	(3)	4,362	3,848	1,354	1,111	(942)	11,945	35,975	1,689	37,664
Balance at 1 January 2017	7,150	(3)	4,362	3,781	8,504	1,374	(1,052)	9,696	33,812	-	33,812
Profit for the year	-	-	-	-	-	-	-	2,592	2,592	4	2,596
Other comprehensive income	-	-	-	-	-	68	179	-	247	-	247
Non-controlling interests' share of other comprehensive loss	-	-	-	-	-	2	-	-	2	(2)	-
Total comprehensive income	-	-	-	-	-	70	179	2,592	2,841	2	2,843
Dividend for the year 2016 (note 16)	-	-	-	-	-	-	-	(2,144)	(2,144)	-	(2,144)
Transfer to statutory reserve	-	-	-	2	-	-	-	(2)	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	78	78
Fair value of non-controlling interest	-	-	-	-	-	-	-	-	-	1,942	1,942
Balance at 31 December 2017	7,150	(3)	4,362	3,783	8,504	1,444	(873)	10,142	34,509	2,022	36,531

The attached notes 1 to 28 form part of these financial statements.

Company's Separate Statement of Changes in Equity

Year ended 31 December 2018

	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 2018	7,150	(3)	4,362	3,781	8,504	1,446	(873)	10,184	34,551
Profit for the year	-	-	-	-	-	-	-	2,622	2,622
Other comprehensive income	-	-	-	-	-	(250)	(69)	-	(319)
Total comprehensive income	-	-	-	-	-	(250)	(69)	2,622	2,303
Dividend for the year 2017 (note 16)	-	-	-	-	-	-	-	(1,787)	(1,787)
Bonus shares issued (note 10)	7,150	-	-	-	(7,150)	-	-	-	-
Balance at 31 December 2018	14,300	(3)	4,362	3,781	1,354	1,196	(942)	11,019	35,067
Balance at 1 January 2017	7,150	(3)	4,362	3,781	8,504	1,374	(1,052)	9,696	33,812
Profit for the year	-	-	-	-	-	-	-	2,632	2,632
Other comprehensive income	-	-	-	-	-	72	179	-	251
Total comprehensive income	-	-	-	-	-	72	179	2,632	2,883
Dividend for the year 2016 (note 16)	-	-	-	-	-	-	-	(2,144)	(2,144)
Balance at 31 December 2017	7,150	(3)	4,362	3,781	8,504	1,446	(873)	10,184	34,551

The attached notes 1 to 28 form part of these financial statements.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

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.

The consolidated and separate financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 14 February 2019.

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 31st December 2018. 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.

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.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

3 BASIS OF CONSOLIDATION (Continued)

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:

Name of the subsidiary	Country of incorporation	Effective ownership		Principal activity
		2018	2017	
Takaful International B.S.C	Bahrain	81.9%	67.3%	Takaful provider
Health 360 Ancillary Services Co W.L.L.	Bahrain	49.2%	40.4%	Third Party administration

Acquisition of Takaful International

Until 2 April 2017, the Group had a 40.9% stake in Takaful International B.S.C. (Takaful), a listed Company on the Bahrain Bourse, and owned 25,582,845 ordinary shares in Takaful. On 2 April 2017 (the acquisition date), the Group increased its holding in the share capital of Takaful to 63.6% through a purchase of an additional 14,220,486 ordinary shares. As a result, effective 2 April 2017, Takaful became a subsidiary of the Group and has been consolidated from that date. Subsequent to this date, the Group has continued to increase its stake in Takaful with the current ownership now standing at 81.9% of Takaful's share capital.

During the period ended 30 June 2018, the Group finalised its purchase price allocation exercise in relation to the purchase of Takaful and concluded that there was no goodwill on the acquisition. Additionally, in the period ended 30 June 2018, the Group has fully subscribed to the Takaful rights issue resulting in the increased ownership of Takaful as demonstrated above.

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.

The provisional fair values of the identifiable shareholders' assets and liabilities of Takaful as at the acquisition date were:

	Fair value recognised on acquisition BD '000
Assets	
Statutory deposit	125
Cash and bank balances	5,797
Investments	5,259
Takaful and retakaful receivables	10,109
Retakaful share of outstanding claims	9,115
Deferred retakaful contributions	3,649
Deferred policy acquisition costs	592
Retakaful share of family takaful technical reserves	1,708
Property and equipment	2,228
Other receivables and prepayments	673
Receivable from policyholders funds	849
	40,104

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

3 BASIS OF CONSOLIDATION (Continued) Acquisition of Takaful International (Continued)

	Fair value recognised on acquisition BD '000
Liabilities	
Gross outstanding claims	(12,239)
Unearned contributions reserve	(9,395)
Unearned retakaful commissions	(553)
Family takaful technical reserves	(2,891)
Takaful, retakaful and other payables	(5,862)
Other liabilities and provisions	(1,585)
Employees' terminal benefits	(285)
Payable to shareholders fund	(849)
	(33,659)
Total provisional fair values of identifiable net assets	6,445
Total provisional fair values of identifiable net assets	6,445
Less: Deficit in participants' fund	70
Less: Participants' investment fair value reserve	3
Less: Non-controlling interests	(78)
Total provisional fair values of identifiable net assets attributable to shareholders	6,440
Less: Carrying value of Takaful already carried in the books after OCI adjustment	(2,272)
Less: Gain on revaluation of associate on acquisition	(158)
Less: Non-controlling interests	(2,156)
Less: Adjustment to opening retained earnings	(499)
	(5,085)
Purchase consideration transferred	1,355

On 1 April 2018, upon the completion of the measurement period, BKIC finalised the Purchase Price Allocation for the acquisition of Takaful. The conclusion was that there was no goodwill to be recognised upon acquisition. The final amounts have been reflected in note 3 and also in the statements of financial position and statements of changes in equity. The 2017 comparative has been restated in order to retrospectively adjust the provisional fair values of net assets in line with IFRS 3 Business Combination.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the previous financial year, except for the following new standards which became effective from 1 January 2018:

Amendments to IAS 7: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

Annual Improvements Cycle - 2014-2016: Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or associate) that is classified (or included in a disposal group that is classified) as held for sale.

Summary of significant accounting policies

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 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.

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.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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.

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.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinsurance (Continued)

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 measureable 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.

Management assesses the need to involve external valuers for valuation of investment properties at each reporting date.

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

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

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.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards (where applicable) when they become effective:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time. The Group intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group is currently assessing the impact of the standard.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 16 Leases (Continued)

in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, 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. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date together with IFRS 9 (see above). 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 profit and total equity together with presentation and disclosure.

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At 31 December 2018

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES 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. 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.

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

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Cash and bank current accounts	13,252	10,702	13,177	11,190
Bank deposits with maturity of three months or less	2,906	1,009	6,286	4,957
Cash and cash equivalents	16,158	11,711	19,463	16,147
Bank deposits with maturity of more than three months	23,687	18,874	18,285	16,066
Cash and balances with banks	39,845	30,585	37,748	32,213

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8 STATUTORY DEPOSITS

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Kingdom of Bahrain	250	125	250	125
State of Kuwait	4,700	4,700	4,782	4,782
	4,950	4,825	5,032	4,907

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.

