Annual Report **2019**

A W R I S

Arab War Risks Insurance Syndicate

CONTENTS

Profile of the Syndicate

US Dollars

Registered in the Kingdom of Bahrain by Law Decree No. 8 of 1994

Technical Committee members

Ebrahim Al Rayes	- Chairman	Sultan AlKhomashi	- Member
Imad Abdel Khaleq	- Deputy Chairman	Ahmad Idris	- Member
Fateh Bekdache	- Member	Tareq Al-Sahhaf	- Member
Sherif El Ghamrawi	- Member	Lamia Ben Mahmoud	- Member
Bassam Chilmeran	- Member		

Chief Executive Officer — Nabil J. Kotran

Subcommittees

Audit		Investment	
Ahmad Idris	- Chairman	Bassam Chilmeran	- Chairman
Imad Abdel Khaleq	- Member	Fateh Bekdache	- Member
Sultan AlKhomashi	- Member	Tareq Al-Sahhaf	- Member
		Nabil Kotran	- Ex-Officio

Nomination & Remunerations		Reinsurance	
Sherif El Ghamrawi	- Chairman	Imad Abdel Khaleq	- Chairman
Bassam Chilmeran	- Member	Ahmad Idris	- Member
Lamia Ben Mahmoud	- Member	Lamia Ben Mahmoud	- Member
Fateh Bekdache	- Member	Nabil Kotran	- Ex-Officio
Nabil Kotran	- Ex-Officio		

Registered office

P.O. Box 10009
Platinum Tower 8 Floor
Al Seef District
Manama -Kingdom of Bahrain

E.mail awris@awris.com
Web Site www.awris.com

Auditors

KPMG Fakhro
P.O. Box 710
Manama
Kingdom of Bahrain

Statement by Chairman

Respected members of the Arab War Risks Insurance Syndicate

On behalf of myself and my colleagues, members of the Technical Committee, I am pleased and honored to extend my thanks and gratitude for your loyalty and dedication in supporting the Syndicate which resulted in achieving the accomplishments one after the other, with success and prosperity, despite the difficult political and economic conditions that our Arab world are going through. The Syndicate's resilience and its outstanding service to its members during the multiple wars that passed on our Arab world is only a true evidence of the success of this unique Arab project.

The results of the year 2019 were good in both the technical and investment levels, despite the Syndicate being affected by the increase in the incurred claims as a result of the recent Arabian Gulf events, which were caused by some attacks on ships in general and on oil tankers in particular. The Syndicate team dealt with these events with all professionalism and continued to provide reasonable and balanced prices for member companies despite the tremendous rise in prices in the international market, thus covering the majority of incoming requests that resulted in a qualitative increase in our marine cargo and hull sections . As on the investment side, it was anticipated that the year 2019 would be the ever best year for the Syndicate if it was not for the exceptional circumstances experienced by some Arab countries, especially the sister country Lebanon, which falls within the investment map of the Syndicate, where the return on investment was affected upon our decision to take a provision for a decrease in value due to restrictions imposed on transferring deposits outside Lebanon.

By the end of the year 2019 and the submission of its annual report, the Technical Committee would have completed its duties in the current session, which necessitates the election of a new Technical Committee for the years 2020 to 2022. I seize this occasion to thank the management and employees of the member companies for the confidence entrusted in us to carry this baton and provide our expertise like our ancestors the technical committees which were enriched with high calibers from the Arab insurance world. Also, I would like to extend my thanks to our supporting Reinsurers and Reinsurance Brokers, the Executive Management, and all the employees of the Syndicate for their dedication and sincere performance during the year 2019. I would also like to extend my sincere thanks to the Kingdom of Bahrain for hosting the headquarters and providing the Syndicate with all the facilities and capabilities creating an appropriate environment for serving the member companies.

In conclusion, I wish the next Technical Committee all the best and success in performing their future duties.

Ebrahim Al Rayes
Chairman of the Technical Committee

Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2019

US Dollars

Distinguished Members of the Arab War Risks Insurance Syndicate (AWRIS)

We are pleased to present the 40th annual report of the Technical Committee of the Syndicate for the financial year ended December 31, 2019, which highlights the achievements made during 2019, in addition to the Syndicate's balance sheet and Statement of Profit or Loss, cash flows, changes in Members' equity and the latest developments concerning the growth and development of the Syndicate's operations.

1. As regards the insurance industry, the Syndicate has made an intensive technical and marketing efforts that have resulted in achieving a reasonable increase in premium in the light of increased prices as a result of political events in the Arab region.

2. As part of continuous efforts to take Corporate Governance to a higher level, the Technical Committee held five meetings during the year. In addition, Investment Committee held four meetings ,while the Nomination and Remuneration Committee and the Audit Committee held two meetings each and the Reinsurance Committee held One meeting.

3. The number of Member companies in the Syndicate reached 190 at the end of 2019 compared with 190 in 2018, an increase of 3 members and the withdrawal of 3 members.

4. The Syndicate Management and the Reinsurance Committee are regularly reviewing the reinsurance covers, and have decided to renew the current coverages.The Syndicate managed to obtain additional improvements in the Sabotage , Terrorism and Political Violence Agreement.

5. The Technical Committee is continuously monitoring what the world is witnessing about the proliferation of the new coronavirus and its implications on the economical conditions and the potential effects of this epidemic on the business of the Syndicate, where there are clear directives for the Executive Management that the Syndicate continues to provide its services to the Member Companies as normal, stressing the need to take all necessary precautions to preserve the safety and health of the Syndicate's staff.

Insurance activity

Net premiums

The net premium of the Syndicate for 2019 stands at US$ 15,985,631 compared to US$ 14,904,290 for 2018, a increase of US$ 1,081,341 (7.26 %).

The following table shows the net premiums per line of business (in US dollars)

Line of business	2019	2018	Change (%)
Aviation	177,253	52,321	238.8 %
Cargo	10,666,464	9,826,893	8.5 %
Hull	1,106,977	532,151	108.0 %
Sabotage and Terrorism	3,109,592	3,239,710	(4.0 %)
War on Land	754,829	1,033,898	(27.0 %)
Passive War	170,516	219,317	(22.3 %)
Total	**15,985,631**	**14,904,290**	**7.3 %**

Paid and outstanding claims

The net settled claims amount during 2019 was US$ 196,966 compared to US$ 341,810 in 2018.

The net outstanding claims amount under settlement stands at US$ 5,552,306 in 2019 compared to US$ 2,975,083 in 2018.

Profit commissions

The estimated profit commissions owed to Member companies in respect of the year 2018 and as shown in the 2019 balance sheet is US$ 2,021,943 whereas the profit commission of US$ 519,413 is due from reinsurers.

Year-end reserves

The unexpired risk reserve was calculated as at 31/12/2019 in accordance with the Syndicate's technical rules and practices. This reserve amounted to US$ 17.5 million in 2019 compared with same amount in 2018.

Investment activity:

In the year 2019, the Syndicate achieved a remarkable investment return, which is the highest in the Syndicate's history ,which stands at US$ 10,789,882 compared to US$ 8,724,140 last year. An increase of US$ 2,065,742 (23.68 %).

In addition, the Syndicate continued to implement the investment policies approved by the Investment Committee at its various meetings and ratified by the Technical Committee.

The Syndicate's net funds and investments until 31/12/2019 amounted to a total of US$ 183,393,591 compared to US$ 183,561,919 for the same period last year with a decrease of US$ 168,328 (0.09 %) due to taking a provision for a decrease in fixed deposits with Lebanese banks.

Distribution of the Syndicate's funds and investments were as follows (in US dollars)

Investment type	2019	2018
Fixed deposits	115,937,278	126,597,639
Call Accounts Balances	138,155	287,233
Bahraini banks and companies Shares	10,316,514	8,410,065
Bonds	47,651,451	39,414,441
Current accounts balances	491,329	461,121
Cash on hand	2,990	722
Investment in Arab Insurance Institute	1	125,000
SICO Fund – Investment portfolio	8,855,873	8,265,698
Total	**183,393,591**	**183,561,919**

Distribution of Investment Return (in US dollars)

Investment type	2019	2018
Net interest on fixed deposits	7,281,706	5,647,002
Net income from bonds	2,387,686	1,997,467
Net Dividends of Bahraini banks and companies	552,753	566,813
SICO Fund – Investment portfolio	567,737	512,858
Total	**10,789,882**	**8,724,140**

General and Administrative expenses

The general and administrative expenses for the year 2019 amounted to a total of US$ 3,331,487 compared to US$ 3,607,278 in 2018, a decrease of US$ 275,791 (7.65 %).

Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2019

US Dollars

The Syndicate's Result for the year

The insurance and investment activities of the Syndicate for the year 2019 generated a surplus amount of US$ 10,987,762 compared to US$ 17,778,491 in 2018, after loading the profit and loss account with the standard usual expenses, a decrease of US$ 6,790,729 ,due to the increase in the incurred claims and taking provison of a decrease in fixed deposits.

Following the ratification of the General Assembly of the Syndicate of the final accounts for the year 2019 and the approval of the dividend distribution under paragraph (18) of the notes, which include the Technical Committee Chairman and Members remunerations and any other appropriations as decided by the General Assembly, then the profit will be distributed 20% to the Syndicate's General Reserve account and 80 % dividends to Member companies in accordance with the Syndicate Agreement.

The Syndicate's General Reserve amounted US$ 157,835,818 by the end of 2019 compared to the amount of US$ 158,551,839 at the end of 2018 , a decrease of US$ 716,021 (0.45 %) .

The results shown in the final accounts clearly indicate that this Arab insurance project continues to achieve its goals, namely the support of the Arab insurance market through the provision of various insurance coverages to its Member companies with reasonable conditions and prices.

We would like to extend our thanks to all Members Companies of the Syndicate as well as our various Brokers and Reinsurance partners. We would also like to extend our thanks and gratitude to the Syndicate's Management and Staff for achieving such commendable performance and results.

Technical Committee

US Dollars

Shares as at 31.12.2019

	Amount (US$)
Investment in Arab Insurance Institute Nos. 50,000 shares amounted US$ 10 for each share (An impairment of US$ 499,999 has been taken)	**1**
Bahraini Banks & Companies Shares (BHD 3,881,188.781)	**10,316,514**
SICO Fund – Investment Portfolio	**8,855,873**
TOTAL	**19,172,388**

Fixed Deposits & Investments Comparison for the Years 2019 & 2018

Fixed Deposits & Investments as at 31.12.2019

Investment Type	Carrying Value US$	Amount Invested %	Amount of Return US$	Return Rate %
Fixed deposits	121,105,252	64.23	7,281,706	6.01
Call account balances	138,155	0.07	--	--
Sub Total	**121,243,407**	**64.30**	**7,281,706**	**6.01**
Bonds	47,651,451	25.27	2,387,686	5.01
Bahraini banks & companies shares	10,316,514	5.47	552,753	5.36
Current account balances	491,329	0.26	--	--
Cash on hand	2,990	0.00	--	--
Investment in arab Insurance Institute - Damascus	1	0.00	--	--
SICO Fund - Investment Portfolio	8,855,873	4.70	567,737	6.41
Sub Total	**188,561,565**	**100.00**	**10,789,882**	**5.72**
Impairment of fixed deposits	(5,167,974)	--	(5,395,120)	--
Impairment of investment	--	--	(124,999)	--
Total	**183,393,591**	**100.00**	**5,269,763**	**2.87**

Fixed Deposits & Investments as at 31.12.2018

Investment Type	Carrying Value US$	Amount Invested %	Amount of Return US$	Return Rate %
Fixed deposits	126,597,639	68.97	5,647,002	4.46
Call account balances	287,233	0.16	--	--
Sub Total	**126,884,872**	**69.13**	**5,647,002**	**4.45**
Bonds	39,414,441	21.47	1,997,467	5.07
Bahraini banks & companies shares	8,410,065	4.58	566,813	6.74
Current account balances	461,121	0.25	--	--
Cash on hand	722	0.00	--	--
Investment in arab insurance institute - damascus	125,000	0.07	--	--
SICO fund - investment portfolio	8,265,698	4.50	512,858	6.20
Total	**183,561,919**	**100.00**	**8,724,140**	**4.75**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

Arab War Risks Insurance Syndicate
Manama, Kingdom of Bahrain

Opinion

We have audited the financial statements of Arab War Risks Insurance Syndicate (the "Syndicate"), which comprise the statement of financial position as at 31 December 2019, and the statements of income, comprehensive income, changes in members equity and cash flow for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Syndicate for the year ended 31 December 2019 are prepared, in all material respects, in accordance with Syndicate's Accounting Policies Manual (SAPM).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Syndicate 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.