Statutory deposit of BD 4,700 thousand (2017: BD 4,782 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.

9 INSURANCE RECEIVABLES

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Policyholders	24,905	18,140	13,486	10,287
Insurance and reinsurance companies	7,781	3,783	9,642	2,492
Allowance for impairment	(1,625)	(854)	(1,636)	(752)
	31,061	21,069	21,492	12,027
Other	2,051	815	968	606
	33,112	21,884	22,460	12,633

As at 31 December 2018, a gross amount of insurance receivables of BD 4,494 thousand for Group and Company: BD 1,601 thousand (2017 Group BD 3,616 thousand and Company: BD 1,280 thousand) were impaired. Movements in the allowance for impairment of insurance receivables were as follows:

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
At 1 January	1,636	752	724	724
At 1 April - Acquisition of Takaful / adjustments	(200)	-	703	-
Charge for the year	191	104	205	24
Foreign exchange adjustment	(2)	(2)	4	4
At 31 December	1,625	854	1,636	752

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

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9 INSURANCE RECEIVABLES (Continued)

9.1 Group

	Past due but not impaired					
	Total BD '000	Neither past due nor impaired BD '000	Less than 120 days BD '000	121 to 180 days BD '000	181 to 365 days BD '000	More than 365 days BD '000
2018	31,061	14,772	6,766	2,434	3,667	3,422
2017	21,492	3,913	6,718	2,187	6,494	2,180

9.2 Company

	Past due but not impaired					
	Total BD '000	Neither past due nor impaired BD '000	Less than 120 days BD '000	121 to 180 days BD '000	181 to 365 days BD '000	More than 365 days BD '000
2018	21,069	13,428	3,401	712	2,724	804
2017	12,027	632	4,723	1,514	4,630	528

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.

10 DEFERRED ACQUISITION COSTS

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
At 1 January	1,813	1,348	1,131	1,131
At 1 April - Acquisition of Takaful	-	-	592	-
Acquisition costs	3,838	2,655	3,300	2,587
Amortisation for the year	(3,689)	(2,641)	(3,218)	(2,378)
Foreign exchange adjustment	(3)	(3)	8	8
At 31 December	1,959	1,359	1,813	1,348

11 INSURANCE LIABILITIES

11.1 Group

	2018			2017		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
Outstanding claims	80,433	(66,825)	13,608	69,212	(56,989)	12,223
Unearned premiums	50,188	(34,600)	15,588	37,857	(23,912)	13,945
Premium deficiency reserve	257	-	257	282	-	282
	130,878	(101,425)	29,453	107,351	(80,901)	26,450

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

11 INSURANCE LIABILITIES (Continued)

(a) Outstanding claims

Movement in outstanding claims

	2018			2017		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
At 1 January						
Reported claims	62,990	(54,933)	8,057	16,213	(11,907)	4,306
IBNR claims	6,222	(2,056)	4,166	3,800	(1,095)	2,705
	69,212	(56,989)	12,223	20,013	(13,002)	7,011
At 1 April - Acquisition of Takaful						
Reported claims	-	-	-	9,951	(8,006)	1,945
IBNR claims	-	-	-	2,312	(1,109)	1,203
	-	-	-	12,263	(9,115)	3,148
	69,212	(56,989)	12,223	32,276	(22,117)	10,159
Incurring during the year	85,445	(61,088)	24,357	88,169	(69,622)	18,547
(Paid) recovered during	(74,149)	51,189	(22,960)	(51,360)	34,851	(16,509)
the year	(75)	63	(12)	127	(101)	26
Foreign exchange adjustment	80,433	(66,825)	13,608	69,212	(56,989)	12,223
At 31 December						
At 31 December						
Reported claims	72,830	(63,944)	8,886	62,990	(54,933)	8,057
IBNR claims	7,603	(2,881)	4,722	6,222	(2,056)	4,166
	80,433	(66,825)	13,608	69,212	(56,989)	12,223

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

11 INSURANCE LIABILITIES (Continued)

(b) Unearned premiums

	2018			2017		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
At 1 January	37,856	(23,911)	13,945	25,893	(19,946)	5,947
At 1 April						
- Acquisition of Takaful	-	-	-	9,395	(3,649)	5,746
Premiums written (ceded)	81,610	(48,227)	33,383	59,507	(33,104)	26,403
Premiums earned	(69,204)	37,480	(31,724)	(57,090)	32,905	(24,185)
Foreign exchange adjustment	(74)	58	(16)	151	(117)	34
At 31 December	50,188	(34,600)	15,588	37,856	(23,911)	13,945

11.2 Company

	2018			2017		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
Outstanding claims	69,913	(59,847)	10,066	58,426	(49,695)	8,731
Unearned premiums	40,833	(32,609)	8,224	29,661	(21,754)	7,907
Premium deficiency reserve	257	-	257	282	-	282
	111,003	(92,456)	18,547	88,369	(71,449)	16,920

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

11 INSURANCE LIABILITIES (Continued)

(a) Outstanding claims

Movement in outstanding claims

	2018			2017		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
<i>At 1 January</i>						
Reported claims	53,743	(48,240)	5,503	16,213	(11,907)	4,306
IBNR claims	4,683	(1,455)	3,228	3,800	(1,095)	2,705
	58,426	(49,695)	8,731	20,013	(13,002)	7,011
Incurred during the year	70,518	(56,766)	13,752	76,172	(64,829)	11,343
(Paid) recovered during the year	(58,956)	46,551	(12,405)	(37,886)	28,237	(9,649)
Foreign exchange adjustment	(75)	63	(12)	127	(101)	26
At 31 December	69,913	(59,847)	10,066	58,426	(49,695)	8,731
<i>At 31 December</i>						
Reported claims	64,416	(57,927)	6,489	53,743	(48,240)	5,503
IBNR claims	5,497	(1,920)	3,577	4,683	(1,455)	3,228
	69,913	(59,847)	10,066	58,426	(49,695)	8,731

(b) Unearned premiums

	2018			2017		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
At 1 January	29,661	(21,754)	7,907	25,893	(19,946)	5,947
Premiums written (ceded)	59,576	(41,929)	17,647	45,610	(29,185)	16,425
Premiums earned	(48,330)	31,016	(17,314)	(41,993)	27,494	(14,499)
Foreign exchange adjustment	(74)	58	(16)	151	(117)	34
At 31 December	40,833	(32,609)	8,224	29,661	(21,754)	7,907

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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.