Other information

The Technical Committee is responsible for the other information. The other information obtained at the date of this auditors' report is the Technical Committee set out on pages 4 to 7.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 this auditors' 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 Technical Committee for the financial statements

Technical Committee is responsible for the preparation of the financial statements in accordance with the SAPM and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Technical Committee either intends to liquidate the Syndicate or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing (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 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 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 syndicate's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Syndicate'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 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 Syndicate to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Technical 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.

Report on other regulatory requirements

As required by the Amiri Decree No. 8 of 1994 and Syndicate's memorandum we report that:

a. the Syndicate has maintained proper accounting records and the financial statements are in agreement therewith;
b. we are not aware of any violations during the year of the Amiri Decree No. 8 of 1994 or the terms of the Syndicate's memorandum and articles of association that would have had a material adverse effect on the business of the Syndicate or on its financial position; and
c. satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG

KPMG Fakhro
Partner registration No. 83
20 April 2020

Financial Statements
2019

ARAB WAR RISKS INSURANCE SYNDICATE

Statement of Financial Position
as at 31 December 2019

US Dollars

	Note	2019	2018
ASSETS			
Cash and bank balances	3	632,474	749,076
Bank and term deposits	4	115,937,278	126,597,639
Investments	5	66,823,839	56,215,204
Balances due from ceding companies and reinsurers	6	7,209,261	4,932,002
Prepayments and other receivables	7	8,930,450	7,828,182
Property and equipment	8	2,106,039	2,573,014
Total assets		**201,639,341**	**198,895,117**
MEMBERS' EQUITY, TECHNICAL RESERVES AND LIABILITIES			
Members' equity (page 14)			
Syndicate's General Reserve		157,835,818	158,551,839
Available-for-sale investments fair value reserve		3,758,341	1,261,717
Total members' equity		**161,594,159**	**159,813,556**
Technical reserves			
Reserve for unexpired risks	9	17,500,000	17,500,000
Reserve for outstanding claims	9	5,552,306	2,975,083
Total technical reserves		**23,052,306**	**20,475,083**
Liabilities			
Balances due to ceding companies and reinsurers	10	848,859	1,838,270
Other payables	11	14,439,515	14,994,199
Provision for profit commission (net)	12	1,105,613	1,259,055
Provision for employees' leaving indemnity	13	598,889	514,954
Total technical reserves and liabilities		**40,045,182**	**39,081,561**
Total members' equity, technical reserves and liabilities		**201,639,341**	**198,895,117**

The financial statements were approved by the Technical Committee on 20 April 2020 and signed on its behalf by:

Ebrahim Al Rayes
Chairman of the Technical Committee

Nabil J. Kotran
Chief Executive Officer

The notes on pages 16 to 34 form an integral part of these financial statements.

ARAB WAR RISKS INSURANCE SYNDICATE

Statement of Profit or Loss
for the year ended 31 December 2019

US Dollars

	Note	2019	2018
Net premiums ceded to Syndicate		15,985,631	14,904,290
Less Net reinsured premiums		(3,237,830)	(3,088,305)
Net premiums retained by the Syndicate		12,747,801	11,815,985
Commission income		1,107,803	988,480
Underwriting revenue		**13,855,604**	**12,804,465**
Claims incurred, net		(196,966)	(341,810)
Net movements in the technical reserves	14	(2,423,781)	1,419,251
Commission expense		(2,021,943)	(2,119,240)
Net underwriting surplus		**9,212,914**	**11,762,666**
General and administrative expenses	15	(3,331,487)	(3,607,278)
Interest and investment income	16	10,789,882	8,724,140
Impairment of Fixed Deposits	4 , 7	(5,395,120)	-
Impairment of investment	5	(124,999)	(125,000)
Impairment of Fixed Assets	8	(257,819)	-
Other income	17	94,391	1,023,963
Profit for the year		**10,987,762**	**17,778,491**

The financial statements were approved by the Technical Committee on 20 April 2020 and signed on its behalf by:

Ebrahim Al Rayes
Chairman of the Technical Committee

Nabil J. Kotran
Chief Executive Officer

The notes on pages 16 to 34 form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2019

US Dollars

	2019	2018
Profit for the year (page 12)	**10,987,762**	**17,778,491**
Other comprehensive income		
Fair value changes of available-for-sale investments	2,496,624	140,514
Other comprehensive income for the year	**2,496,624**	140,514
Total comprehensive income for the year	**13,484,386**	**17,919,005**

The notes on pages 16 to 34 form an integral part of these financial statements.

Statement of changes in members' equity
for the year ended 31 December 2019

US Dollars

2019	General Syndicate's Reserve	Available-for-sale investments fair value reserve	Total members equity
At 1 January	**158,551,839**	**1,261,717**	**159,813,556**
Profit for the year (page 12)	**10,987,762**	**-**	**10,987,762**
Other comprehensive income			
Fair value changes of available-for-sale investments	-	2,496,624	2,496,624
Other comprehensive income	**-**	**2,496,624**	**2,496,624**
Total comprehensive income for the year (page 13)	**10,987,762**	**2,496,624**	**13,484,386**
Amounts settled to withdrawn members (net) & adjustments	1,558	-	1,558
Amounts deducted from profits of members	6,073,150	-	6,073,150
Dividend paid during the year	(17,453,491)	-	(17,453,491)
Technical committee members remunerations for 2018	(325,000)	-	(325,000)
Subtotal	**(11,703,783)**	**-**	**(11,703,783)**
At 31 December	**157,835,818**	**3,758,341**	**161,594,159**

2018	General Syndicate's Reserve	Available-for-sale investments fair value reserve	Total members equity
At 1 January	**158,538,935**	**1,121,203**	**159,660,138**
Profit for the year (page 12)	**17,778,491**	**-**	**17,778,491**
Other comprehensive income			
Fair value changes of available-for-sale investments	-	140,514	140,514
Other comprehensive income	**-**	**140,514**	**140,514**
Total comprehensive income for the year (page 13)	**17,778,491**	**140,514**	**17,919,005**
Amounts settled to withdrawn members (net) & adjustments	(6,640,223)	-	(6,640,223)
Amounts deducted from profits of members	6,425,402	-	6,425,402
Dividend paid during the year	(17,225,766)	-	(17,225,766)
Technical committee members remunerations for 2017	(325,000)	-	(325,000)
Subtotal	**(17,765,587)**	**-**	**(17,765,587)**
At 31 December	**158,551,839**	**1,261,717**	**159,813,556**