	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000	2014 BD '000	2015 BD '000	2016 BD '000	2017 BD '000	2018 BD '000	Total BD '000
Gross outstanding claims										
At end of accident year	26,741	27,633	34,548	52,809	30,998	31,943	35,886	85,372	87,467	
One year later	27,564	26,021	34,273	61,996	33,257	32,904	42,126	88,188	-	
Two years later	26,565	27,768	33,528	60,798	34,082	34,070	39,510	-	-	
Three years later	26,666	28,841	33,334	56,882	34,605	33,253	-	-	-	
Four years later	26,707	28,373	33,281	57,062	34,305	-	-	-	-	
Five years later	26,490	28,470	33,409	56,745	-	-	-	-	-	
Six years later	26,105	28,658	33,553	-	-	-	-	-	-	
Seven years later	26,124	28,630	-	-	-	-	-	-	-	
Eight years later	26,139	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	26,139	28,630	33,553	56,745	34,305	33,253	39,510	88,188	87,467	427,790
Cumulative payments to date	(26,011)	(28,124)	(32,786)	(56,083)	(33,465)	(31,474)	(34,807)	(75,909)	(30,941)	(349,600)
Liability recognised in the consolidated statement of financial position	128	506	767	662	840	1,779	4,703	12,279	56,526	78,190
Liability in respect of years prior to 2010										2,243
Total liability included in the consolidated statement of financial position										80,433

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11 INSURANCE LIABILITIES (Continued)

Claims development - Group (Continued)

	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000	2014 BD '000	2015 BD '000	2016 BD '000	2017 BD '000	2018 BD '000	Total BD '000
Net outstanding claims										
At end of accident year	11,943	12,658	15,217	16,235	16,555	15,940	18,792	16,198	23,156	
One year later	11,192	11,372	14,812	16,716	16,754	16,688	21,088	18,071	-	
Two years later	11,016	11,393	14,976	17,108	17,365	17,967	21,278	-	-	
Three years later	10,942	11,353	15,165	17,414	18,119	17,691	-	-	-	
Four years later	10,653	11,260	15,206	17,679	17,886	-	-	-	-	
Five years later	10,571	11,292	15,343	17,589	-	-	-	-	-	
Six years later	10,484	11,484	15,490	-	-	-	-	-	-	
Seven years later	10,570	11,452	-	-	-	-	-	-	-	
Eight years later	10,607	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	10,607	11,452	15,490	17,589	17,886	17,691	21,278	18,071	23,156	153,220
Cumulative payments to date	(10,521)	(11,232)	(14,924)	(17,239)	(17,636)	(17,119)	(20,716)	(15,620)	(14,947)	(139,954)
Liability recognised in the consolidated statement of financial position	86	220	566	350	250	572	562	2,451	8,209	13,266
Liability in respect of years prior to 2010										342
Total liability included in the consolidated statement of financial position										13,608

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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.

	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000	2014 BD '000	2015 BD '000	2016 BD '000	2017 BD '000	2018 BD '000	Total BD '000
Gross outstanding claims										
At end of accident year	16,813	16,743	21,043	36,242	15,054	17,828	16,343	70,535	73,032	
One year later	17,337	14,774	19,436	43,529	15,327	17,288	21,122	71,493	-	
Two years later	16,297	14,665	18,684	41,691	15,608	18,003	17,927	-	-	
Three years later	16,447	15,711	18,254	37,683	15,921	17,536	-	-	-	
Four years later	16,506	15,188	18,156	37,809	15,698	-	-	-	-	
Five years later	16,278	15,282	18,243	37,562	-	-	-	-	-	
Six years later	15,894	15,451	18,373	-	-	-	-	-	-	
Seven years later	15,921	15,421	-	-	-	-	-	-	-	
Eight years later	15,920	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	15,920	15,421	18,373	37,562	15,698	17,536	17,927	71,493	73,032	282,962
Cumulative payments to date	(15,823)	(14,986)	(17,666)	(37,060)	(15,117)	(15,987)	(13,864)	(62,956)	(21,771)	(215,230)
Liability recognised in the separate statement of financial position	97	435	707	502	581	1,549	4,063	8,537	51,261	67,732
Liability in respect of years prior to 2010										2,181
Total liability included in the separate statement of financial position										69,913

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11 INSURANCE LIABILITIES (Continued)

Claims development - Company (Continued)

	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000	2014 BD '000	2015 BD '000	2016 BD '000	2017 BD '000	2018 BD '000	Total BD '000
Net outstanding claims										
At end of accident year	7,964	8,213	9,462	9,416	8,584	8,247	8,839	7,758	13,962	
One year later	7,051	6,689	8,339	8,991	8,073	8,138	10,623	8,200	-	
Two years later	6,879	6,430	8,448	8,958	8,322	9,213	10,534	-	-	
Three years later	6,864	6,362	8,449	9,235	8,954	8,925	-	-	-	
Four years later	6,590	6,239	8,495	9,395	8,657	-	-	-	-	
Five years later	6,497	6,279	8,515	9,228	-	-	-	-	-	
Six years later	6,415	6,417	8,598	-	-	-	-	-	-	
Seven years later	6,429	6,369	-	-	-	-	-	-	-	
Eight years later	6,440	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	6,440	6,369	8,598	9,228	8,657	8,925	10,534	8,200	13,962	80,913
Cumulative payments to date	(6,362)	(6,151)	(8,037)	(8,895)	(8,421)	(8,380)	(10,096)	(6,780)	(8,061)	(71,183)
Liability recognised in the separate statement of financial position	78	218	561	333	236	545	438	1,420	5,901	9,730
Liability in respect of years prior to 2010										336
Total liability included in the separate statement of financial position										10,066

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12 INVESTMENTS

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
<i>Available-for-sale</i>				
Quoted equity investments	13,484	11,627	8,670	8,016
Unquoted equity investments	1,569	1,489	1,492	1,412
Other managed funds	4,384	38	4,609	38
	19,437	13,154	14,771	9,466
<i>Held-to-maturity</i>				
Fixed rate bonds	4,932	4,932	3,090	3,090
	4,932	4,932	3,090	3,090
Allowance for impairment (note 12.3)	(198)	(198)	(289)	(289)
	4,734	4,734	2,801	2,801
	24,171	17,888	17,572	12,267

12.1 During the year an impairment loss of BD 208 thousand (2017: BD 340 thousand) relating to equity investments and other managed funds has been recognised in the consolidated statement of profit or loss. An impairment loss of BD 32 thousand (2017: BD 85 thousand) relating to equity investments and other managed funds has been recognised in the separate statement of profit or loss.

12.2 As at 31 December 2018, the gross amount of impaired debt investments for both Group and Company was BD 198 thousand (Group and Company 2017: BD 407 thousand).

12.3 The movement in allowance for impairment relating to held-to-maturity investments was as follows:

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
At 1 January	289	289	298	298
(Write backs) / charge during the year (note 12.4)	(91)	(91)	(9)	(9)
At 31 December	198	198	289	289

12.4 During the year final settlement was made on account of part principal repayment amounting to BD 20 thousand for a fully impaired held-to-maturity investments.

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13 PROPERTY AND EQUIPMENT

13.1 Group

	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
<i>Cost:</i>				
At 1 January 2018	6,062	5,083	165	11,310
At 1 April - Acquisition of Takaful	-	-	-	-
Additions during the year	-	99	-	99
Disposals during the year	-	(2)	(76)	(78)
Written off during the year	-	-	-	-
Foreign exchange adjustment	-	(3)	1	(2)
At 31 December 2018	6,062	5,177	90	11,329
<i>Accumulated depreciation:</i>				
At 1 January 2018	1,228	4,717	140	6,085
At 1 April - Acquisition of Takaful	-	-	-	-
Depreciation for the year	157	177	10	344
Relating to disposals	-	(2)	(65)	(67)
Foreign exchange adjustment	-	(3)	-	(3)
At 31 December 2018	1,385	4,889	85	6,359
Carrying amount:				
At 31 December 2018	4,677	288	5	4,970
Estimated useful lives	25 years	3-10 years	4 years	

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At 31 December 2018

13 PROPERTY AND EQUIPMENT (Continued)

13.2 Company

	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
<i>Cost:</i>				
At 1 January 2018	3,735	2,671	53	6,459
Additions during the year	-	44	-	44
Disposals during the year	-	(2)	(39)	(41)
Foreign exchange adjustment	-	(3)	-	(3)
At 31 December 2018	3,735	2,710	14	6,459
<i>Accumulated depreciation:</i>				
At 1 January 2018	749	2,516	52	3,317
Depreciation for the year	107	59	1	167
Relating to disposals	-	(2)	(39)	(41)
Foreign exchange adjustment	-	(3)	-	(3)
At 31 December 2018	856	2,570	14	3,440
<i>Carrying amount:</i>				
At 31 December 2018	2,879	140	-	3,019
Estimated useful lives	25 years	3-10 years	4 years	

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At 31 December 2018

13 PROPERTY AND EQUIPMENT (Continued)

13.3 Group

	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
<i>Cost:</i>				
At 1 January 2017	3,735	2,571	142	6,448
At 1 April - Acquisition of Takaful	2,327	2,366	122	4,815
Additions during the year	-	167	-	167
Disposals during the year	-	(12)	(90)	(102)
Written off during the year	-	(15)	(10)	(25)
Foreign exchange adjustment	-	6	1	7
At 31 December 2017	6,062	5,083	165	11,310
<i>Accumulated depreciation:</i>				
At 1 January 2017	642	2,448	132	3,222
At 1 April - Acquisition of Takaful	439	2,063	85	2,587
Depreciation for the year	147	227	19	393
Relating to disposals	-	(12)	(87)	(99)
Relating to written off	-	(15)	(10)	(25)
Foreign exchange adjustment	-	6	1	7
At 31 December 2017	1,228	4,717	140	6,085
<i>Carrying amount:</i>				
At 31 December 2017	4,834	366	25	5,225
Estimated useful lives	25 years	3-10 years	4 years	

13.4 Company

	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
<i>Cost:</i>				
At 1 January 2017	3,735	2,571	142	6,448
Additions during the year	-	106	-	106
Disposals during the year	-	(12)	(90)	(102)
Foreign exchange adjustment	-	6	1	7
At 31 December 2017	3,735	2,671	53	6,459
<i>Accumulated depreciation:</i>				
At 1 January 2017	642	2,448	132	3,222
Depreciation for the year	107	74	5	186
Relating to disposals	-	(12)	(86)	(98)
Foreign exchange adjustment	-	6	1	7
At 31 December 2017	749	2,516	52	3,317
<i>Carrying amount:</i>				
At 31 December 2017		2,986	155	3,142
Estimated useful lives	25 years	10-3 years	4 years	

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13 PROPERTY AND EQUIPMENT (Continued)

Properties owned by the Group (Continued)

Properties owned by the Group	Address	Description	Existing use	Nature	Terms of tenant's lease	Age of the property
BKIC Tower	Building 2775, Road 2835 Seef - Block - 428 Kingdom of Bahrain	Building measuring 6,591 square meters	Operational purpose	Freehold	Not applicable	6 years and 11 months
Salmabad branch building	Building 1390, Road 426 Salmabad 704 Kingdom of Bahrain	Building measuring 612 square meters	Operational purpose	Freehold	Not applicable	17 years
Takaful Head office*	Building 680, Road 2811 Seef - Block - 428 Kingdom of Bahrain	Building measuring 3,626 square meters	Operational purpose	Freehold	Not applicable	13 years
Takaful Salmabad branch*	Building 2164, Road 437 Salmabad 704 Kingdom of Bahrain	Building measuring 550 square meters	Operational purpose	Freehold	Not applicable	10 years

* The Group's effective ownership for each of the above properties is 81.9%. This is based on the Group's effective ownership of Takaful International Co. as listed in note 3 of the consolidated financial statements.

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14 UNEARNED COMMISSIONS

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
At 1 January	2,540	2,207	2,399	2,399
At 1 April - Acquisition of Takaful	-	-	554	-
Commission received	4,577	3,751	4,574	4,035
Commission earned (note 20)	(4,789)	(3,943)	(5,004)	(4,244)
Foreign exchange adjustment	(6)	(6)	17	17
At 31 December	2,322	2,009	2,540	2,207

15 PAYABLES AND ACCRUED LIABILITIES - OTHERS

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Due to garages, spare part suppliers and others	1,744	1,330	1,986	1,557
Provision for employees' leaving indemnities	1,431	1,199	1,446	1,140
Accrued expenses	1,210	884	1,192	909
Premiums booked in advance	744	744	885	885
Premium reserve deposits	391	391	386	386
Unclaimed dividends	342	238	334	230
Current portion of deferred TPA income	259	-	260	-
Provision for leave pay	178	137	166	132
Advance claim recoveries	58	58	92	92
Other liabilities	1,740	286	363	200
	8,097	5,267	7,110	5,531

Retirement benefit costs

The Group employed 146 Bahrainis and 57 expatriates in Bahrain branches and 8 Kuwaitis and 41 expatriates in its Kuwait Branch and 1 expatriate in the Group's Qatar branch at 31 December 2018 (2017: 156 Bahrainis and 59 expatriates in Bahrain branches and 9 Kuwaitis and 43 expatriates in its Kuwait Branch and 2 expatriates in the Group's Qatar branch at 31 December 2017).

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 235 thousand and the Company's contributions in respect of Bahraini employees amounted to BD 131 thousand (2017: The Group's contributions in respect of Bahraini employees amounted to BD 252 thousand and the Company's contributions in respect of Bahraini employees amounted to BD 121 thousand).

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 (2017:

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BD 13 thousand).

15 PAYABLES AND ACCRUED LIABILITIES - OTHERS (Continued)

Provision for employees' leaving indemnities

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
At 1 January	1,446	1,140	1,213	1,213
At 1 April - Acquisition of Takaful	-	-	285	-
Charge for the year	360	228	345	257
Paid during the year	(375)	(169)	(397)	(330)
At 31 December	1,431	1,199	1,446	1,140

16 EQUITY AND RESERVES

Equity - Group and Company

	2018 BD '000	2017 BD '000
<i>Authorised share capital</i>		
200 million ordinary shares of 100 fils each (2017: 100 million ordinary shares of 100 fils each)	20,000	10,000

Issued and fully paid share capital

143 million ordinary shares of 100 fils each (2017: 71.5 million ordinary shares of 100 fils each).