The notes on pages 16 to 34 form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2019

US Dollars

	Note	2019	2018
OPERATING ACTIVITIES			
Profit for the year (page 12)		10,987,762	17,778,491
Adjustments			
Depreciation		214,960	225,606
Impairment of fixed deposits		5,395,120	-
Impairment of investment		124,999	125,000
Impairment of fixed assets		257,819	-
Net interest and investment income		(10,789,882)	(8,724,140)
Changes in the operating assets and liabilities			
Provision for profit commission (net)		(153,442)	(36,869)
Provision for employees' terminal benefits		83,935	92,365
Reserve for unexpired risks		-	(1,500,000)
Reserve for outstanding claims		2,577,223	117,618
Balances due from ceding companies and reinsurers		(2,277,259)	97,194
Prepaid expenses and Other receivables		(193,111)	(370,282)
Balances due to ceding companies and reinsurers		(989,411)	63,267
Other payables		(554,684)	550,076
Technical committee remuneration		(325,000)	(325,000)
Net cash from operating activities		**4,359,029**	**8,093,326**
INVESTING ACTIVITIES			
Purchase of investments		(12,241,283)	(14,954,787)
Proceeds from maturity /sale of investments		4,004,273	2,013,750
Net interest and investment income received		9,653,579	8,552,440
Purchase of property and equipment		(5,804)	-
Decrease in bank balances and term deposits		5,492,387	7,685,852
Net cash from investing activities		**6,903,152**	**3,297,255**
FINANCING ACTIVITIES			
Settlement /(Amounts paid) to withdrawn member companies from Syndicate's General Reserve (net)		1,558	(1,129,748)
Amounts deducted from profit of new members from Syndicate's General Reserve		6,073,150	6,425,402
Dividends paid		(17,453,491)	(17,225,766)
Net cash used in financing activities		**(11,378,783)**	**(11,930,112)**
Net decrease in cash and cash equivalents		**(116,602)**	**(539,531)**
Cash and cash equivalents at the beginning of the year		**749,076**	1,288,607
Cash and cash equivalents at the end of the year	**3**	**632,474**	**749,076**

The notes on pages 16 to 34 form an integral part of these financial statements.

1 ORGANIZATION AND ACTIVITIES

Arab War Risks Insurance Syndicate ("the Syndicate") is an independent entity with limited liability and registered in the Kingdom of Bahrain pursuant to Amiri Decree No. 8 of 1994. The Syndicate was constituted by a number of Arab Insurance and Reinsurance Companies on 1 July 1980. The Syndicate's objective is to protect the interests of the Arab insurance markets in the Arabian Gulf area and other Arab regions, in respect of marine cargo and marine hull war risks insurance, in addition to the other classes of business it writes.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Syndicate Accounting Policies Manual ("SAPM") and for matters that are not covered by SAPM, the Syndicate uses guidance from the relevant International Financial Reporting Standards ("IFRS"). The financial statements have been prepared in accordance with the historical cost basis, except for available-for-sale financial assets that are measured at fair value. The significant accounting policies of the Syndicate are set out below.

a) New Standards, amendments and interpretations that effective on or after 1 January 2019

The following standards, amendments and interpretations, which became effective in 2019 are relevant to the Syndicate:

I. IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including 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.

The adoption of this standard had no significant impact on the financial statements.

II. Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendment clarifies how the asset ceiling cost is incorporated into the gain or loss calculation.
The amendments also clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

Consistent with the calculation of a gain or loss on a plan amendment, a company now uses updated actuarial assumptions to determine the current service cost and net interest for the period. Previously, it would not have updated its calculation of these costs until the year-end. Further, if a defined benefit plan was settled, any asset ceiling would be disregarded when determining the plan assets as part of the calculation of gain or loss on settlement.

The adoption of this amendment had no significant impact on the financial statements.

III. Annual Improvements to IFRSs 2015–2017 Cycle – various standards.

As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued the annual improvements to IFRS Standards 2015-2017 cycle.
The amendments are effective for annual periods beginning on or after 1 January 2019.

The adoption of these amendments any significant impact on the financial statements.

b) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however; the Syndicate has not early applied the following new or amended relevant standards in preparing these financial statements.

I. Amendments to References to Conceptual Framework in IFRS Standards

The main changes to the Framework's principles have implications for how and when assets and liabilities are recognised and derecognised in the financial statements.

Some of the concepts in the revised Framework are entirely new – such as the 'practical ability' approach to liabilities. As they have not been tested as part of any recent standard-setting process, it is unclear what challenges the Board will encounter when using them to develop standards in the future. It is also unclear what challenges preparers of financial statements will face after those future standards become effective.

The amendment applies for annual periods beginning on or after 1 January 2020.

II. Definition of Materiality – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendment applies for annual periods beginning on or after 1 January 2020.

III.IFRS 17 Insurance Contracts

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

The standard applies to annual periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Syndicate intends to adopt the new standard on its mandatory effective date, alongside the adoption of IFRS 9.

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

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

IFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under IFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit. The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) such as the Group's with-profits products, the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions.

IFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be different from existing premium revenue measures, currently reported in the income statement. In order to transition to IFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined. The CSM to be calculated as if the standard had applied retrospectively. However, if this is not practical an entity is required to choose either a simplified retrospective approach or to determine the CSM by reference to the fair value of the liabilities at the transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods.

The optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

IFRS 17 is expected to have a significant impact as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques.

The effect of changes required to the Syndicate's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of IFRS profit recognition.

The Syndicate is still assessing the impact of the application of the standard on its financial statements.

IV. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, however, certain exemptions have been provided for certain qualifying insurers to delay the application of IFRS 9 to the date of adoption of IFRS 17 as per amendments to IFRS 4 published in 2016, 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' to address the temporary consequences of the different effective dates of IFRS 9 and IFRS 17.
These amendments include an optional temporary exemption from applying IFRS 9 and the associated amendments until IFRS 17 comes into effect. This temporary exemption is available to companies whose predominant activity is to issue insurance contracts based on meeting the eligibility criteria as at 31 December 2015 as set out in the amendments.