	2018 %	2017 %	2018 BD '000	2017 BD '000
Bahraini shareholders	30.55	30.55	4,368	2,184
Kuwaiti shareholders				
Gulf Insurance Group K.S.C.	56.12	56.12	8,026	4,013
Warba Insurance Company S.A.K.	13.33	13.33	1,906	953
	100.00	100.00	14,300	7,150

The shareholders, at the EGM held on 22 March 2018, approved the increase in authorized share capital from BD 10 million to BD 20 million and subsequently approved the increase in paid up capital of the Group from BD 7,150 thousand to BD 14,300 thousand by capitalizing the general reserve. Based on the Group's Board of Directors' resolution dated 9th November 2017, the Company participated in the right's issue of Takaful International Company B.S.C. it's subsidiary during the second quarter, for the full proposed amount of BD 2,250 thousand in order for Takaful International Company B.S.C. to comply with the regulatory requirements of capital adequacy and solvency margin established by the Central Bank of Bahrain. The Group has continued to increase it's shareholding in the subsidiary thereafter (see note 3).

- (i) Treasury shares represent 76,866 (2017: 38,433) shares 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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16 EQUITY AND RESERVES (Continued)

At 31 December 2018

Name of the shareholder	Nationality	Number of shares	Percentage of total outstanding shares
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 2017

Name of the shareholder	Nationality	Number of shares	Percentage of total outstanding shares
Gulf Insurance Group K.S.C.	Kuwait	40,126,909	56.12
Warba Insurance Company S.A.K.	Kuwait	9,533,332	13.33
BBK B.S.C.	Bahrain	4,879,818	6.82

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

At 31 December 2018

Categories	Number of shares	Number of shareholders	Percentage of total outstanding shares
Less than 1%	27,803,604	3,737	19.44%
1% up to less than 5%	6,116,278	1	4.29%
5% up to less than 10%	9,759,636	1	6.82%
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	3,741	100.00%

At 31 December 2017

Categories	Number of shares	Number of shareholders	Percentage of total outstanding shares
Less than 1%	13,894,462	3,731	19.44%
1% up to less than 5%	3,065,479	2	4.29%
5% up to less than 10%	4,879,818	1	6.82%
10% up to less than 20%	9,533,332	1	13.33%
20% and above	40,126,909	1	56.12%
Total	71,500,000	3,736	100.00%

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16 EQUITY AND RESERVES (Continued)

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 exceeds the minimum required limit of 50% of the paid up share capital due to additional voluntary transfers in previous years, no transfer is made in 2018 (2017: Nil).

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.

Dividends

Dividends for 2018 amounted to BD 2,144 thousand (15 fils per share) [for 2017: BD 1,787 thousand (25 fils per share)].

Proposed appropriations

The Board of Directors, at a meeting held on 14 February 2019, recommended the following appropriations, which are subject to approval of the shareholders at the Annual General Meeting to be held on 25 March 2019.

	2018 BD '000	2017 BD '000
- Cash dividend of 15 fils per share (2017: 25 fils per share)	2,144	1,787
- Transfer to statutory reserve	262	-

17 GROSS PREMIUMS

17.1 Group

	2018 BD '000	2017 BD '000
Led by the Group - net of refunds	78,538	55,835
Led by other insurance companies - Group's share	3,072	3,672
	81,610	59,507

17.2 Company

	2018 BD '000	2017 BD '000
Led by the Company - net of refunds	57,120	42,468
Led by other insurance companies - Company's share	2,456	3,142
	59,576	45,610

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18 GENERAL AND ADMINISTRATION EXPENSES

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Employee related costs	4,404	2,573	3,900	2,480
Depreciation (note 13)	339	167	393	186
Other operating expenses	1,343	604	968	706
Other takaful expenses	638	-	574	-
	6,724	3,344	5,835	3,372

19 FEE AND COMMISSION INCOME

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Commission income (note 14)	4,789	3,943	5,004	4,244
Policy and other fees	611	395	242	440
	5,400	4,338	5,246	4,684

20 INVESTMENT INCOME - NET

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Interest income on:				
held-to-maturity investments	161	161	223	223
balances with banks	837	667	698	612
Available-for-sale financial assets				
Dividend income	908	787	493	476
Interest on AFS bonds	232	232	293	161
Gain on sale of investments	517	271	387	338
Write back on held-to-maturity investments (note 12.3)	20	20	9	9
Gain on remeasurement of a subsidiary	-	-	158	158
	2,675	2,138	2,261	1,977
Impairment loss on investments (note 12)	(208)	(32)	(340)	(85)
Investment management expenses	(439)	(276)	(256)	(256)
Advisory fees	(23)	(23)	(68)	(68)
	2,005	1,807	1,597	1,568

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At 31 December 2018

21 OTHER INCOME AND EXPENSES

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Other income				
TPA fees - Takaful	356	-	260	-
Foreign exchange gain	-	-	14	14
Profit on sale of assets	22	8	14	12
Miscellaneous income	37	-	21	4
Operating ncome	412	-	-	-
	827	8	309	30

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Other expenses				
Shareholder's expense - Takaful	-	-	342	-
Provision for National Labour / Support Tax and Zakat tax	44	44	52	52
Bank charges	47	47	47	47
Provision for doubtful debts (note 21.1)	105	105	24	24
Bad debts	1	1	15	15
Provision for impaired other receivables	-	-	11	11
Interest expense on premium reserve deposit	6	6	7	7
Foreign exchange loss	3	3	-	-
	206	206	498	156

21.1 Provision for doubtful debts

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Charge for the year (note 9)	192	105	205	24
Less: Transferred to participants	(87)	-	(181)	
Provision for doubtful debts	105	105	24	24

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22 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 consolidated and separate statement of financial position date.

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

	2018 Group	2018 Group	2017 Company	2017 Company
Profit for the year (BD - thousand)	3,155	2,622	2,592	2,632
Weighted average number of ordinary shares outstanding, net of treasury shares	142,923,134	142,923,134	71,461,567	71,461,567
Earnings per share	22 Fils	18 Fils	36 Fils	37 Fils

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

Other information	2018	2017
Proposed cash dividend per share (note 16)	15 Fils	25 Fils
Net asset value per share	245 Fils	483 Fils
Share price per Bahrain Bourse at 31 December	320 Fils	480 Fils
Price to earnings ratio at 31 December	18 times	13 times
Total market capitalisation at 31 December (BD - thousand)	45,760	34,320

23 CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 December 2018, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

23.1 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	-	-	39,845	39,845
Statutory deposits	-	-	4,950	4,950
Insurance receivables	-	-	33,112	33,112
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	63,944	63,944
Investments	19,437	4,734	-	24,171
	19,437	4,734	141,851	166,022

	Financial liabilities BD '000
Insurance liabilities	
- Outstanding claims - Reported claims	72,830
Payables and accrued liabilities	38,263
	111,093

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23 CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

23.2 Company

	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	-	-	30,585	30,585
Statutory deposits	-	-	4,825	4,825
Insurance receivables	-	-	21,884	21,884
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	57,927	57,927
Investments	13,154	4,734	-	17,888
	13,154	4,734	115,221	133,109
				Financial liabilities BD '000
Insurance liabilities				
- Outstanding claims - Reported claims				64,416
Payables and accrued liabilities				30,620
				95,036

At 31 December 2017, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

23.3 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	-	-	37,748	37,748
Statutory deposits	-	-	5,032	5,032
Insurance receivables	-	-	22,460	22,460
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	57,510	57,510
Investments	14,771	2,801	-	17,572
	14,771	2,801	122,750	140,322
				Financial liabilities BD '000
Insurance liabilities				
- Outstanding claims - Reported claims				67,858
Payables and accrued liabilities				23,838
				91,696

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23 CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

23.4 Company

	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	-	-	32,213	32,213
Statutory deposits	-	-	4,907	4,907
Insurance receivables	-	-	12,633	12,633
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	48,240	48,240
Investments	9,466	2,801	-	12,267
	9,466	2,801	97,993	110,260
				Financial liabilities BD '000
Insurance liabilities				
- Outstanding claims - Reported claims				53,743
Payables and accrued liabilities				16,832
				70,575

24 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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24 FAIR VALUE MEASUREMENT (Continued)

24.1 Group

	31 December 2018			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	4,048	-	-	4,048
Trade and commerce	-	-	-	-
Industrial	3,448	-	-	3,448
Communications	-	-	-	-
Consumer Service	4,303	1,914	-	6,217
Other sectors	2,273	1,126	-	3,399
Unquoted equity investments				
Insurance	-	120	1,430	1,550
Industrial	-	-	-	-
Consumer Service	-	299	60	359
Other sectors	-	378	-	378
Other managed funds				
Other sectors	-	38	-	38
	14,072	3,875	1,490	19,437

24.2 Company

	31 December 2018			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	3,803	-	-	3,803
Trade and commerce	-	-	-	-
Industrial	3,448	-	-	3,448
Communications	-	-	-	-
Consumer Service	3,645	-	-	3,645
Other sectors	730	-	-	730
Unquoted equity investments				
Insurance	-	-	1,430	1,430
Industrial	-	-	-	-
Consumer Service	-	-	60	60
Other sectors	-	-	-	-
Other managed funds				
Other sectors	-	38	-	38
	11,626	38	1,490	13,154

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24 FAIR VALUE MEASUREMENT (Continued)

24.3 Group

	31 December 2017			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	5,316	-	-	5,316
Trade and commerce	977	-	-	977
Industrial	2,055	-	-	2,055
Communications	8	-	-	8
Consumer Service	1,618	-	-	1,618
Other sectors	1,954	1	-	1,955
Unquoted equity investments				
Insurance	-	80	1,352	1,432
Industrial	-	56	-	56
Consumer Service	-	66	59	125
Other Sector	-	307	-	307
Other managed funds				
Other sectors	884	38	-	922
	12,812	548	1,411	14,771

24.4 Company

	31 December 2017			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	3,859	-	-	3,859
Trade and commerce	-	-	-	-
Industrial	2,046	-	-	2,046
Communications	-	-	-	-
Consumer Service	1,378	-	-	1,378
Other sectors	734	-	-	734
Unquoted equity investments				
Insurance	-	-	1,352	1,352
Industrial	-	-	-	-
Consumer Service	-	-	59	59
Other Sector	-	-	-	-
Other managed funds				
Other sectors	-	38	-	38
	8,017	38	1,411	9,466

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Valuations are dated 31 December each year.

24 FAIR VALUE MEASUREMENT (Continued)

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

	At 1 January 2018 BD '000	Losses recognised in other comprehensive income BD '000	At 31 December 2018 BD '000
Available-for-sale investments			
Unquoted equity investments	1,411	79	1,490

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2018, 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 (2017: 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 149 thousand) BD 149 thousand [2017: (BD 141 thousand) BD 141 thousand]. 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 statement of profit or loss 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 Company's separate statement of profit or loss.

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, insurance receivables, reinsurers' share of insurance liabilities - reported claims, insurance liabilities - reported claims, payables to insurance and reinsurance companies, policyholders and other payables, 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 2 of the fair value hierarchy.

25 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.

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.

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At 31 December 2018

25 SEGMENTAL INFORMATION (Continued)

2018 Group

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Total BD '000
Gross premiums from external customers	56,573	21,177	2,416	1,444	81,610
Retained premiums	12,564	19,985	328	506	33,383
Net premiums	12,234	18,646	331	513	31,724
Fee and commission income	4,516	255	629	-	5,400
Segment revenue	16,750	18,901	960	513	37,124
Net claims	8,650	15,281	(6)	432	24,357
Net Premium deficiency reserves adjustment	-	(24)	-	-	(24)
Transfer to family takaful technical reserve	-	-	-	431	431
General and administrative expenses	3,373	2,828	359	164	6,724
Acquisition costs	2,033	1,478	99	79	3,689
Underwriting profit (loss)	2,694	(662)	508	(593)	1,947
Unallocable income*					2,832
Unallocable expenses**					(1,310)
Profit including participants' share					3,469
Less: Participants' share					196
Profit for the year					3,273

2018 Company

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Total BD '000
Gross premiums from external customers	44,912	12,632	2,032	-	59,576
Retained premiums	5,418	11,968	261	-	17,647
Net premiums	5,603	11,451	260	-	17,314
Fee and commission income	3,525	255	558	-	4,338
Segment revenue	9,128	11,706	818	-	21,652
Net claims	3,941	9,822	(11)	-	13,752
Net Premium deficiency reserves adjustment	-	(24)	-	-	(24)
General and administrative expenses	1,550	1,497	297	-	3,344
Acquisition costs	1,404	1,170	67	-	2,641
Underwriting profit (loss)	2,233	(759)	465	-	1,939
Unallocable income*					1,815
Unallocable expenses**					(1,132)
Profit including participants' share					2,622
Less: Participants' share					-
Profit for the year					2,622

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At 31 December 2018

25 SEGMENTAL INFORMATION (Continued)

2017 Group

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Total BD '000
Gross premiums from external customers	38,979	17,169	2,232	1,127	59,507
Retained premiums	9,609	15,902	345	547	26,403
Net premiums	9,481	13,755	321	628	24,185
Fee and commission income	4,481	202	549	14	5,246
Segment revenue	13,962	13,957	870	642	29,431
Net claims	6,764	11,292	84	407	18,547
Net Premium deficiency reserves adjustment	-	137	-	-	137
Transfer to family takaful technical reserve	-	-	-	522	522
General and administrative expenses	2,819	2,417	398	201	5,835
Acquisition costs	2,025	1,049	82	62	3,218
Underwriting profit (loss)	2,354	(938)	306	(550)	1,172
Unallocable income*					1,937
Unallocable expenses**					(1,407)
Profit including participants' share					1,702
Less: Participants' share					(894)
Profit for the year					2,596