A. IFRS 9 - Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

B. IFRS 9 - Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at FVOCI, but not equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

c) Early Adoption Standards

The Syndicate did not early-adopt new or amended standards in 2019.

2.2 Foreign currency transactions

a) Functional and presentation currency

Items included in the financial statements of the Syndicate are measured and recorded in US Dollars ('the functional currency'). The financial statements are presented in US Dollars, which also is the Syndicate's presentation currency.

b) Transactions and balances

Monetary assets and liabilities are translated into US dollars at exchange rates ruling at the reporting date. Transactions in foreign currencies during the year are converted at the exchange rates at the dates of the transactions. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss, except for differences arising on the retranslation of available-for-sale investments, which are recognised in other comprehensive income and presented within equity in the fair value reserve.

2.3 Financial instruments

Financial instruments comprise financial assets and financial liabilities which are non derivative by nature. Financial assets comprise cash and cash equivalents, bank balances and term deposits, investments, balances due from ceding companies and reinsurers and certain other receivables. Financial liabilities comprise balances due to ceding companies and reinsurers and certain other payables.

The Syndicate initially recognises financial assets and financial liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Syndicate commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Syndicate becomes a party to the contractual provisions of the instrument.

The Syndicate derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Syndicate neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

2.4 Investments

a) Available-for-sale investments

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These comprise investments in quoted shares and managed funds. Available-for-sale investments are initially recognized at fair value plus transaction costs, and subsequently measured to fair value. Unrealized gains and losses arising from changes in fair values are recognized in other comprehensive income and presented within equity in the fair value reserve until the investment is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is transferred to statement of profit or loss.

The fair values of the quoted available-for-sale investments in an active market are based on current bid prices. The fair values of managed funds are based on prices provided by the funds' managers. Fair values are based on market values for quoted investments. For unquoted investments, these are carried at cost less any impairment provisions.

b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Syndicate has the positive intention and ability to hold to maturity. These include investments in bonds. Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

2.5 Cash and bank balances

Cash and bank balance comprise cash in hand, current accounts with banks and bank deposits with maturities of less than three months. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand, current and call accounts.

2.6 Receivables

Receivables include balances due from reinsurers, dues from ceding companies, prepaid expenses and other receivables, are stated at cost less provision for doubtful accounts.

2.7 Reserve for unexpired risks

A provision for unexpired risks is created for liabilities in respect of business in force at the yearend which is calculated in accordance with the reinsurance protection in place and risks retained for net account.

2.8 Claims

Provision is made for the estimated cost of all outstanding claims in respect of incidents that occurred up to the reporting date, and notified to the Syndicate. Any difference between estimated cost of claims and subsequent settlements are dealt with in the results of the year in which settlement is made. Claims settled in the year are charged to profit or loss, net of reinsurance.

2.9 Provisions

The Syndicate recognises provisions when it has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

2.10 Insurance

The Syndicate issues contract that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Syndicate defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event.

2.11 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities, net of related deferred acquisition costs using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of profit or loss by establishing a provision for losses arising from liability adequacy tests.

2.12 Reinsurance contracts

Reinsurance contracts are contracts entered into by the Syndicate with reinsurers under which the Syndicate is compensated for losses on insurance contracts issued. The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consists of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

2.13 Net premium

Net premium represents the net premium ceded to the Syndicate after excluding all expenses that were due. The same applies to reinsurance premium. Premiums are recognized in the statement of Profit or Loss from the date of attachment of risk over the policy period, net of any reinsurance. The earned proportion of contributions is recognized as revenue based on statements submitted by cedants. The Syndicate does not account for the unexpired portion of such premiums as all risks are considered to expire as at the financial year end.

2.14 Investment income

Investment income comprises income from financial assets. Income from financial assets comprises contractually determined and quantifiable income at the commencement of the transaction and dividend income, and realized gains/losses on financial assets. Income from financial assets, which are both contractually determined and quantifiable at the commencement of the transaction, is accrued on the straight-line basis over the period of the transaction. Income which is not contractually determined or quantifiable, is recognized when reasonably certain of realization or when realized. Gains and losses on disposal of investments are determined on the basis of the difference between net disposal proceeds and the carrying amount of the investment at the date of sale and are recognized at the time of disposal.

2.15 Property and Equipment

Furniture, equipment and vehicles are carried at cost less accumulated depreciation and any impairment provision. Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Assets category	Estimated useful life in years
Furniture & office equipment	4
Computers	4
Motor vehicles	4
Building	25

The residual values and useful lives of assets are reviewed, and adjusted, if appropriate, at the reporting date.

2.16 Employees' benefits

a) Bahraini employees

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature under IAS 19 'Employee Benefits', and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

b) Expatriate employees

Eligible employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 2012, based on length of service and final remuneration. Provision for this unfunded commitment, which is a "defined benefit scheme" in nature under IAS 19, has been made by calculating the notional liability had all employees left at the reporting date.

2.17 Impairment

The carrying amounts of the Syndicate's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognized in the statement of profit or loss. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

2.18 Critical accounting estimates and judgments in applying accounting policies

The Syndicate makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment of financial assets

The Syndicate assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In the case of available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income and presented in the fair value reserve in equity,is transferred to statement of profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in statement of profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Impairment losses on held-to-maturity investments are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses, if any, are recognised in the Statement of Profit or Loss. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit or loss.

b) Estimation of reserve for outstanding claims

The estimation of the ultimate liability arising from claims made under insurance contracts requires judgment. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Syndicate will ultimately pay for such claims. The estimation for claims include an estimation made to meet certain contingencies such as unexpected and unfavourable court judgments which may require a higher payout than originally estimated and settlement of claims, which may take longer than expected, resulting in actual payouts being higher than estimated.

c) Reserve for unexpired risks

The reserve for unexpired risks is created for liabilities estimated on a maximum loss basis in respect of business in force at the year end in accordance with the reinsurance protection in place and risks retained for net account.

3 CASH AND BANK BALANCES

	2019	2018
Cash on hand	2,990	722
Current account balances	491,329	461,121
Call account balances	138,155	287,233
	632,474	**749,076**

4 BANK AND TERM DEPOSITS

	2019	2018
Term deposits due within 12 months	104,641,284	123,597,639
Term deposits due within more than 12 months	16,463,968	3,000,000
	121,105,252	**126,597,639**
Impairment of Fixed Deposits *	(5,167,974)	-
	115,937,278	**126,597,639**

* Bank balances include term deposits with Lebanese banks of USD 34,453,162, where restrictions have been imposed on the transfer of these deposits outside Lebanon by the Bank of Lebanon. The Syndicate's Technical Committee made an assesment of these deposits under the existing circumstances and above provision is made for any future loses that may arise on these deposits.

5 INVESTMENTS

	Available-for-sale	Held-to-maturity	Total 2019	Total 2018
At 1 January	16,800,763	39,414,441	56,215,204	43,258,653
Purchased during the year	-	12,241,283	12,241,283	14,954,787
Matured during the year	-	(4,004,273)	(4,004,273)	(2,013,750)
	16,800,763	**47,651,451**	**64,452,214**	**56,199,690**
Fair value changes	2,496,624	-	2,496,624	140,514
Impairment allowances	(124,999)	-	(124,999)	(125,000)
Sale during the year	-	-	-	-
At 31 December	**19,172,388**	**47,651,451**	**66,823,839**	**56,215,204**

The categories of the above investments are as follows:

2019	Available- for-sale	Held-to-maturity	Total
Interest bearing securities*	-	47,651,451	47,651,451
Quoted equity securities	19,172,387	-	19,172,387
Unquoted equity securities	1	-	1
At 31 December	**19,172,388**	**47,651,451**	**66,823,839**

US Dollars

2018	Available- for-sale	Held-to-maturity	Total
Interest bearing securities	-	39,414,441	39,414,441
Quoted equity securities	16,675,763	-	16,675,763
Unquoted equity securities	125,000	-	125,000
At 31 December	**16,800,763**	**39,414,441**	**56,215,204**

* The fair value of investments in securities as of December 31, 2019 is $ 49,457,854 (2018: $ 38,427,439)
Investments in unquoted equities are carried at cost less impairment in the absence of a reliable measure of fair value.

6 BALANCES DUE FROM CEDING COMPANIES AND REINSURERS

	2019	2018
Balance due from ceding companies	7,135,470	4,931,991
Balance due from re-insurers	73,791	11
	7,209,261	**4,932,002**

7 PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
Premium reserve retained by ceding companies	2,699,579	2,659,334
Accrued interest	4,589,457	3,453,154
Accrued profit commission due from re-insurers	535,024	548,190
Other receivables	740,943	722,529
Due from re-insurers	592,593	444,975
	9,157,596	**7,828,182**
Provision for impairment *	(227,146)	**-**
	8,930,450	**7,828,182**

* Related to the impairment allowance on accrued interest on deposits with lebanese bank , refer to note 4.

8 PROPERTY AND EQUIPMENT

	Furniture & office equipment	Computers	Motor vehicles	Building	2019 Total	2018 Total
Cost						
At 1 January	**206,872**	**159,124**	**237,412**	**2,761,922**	**3,365,330**	3,365,330
Additions	1,969	3,835	-	-	5,804	-
Impairment	-	-	-	(693,722)	(693,722)	-
At 31 December	**208,841**	**162,959**	**237,412**	**2,068,200**	**2,677,412**	**3,365,330**
Accumulated depreciation						
At 1 January	**193,547**	**152,340**	**155,827**	**290,602**	**792,316**	566,710
Charge for the year	8,356	6,200	55,103	145,301	214,960	225,606
Impairment	-	-	-	(435,903)	(435,903)	-
At 31 December	**201,903**	**158,540**	**210,930**	**-**	**571,373**	**792,316**
Net book value						
At 31 December 2019	**6,938**	**4,419**	**26,482**	**2,068,200**	**2,106,039**	**2,573,014**
At 31 December 2018	**13,325**	**6,784**	**81,585**	**2,471,320**	**2,573,014**	**-**

9 TECHNICAL PROVISIONS

Movements in insurance liabilities as follows:

	2019	2018
	(Net)	(Net)
Claims		
At 1 January	21,734,138	23,153,389
Reversal during the year	2,620,747	(1,077,441)
Claims settled during the year (net)	(196,966)	(341,810)
At 31 December	**24,157,919**	**21,734,138**
Reserve for unexpired risks	17,500,000	17,500,000
Reserves for outstanding reported claims	5,552,306	2,975,083
Provision for profit commission (Net)	1,105,613	1,259,055
	24,157,919	**21,734,138**

10 BALANCES DUE TO CEDING COMPANIES AND REINSURERS

	2019	2018
Due within 12 months		
Balances due to ceding companies *	708,662	1,562,061
Balances due to re-insurers	140,197	276,209
	848,859	**1,838,270**

* This balance represents amounts due to member companies, being their share of accumulated profits, return premiums and profit commission.

US Dollars

11 OTHER PAYABLES

	2019	2018
Due within 12 months		
Provisional profit commission due to member companies for the previous year	2,021,943	2,119,240
Adjusted premiums due to reinsurers	1,131,201	582,183
Amounts due to withdrawing members	3,868,663	5,510,475
Sundry payables for members	6,638,072	5,608,707
Accruals and other payables	779,636	1,173,594
	14,439,515	**14,994,199**

12 PROVISION FOR PROFIT COMMISSION (NET)

The provision for profit commission (net) US$ 1,105,613 (2018: US$ 1,259,055) represents the net commission due to and from the Syndicate for the year 2019. The profit commission reserve due to members was calculated at the highest level of what the Syndicate might pay to its members for the financial year with the profit commission due to the Syndicate being calculated on the basis of what it expects to receive from re-insurers in view of actual accounts.

13 PROVISION FOR EMPLOYEES' LEAVING INDEMNITY

	2019	2018
As at the beginning of the year	**514,954**	**422,589**
Charge for the year	83,935	92,365
	598,889	**514,954**

The number of staff employed by the Syndicate at 31 December 2019 was 24 employees, 1 office boy (2018: 25 employees and 1 office boy).Charges for the year include benefits provided to employees working for the Syndicate as per the Syndicate's Human Resource Manual clause 18.