2017 Company

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Total BD '000
Gross premiums from external customers	31,990	11,686	1,934	-	45,610
Retained premiums	5,307	10,834	284	-	16,425
Net premiums	5,346	8,894	259	-	14,499
Fee and commission income	3,884	306	494	-	4,684
Segment revenue	9,230	9,200	753	-	19,183
Net claims	3,576	7,684	83	-	11,343
Net Premium deficiency reserves adjustment	-	137	-	-	137
General and administrative expenses	1,594	1,472	306	-	3,372
Acquisition costs	1,505	813	60	-	2,378
Underwriting profit (loss)	2,555	(906)	304	-	1,953
Unallocable income*					1,629
Unallocable expenses**					(950)
Profit including participants' share					2,632
Less: Participants' share					-
Profit for the year					2,632

*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 2018

25 SEGMENTAL INFORMATION (Continued)

The following table presents disclosure of segment assets:

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Unallocable assets * BD '000	Total BD '000
Segment assets						
2018 Group	94,816	6,614	1,469	796	107,853	211,548
2018 Company	87,213	5,232	1,370	-	84,884	178,699
Segment assets						
2017 Group	75,384	5,265	1,192	1,256	89,001	172,098
2017 Company	68,091	3,636	1,070	-	69,161	141,958

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Unallocable liabilities** BD '000	Total BD '000
Segment liabilities						
2018 Group	106,114	24,758	1,701	3,048	38,263	173,884
2018 Company	94,165	17,282	1,565	-	30,620	143,632
Segment liabilities						
2017 Group	85,829	21,564	1,450	3,111	23,613	135,567
2017 Company	74,893	14,394	1,289	-	16,831	107,407

* Segments assets do not include cash and cash equivalents, statutory deposits, insurance receivables, investments, investment property and property and equipment as these assets are managed on an integrated basis.

** Segment liabilities do not include payable and accrued liabilities as these liabilities are managed on an integrated basis.

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25 SEGMENTAL INFORMATION (Continued)

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

2018 Group

	Bahrain BD '000	Kuwait BD '000	Qatar BD '000	Total BD '000
Gross premiums from external customers*	66,916	14,694	-	81,610
Non-current assets**	4,941	29	-	4,970

2018 Company

	Bahrain BD '000	Kuwait BD '000	Qatar BD '000	Total BD '000
Gross premiums from external customers*	44,882	14,694	-	59,576
Non-current assets**	2,991	28	-	3,019

2017 Group

	Bahrain BD '000	Kuwait BD '000	Qatar BD '000	Total BD '000
Gross premiums from external customers*	43,797	15,550	160	59,507
Non-current assets**	5,202	23	-	5,225

2017 Company

	Bahrain BD '000	Kuwait BD '000	Qatar BD '000	Total BD '000
Gross premiums from external customers*	30,061	15,549	-	45,610
Non-current assets**	3,119	23	-	3,142

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

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

26 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

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to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

26 RISK MANAGEMENT (Continued)

a) Insurance risk (Continued)

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 (2017: same). The geographical and segmental concentration of insurance risk is set out in note 25.

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.

Currency risk - Group

	31 December 2018				
	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	11,349	18,767	9,487	242	39,845
Statutory deposits	250	4,700	-	-	4,950
Insurance receivables	14,500	3,550	15,062	-	33,112
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	38,049	23,825	2,070	-	63,944
Investments	6,807	1,340	8,966	7,058	24,171
	70,955	52,182	35,585	7,300	166,022

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At 31 December 2018

26 RISK MANAGEMENT (Continued)

b) Currency risk (Continued)

31 December 2018					
	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	47,555	25,104	-	171	72,830
Unearned commissions	1,322	882	118	-	2,322
Payables and accrued liabilities	11,431	6,953	19,879	-	38,263
	60,308	32,939	19,997	171	113,415
Net exposure	10,647	19,243	15,588	7,129	52,607

Currency risk - Company

31 December 2018					
	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	4,590	18,767	7,016	212	30,585
Statutory deposits	125	4,700	-	-	4,825
Insurance receivables	5,150	3,550	13,184	-	21,884
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	34,102	23,825	-	-	57,927
Investments	5,252	1,340	5,818	5,478	17,888
	49,219	52,182	26,018	5,690	133,109

31 December 2018					
	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	39,312	25,104	-	-	64,416
Unearned commissions	1,127	882	-	-	2,009
Payables and accrued liabilities	4,782	6,953	18,885	-	30,620
	45,221	32,939	18,885	-	97,045

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At 31 December 2018

Net exposure	3,998	19,243	7,133	5,690	36,064
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26 RISK MANAGEMENT (Continued)

b) Currency risk (Continued)

Currency risk - Group

	31 December 2017				
	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	13,787	19,332	4,576	53	37,748
Statutory deposits	250	4,782	-	-	5,032
Insurance receivables	16,044	3,779	2,219	418	22,460
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	43,235	10,849	-	849	54,933
Investments	4,182	841	9,370	3,179	17,572
	77,498	39,583	16,165	4,499	137,745

	31 December 2017				
	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	50,567	11,352	-	1,071	62,990
Unearned commissions	1,377	1,153	-	10	2,540
Payables and accrued liabilities	13,089	7,265	3,134	125	23,613
	65,033	19,770	3,134	1,206	89,143
Net exposure	12,465	19,813	13,031	3,293	48,602

Currency risk - Company

	31 December 2017				
	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	9,127	19,332	3,722	32	32,213
Statutory deposits	125	4,782	-	-	4,907
Insurance receivables	8,540	3,779	314	-	12,633
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	37,392	10,848	-	-	48,240
Investments	3,097	714	6,001	2,455	12,267
	58,281	39,455	10,037	2,487	110,260

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

26 RISK MANAGEMENT (Continued)

b) Currency risk (Continued)

	31 December 2017				
	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	42,391	11,352	-	-	53,743
Unearned commissions	1,054	1,153	-	-	2,207
Payables and accrued liabilities	6,432	7,265	3,134	-	16,831
	49,877	19,770	3,134	-	72,781
Net exposure	8,404	19,685	6,903	2,487	37,479

A 5% movement in the Kuwaiti Dinar exchange rate against the Bahraini Dinar would impact other comprehensive income by BD 738 thousand (2017: BD 756 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 199 thousand and the company's separate statement of profit or loss by BD 153 thousand (Group 2017: 189 thousand and Company 2017: BD 169 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

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Bahrain	9,839	7,581	7,418	5,468
UAE	5,068	2,934	3,645	1,902
Saudi Arabia	5,147	4,199	2,166	1,748
Kuwait	2,418	2,315	1,841	1,714
Qatar	1,123	859	1,836	1,435
Asia/BRIC	404	-	476	-
Other countries/global	172	-	190	-
	24,171	17,888	17,572	12,267

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26 RISK MANAGEMENT (Continued)

d) Price risk (Continued)

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 and Kuwait. A 5% change in the prices of the equities, with all other variables held constant, would impact the Group's equity by BD 429 thousand and the Company's equity by BD 321 thousand (Group 2017: BD 236 thousand and Company 2017: BD 192 thousand). There would be no impact on the 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.