14 NET MOVEMENTS IN THE TECHNICAL RESERVES

Technical reserve and provisions as at 31 December	2019	2018
Reserve for unexpired Risks	(17,500,000)	(17,500,000)
Reserve for Outstanding Claims	(5,552,306)	(2,975,083)
Provision for profit commission (net)	(1,105,613)	(1,259,055)
Sub Total	**(24,157,919)**	**(21,734,138)**
Technical reserves and provisions as at 1 January		
Reserve for unexpired Risks	17,500,000	19,000,000
Reserve for Outstanding Claims	2,975,083	2,857,465
Provision for profit commission (net)	1,259,055	1,295,924
Sub Total	**21,734,138**	**23,153,389**
Net movements in the technical reserves	**(2,423,781)**	**1,419,251**

15 GENERAL AND ADMINISRATIVE EXPENSES

	2019	2018
Staff salaries and related costs	2,594,715	2,911,966
Insurance expenses	117,583	117,363
Depreciation and write - off of fixed assets	214,960	225,606
Other general and administrative expenses	404,229	352,343
	3,331,487	**3,607,278**

16 INTEREST AND INVESTMENT INCOME (Net)

	2019	2018
Interest on time deposits and call accounts (Net)	7,281,706	5,647,002
Dividend income from equity securities	552,753	566,813
Interest on interest bearing securities (Net)	2,387,686	1,997,467
Income from Fund Investment	567,737	512,858
	10,789,882	**8,724,140**

17 OTHER INCOME

	2019	2018
Interests on premium reserve - Cargo and Hull	32,344	34,746
Release of provision (net)	62,047	989,217
	94,391	**1,023,963**

18 APPROPRIATIONS

Article no. 14 of the agreement states that 80% of the profits be distributed to the members and transfer the remaining 20% to the syndicate reserve account.

The distributions will be in accordance with syndicate agreement after appropriating the technical committee's remuneration for the year 2019 or any other appropriations as decided by the general assembly.

19 INSURANCE RISK MANAGEMENT

a) Insurance risks

The risk under any one 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 risk that the Syndicate faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by frequency and severity of claims and subsequent development of long term claims. The Syndicate's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset.

Underwriting and retention guidelines and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at 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.

A further important risk control measure in the field of underwriting is the cession of a portion of the risks to third parties via reinsurance. The majority of reinsurance business ceded by the Syndicate is placed on a non-proportional basis with retention limits varying by lines of business. This is diversified so that the Syndicate is not dependent on a single reinsurer or a reinsurance contract. Reinsurance does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. 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.

b) Terms and conditions of insurance contracts

An overview of the terms and conditions of various contracts written by the Syndicate, and the key factors upon which the timing and uncertainty of future cash flows of these contracts depends on, and are detailed in the table below.

Type of contract	Terms and conditions	Key factors affecting future cash flows
Main cover (Hull, cargo & aviation) aggregate	This insurance covers loss of or damage to the subject matter insured caused by war, civil war, revolution, rebellion, insurrection or civil strife etc. The carrying conveyance (Ships or Aircrafts) can be also covered against the same risks.	The member shall be entitled to recover for insured loss occurring during the period covered by this insurance, not withstanding that the loss occurred before the contract of insurance was concluded unless the Assured was aware of the loss and the Insurers were not. When loss or damage is imminent or has occurred, the Assured shall immediately notify the Syndicate.
Passive war (each person)	This insurance covers death or disablement directly arising out of war, invasion, acts of foreign enemies, hostilities or war like operations whether declared or not, civil war, rebellion, revolution, insurrection, military or usurped power or martial law.	The amount of any compensation payable under this insurance in respect of the consequences of the accident shall be the amount which is reasonably considered would have been payable if such consequences had not been so aggravated.
Sabotage and Terrorism (each claim & aggregate)	This insurance insures buildings and contents against physical loss or physical damage by an act of Terrorism, as herein defined, occurring during the period of the Policy.	The assured upon occurrence of the event likely to give rise to a claim shall notify the Syndicate.
War & SRCC on Land	This insurance covers all types of cargoes carried by trucks or trains against war, strikes and civil commotion risks. The carrying conveyance (Trucks) can be also covered against the same risks.	As risks are accepted on pure facultative basis, claims if any, shall be controlled fully by the Syndicate from the date of reporting until final settlement.

c) Concentration of insurance risk

The Syndicate does not have any insurance contracts covering risks for single incidents that expose the Syndicate to multiple insurance risks. The Syndicate has adequately reinsured for insurance risks that may involve significant litigation. The sectoral concentration of insurance risk by line of business and net maximum insured loss is as follows:

Type of Insurance	2019	2018
Sabotage & terrorism / PV XL – aggregate	5,000,000	5,000,000
Main cover (hull, cargo & aviation) aggregate	1,750,000	1,750,000
War on land – aggregate	250,000	250,000
War on land & PV - specific	9,750,000	9,750,000
Passive war (each event)	750,000	750,000
Total	**17,500,000**	**17,500,000**

20 FINANCIAL RISK MANAGEMENT

Overview

The Syndicate has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

20.1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Syndicate is exposed to credit risk as a part of its operations are:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from ceding companies
- recoverability of balances held with banks

The Syndicate structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved by the Technical Committee. Cash is placed with national and multinational banks with good credit ratings. Receivables are carried net of impairment allowances.

(i) Overall exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
Balances due from ceding companies and reinsurers	7,209,261	4,932,002
Term deposits	115,937,278	126,597,639
Investments	66,823,839	56,215,204
Other receivables	8,930,450	7,828,182
Cash and bank balances	629,484	748,354
Total	**199,530,312**	**196,321,381**

(ii) Assets that are past due

The Syndicate has re-insurance and other receivables that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). The Syndicate believes that impairment of these receivables is not appropriate on the basis of stage of collection of amounts owed to the Syndicate. An age analysis of the carrying amounts of these re-insurance and other receivables is presented below.

Financial assets	Less than 365 days	More than 365 days	Total
31 December 2019 Balances due from ceding companies and reinsurers	5,081,891	2,127,370	**7,209,261**
31 December 2018 Balances due from ceding companies and reinsurers	3,625,612	1,306,390	**4,932,002**

20.2 Market risk

Market risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices on account of factors specific to the individual security or to its issuer or factors affecting the securities market. The Syndicate is exposed to market risk with respect to its investments in securities. The Syndicate limits market risk by maintaining a well-diversified portfolio and by continuous monitoring of relevant developments in international securities markets. In addition, the Syndicate actively monitors the key factors that are likely to affect the prices of securities, including operational and financial performance of investees.