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 2018			
	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	39,845	-	-	39,845
Statutory deposits	-	-	4,950	4,950
Insurance receivables	29,686	3,426	-	33,112
Deferred acquisition costs	1,959	-	-	1,959
Reinsurers' share of insurance liabilities	101,425	-	-	101,425
Reinsurers' share of mathematical reserves	311	-	-	311
Investments	5,272	5,745	13,154	24,171
Investment in a subsidiary	-	-	-	-
Property and equipment	-	-	4,970	4,970
Recoverable from participants	805	-	-	805
	179,303	9,171	23,074	211,548
LIABILITIES				
Insurance liabilities	130,878	-	-	130,878
Mathematical reserves	2,421	-	-	2,421
Unearned commissions	2,322	-	-	2,322
Payables and accrued liabilities	34,467	3,796	-	38,263
	170,088	3,796	-	173,884

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26 RISK MANAGEMENT (Continued)

e) Liquidity risk (Continued)

Liquidity risk - Company

	31 December 2018			
	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	30,585	-	-	30,585
Statutory deposits	-	-	4,825	4,825
Insurance receivables	21,080	804	-	21,884
Deferred acquisition costs	1,359	-	-	1,359
Reinsurers' share of insurance liabilities	92,456	-	-	92,456
Reinsurers' share of mathematical reserves	-	-	-	-
Investments	2,916	1,818	13,154	17,888
Investment in a subsidiary	-	-	6,683	6,683
Property and equipment	-	-	3,019	3,019
	148,396	2,622	27,681	178,699
LIABILITIES				
Insurance liabilities	111,003	-	-	111,003
Mathematical reserves	-	-	-	-
Unearned commissions	2,009	-	-	2,009
Payables and accrued liabilities	27,849	2,771	-	30,620
	140,861	2,771	-	143,632

Liquidity risk - Group

	31 December 2017			
	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	37,748	-	-	37,748
Statutory deposits	-	-	5,032	5,032
Insurance receivables	-	-	5,032	5,032
Deferred acquisition costs	-	-	5,032	5,032
Reinsurers' share of insurance liabilities	80,901	-	-	80,901
Reinsurers' share of mathematical reserves	383	-	-	383
Investments	1,081	7,026	9,465	17,572
Investment in a subsidiary	-	-	-	-
Property and equipment	-	-	5,225	5,225
Recoverable from participants	964	-	-	964
	144,234	8,142	19,722	172,098

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26 RISK MANAGEMENT (Continued)

e) Liquidity risk (Continued)

LIABILITIES

Insurance liabilities	107,351	-	-	107,351
Mathematical reserves	2,063			2,063
Unearned commissions	2,540	-	-	2,540
Payables and accrued liabilities	20,368	3,245	-	23,613
	132,322	3,245	-	135,567

Liquidity risk - Company

	31 December 2017			
	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	32,213	-	-	32,213
Statutory deposits	-	-	4,907	4,907
Insurance receivables	12,105	528	-	12,633
Deferred acquisition costs	1,348	-	-	1,348
Reinsurers' share of insurance liabilities	71,449	-	-	71,449
Reinsurers' share of mathematical reserves	-	-	-	-
Investments	118	2,683	9,466	12,267
Investment in a subsidiary	-	-	3,999	3,999
Property and equipment	-	-	3,142	3,142
	117,233	3,211	21,514	141,958
LIABILITIES				
Insurance liabilities	88,369	-	-	88,369
Unearned commissions	2,207	-	-	2,207
Payables and accrued liabilities	13,666	3,165	-	16,831
	104,242	3,165	-	107,407

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.

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- (2017: BBB-) or above:

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26 RISK MANAGEMENT (Continued)

f) Credit risk (Continued)

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Cash and balances with banks	39,845	30,585	37,748	32,213
Statutory deposits	4,950	4,825	5,032	4,907
Reinsurers' share of insurance reserves				
- Outstanding claims - Reported claims	63,944	57,927	54,933	48,240
Investments - held-to-maturity	4,734	4,734	2,801	2,801

The Group's maximum exposure to credit risk on its financial assets was BD 164,080 thousand and the Company's maximum exposure to credit risk on its financial assets was BD 130,211 thousand (Group 2017: BD 126,941 thousand and Company 2017: BD 102,189 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 24.

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.

27 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.

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

27.1 Group

	31 December 2018			
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Gross premiums	3	1,765	-	154
Reinsurers' share of gross premiums	-	4,873	-	-
Gross claims paid	-	755	-	30
Reinsurers' share of claims paid	-	1,696	-	-
Fee and commission income	-	1,156	-	-
Acquisition costs	-	1	-	-

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

27 RELATED PARTIES (Continued)

27.2 Company

31 December 2018				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Gross premiums	2	1,765	-	154
Reinsurers' share of gross premiums	-	4,873	-	-
Gross claims paid	-	755	-	30
Reinsurers' share of claims paid	-	1,696	-	-
Fee and commission income	-	1,156	-	-
Acquisition costs	-	1	-	-

27.3 Group

31 December 2017				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Gross premiums	4	2,147	56	209
Reinsurers' share of gross premiums	-	7,443	-	-
Gross claims paid	-	653	2	114
Reinsurers' share of claims paid	-	1,710	-	-
Fee and commission income	-	1,255	6	-
Acquisition costs	-	1	-	-

27.4 Company

31 December 2017				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Gross premiums	1	2,020	56	209
Reinsurers' share of gross premiums	-	7,443	-	-
Gross claims paid	-	653	2	114
Reinsurers' share of claims paid	-	1,710	-	-
Fee and commission income	-	1,255	6	-
Acquisition costs	-	1	-	-

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2018

27 RELATED PARTIES (Continued)

27.5 Group

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

31 December 2018				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Insurance receivables	1	461	-	8
Reinsurers' share of insurance liabilities	-	12,646	-	-
Insurance liabilities	-	4,400	-	-
Payables and accrued liabilities	-	198	-	2
Available for sale - investments	-	155	-	-

27.6 Company

31 December 2018				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Insurance receivables	1	461	-	8
Reinsurers' share of insurance liabilities	-	12,646	-	-
Insurance liabilities	-	4,400	-	-
Payables and accrued liabilities	-	-	-	2
Available for sale - investments	-	-	-	-

27.7 Group

31 December 2017				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Insurance receivables	3	1,013	-	26
Reinsurers' share of insurance liabilities	-	4,445	-	-
Insurance liabilities	-	3,240	-	-
Payables and accrued liabilities	-	-	-	-
Available for sale - investments	-	81	-	-

27 RELATED PARTIES (Continued)

27.8 Company

	31 December 2017			
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Insurance receivables	1	670	-	26
Reinsurers' share of insurance liabilities	-	4,445	-	-
Insurance liabilities	-	3,240	-	-
Payables and accrued liabilities	-	-	-	-
Available for sale - investments	-	-	-	-

Compensation of key management personnel

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

	2018 Group BD '000	2018 Company BD '000	2017 Group BD '000	2017 Company BD '000
Salaries and benefits	864	663	914	595
Remuneration and attendance fees to Directors	248	178	213	168
Employees' end of service benefits	148	56	54	42
	1,260	897	1,181	805

28 CONTINGENT LIABILITIES

A contingent liability exists at the consolidated statement of financial position date in respect of letters of guarantee amounting to BD 4,509 thousand (2017: BD 4,948 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 4,725 thousand (2017: BD 4,807 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.