(i) Sensitivity analysis to market risks

The table below shows the results of sensitivity testing on the Syndicate's statement of Profit or Loss and equity by type of business. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Syndicate's financial assets and liabilities and its insurance assets and liabilities.

Equity price risk	Statement of Profit or Loss	Equity
31 December 2019		
10 percent increases in equity prices	-	1,917,239
10 percent decrease in equity prices	-	(1,917,239)
31 December 2018		
10 percent increases in equity prices	-	1,667,576
10 percent decrease in equity prices	-	(1,667,576)

(ii) Currency rate risk

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The currency rate risk is not considered significant for balances due from ceding companies denominated in other currencies. The Syndicate has bank balances and term deposits in United States dollars, Euro and other currencies as follows:

	Foreign Currency		US$	
	2019	2018	2019	2018
US Dollars	155,377,451	160,365,484	155,377,451	160,365,484
Bahraini Dinar	6,011,703	4,500,692	15,985,119	11,937,542
Kuwaiti Dinar	527,423	513,275	1,739,190	1,691,538
Qatari Rial	-	-	-	-
EURO	14,824	14,824	16,643	16,982
Sudanese Pound	14,429,905	7,159,173	319,785	150,252
Omani Rial	546,258	523,373	1,420,698	1,361,179
Jordanian Dinar	6,027,405	5,699,610	8,501,276	8,038,942
Lebanese Pound	50,394,375	-	33,429	-
Total			**183,393,591**	**183,561,919**

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Syndicate's term deposits bear fixed rates of interest and mature normally within a short period. Thus repricing only occurs when the funds are being reinvested on maturity. The Syndicate's investment in bonds bear fixed rates of interest and mature after more than one year.

20.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities . Liquidity risks may arise from inability to sell financial assets as soon as possible for a price equal to its fair value. Liquidity risk is managed by rigorous monitoring on a regular basis to ensure that sufficient funds are available to meet any future commitments. The Syndicate has sufficient liquidity and therefore does not resort to borrowings in the normal course of business.

An analysis of the contractual maturities of the Syndicate's financial liabilities is presented below.

	Estimated undiscounted cash flows		
31 December 2019	**Carrying amount**	**Total cash outflows**	**Under 1 year**
Balances due to ceding companies	708,662	708,662	708,662
Balances due to re-insurers	140,197	140,197	140,197
Outstanding claims	5,552,306	5,552,306	5,552,306
	6,401,165	**6,401,165**	**6,401,165**
31 December 2018			
Balances due to ceding companies	1,562,061	1,562,061	1,562,061
Balances due to re-insurers	276,209	276,209	276,209
Outstanding claims	2,975,083	2,975,083	2,975,083
	4,813,353	**4,813,353**	**4,813,353**

20.4 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	19,172,387	-	1	19,172,388
Total	19,172,387	**-**	**1**	19,172,388

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	16,675,763	-	125,000	16,800,763
Total	**16,675,763**	**-**	**125,000**	**16,800,763**

20.5 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. As the Syndicate's financial instruments are compiled under the historical cost method, except for available-for-sale investments which are stated at their fair values, differences can arise between the book amounts and the fair value estimates. Fair values of the Syndicate's assets and liabilities are not materially different from their carrying amounts.

20.6 Classification of financial instruments

2019	Available-for-sale	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying value	Total fair value
Assets						
Cash and cash equivalents	-	-	632,474	-	632,474	632,474
Bank balances and term deposits	-	-	115,937,278	-	115,937,278	115,937,278
Investments *	19,172,387	47,651,451	-	-	66,823,838	66,823,838
Balances due from ceding companies and reinsurers	-	-	7,209,261	-	7,209,261	7,209,261
Other receivables	-	-	8,840,709	-	8,840,709	8,840,709
Total financial assets	**19,172,387**	**47,651,451**	**132,619,722**	**-**	**199,443,560**	**199,443,560**
Liabilities						
Balances due to ceding companies and reinsurers	-	-	-	848,859	848,859	848,859
Other payables	-	-	-	14,439,516	14,439,516	14,439,516
Total financial liabilities	**-**	**-**	**-**	**15,288,375**	**15,288,375**	**15,288,375**

**Excluding share of Arab Insurance Institute, Damascus, Syria for US$ 1 (2018: US$ 125,000).*

2018	Available-for-sale	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying value	Total fair value
Assets						
Cash and cash equivalents	-	-	749,076	-	749,076	749,076
Bank balances and term deposits	-	-	126,597,639	-	126,597,639	126,597,639
Investments *	16,675,763	39,414,441	-	-	56,090,204	56,090,204
Balances due from ceding companies and reinsurers	-	-	4,932,002	-	4,932,002	4,932,002
Other receivables	-	-	7,736,925	-	7,736,925	7,736,925
Total financial assets	**16,675,763**	**39,414,441**	**140,015,642**	**-**	**196,105,846**	**196,105,846**
Liabilities						
Balances due to ceding companies and reinsurers	-	-	-	1,838,270	1,838,270	1,838,270
Other payables	-	-	-	14,994,199	14,994,199	14,994,199
Total financial liabilities	**-**	**-**	**-**	**16,832,469**	**16,832,469**	**16,832,469**

**Excluding share of Arab Insurance Institute, Damascus, Syria for US$ 125,000 (2017: US$ 250,000).*

21 MATURITY PROFILE OF INVESTMENTS

Held to maturity	Less than 1 year	1-5 years	More than 5 years	Total
2019	4,054,600	24,114,500	19,482,351	**47,651,451**
2018	1,013,000	22,581,397	15,820,044	**39,414,441**

22 RELATED PARTY TRANSACTIONS

a) Transactions with related parties

The Syndicate provides marine cargo and marine hull war risks insurance services to its members.

b) Transactions with key management personnel

Key management personnel of the Syndicate comprise the Technical Committee and key members of management having authority and responsibility for planning, directing and controlling the activities of the Syndicate. Remuneration paid to the previous Technical Committee of the Syndicate for the year 2018 amounts to US$ 325,000 in the year 2019 (2017: US$ 325,000 paid in 2018). Salaries and benefits paid to key management personnel amounts to US$727,466 (2018: US$653,953). End of service benefits payable to key management personnel amounts to US$ 131,742 (2018: US$ 93,220).

23 CAPITAL MANAGEMENT

The Syndicate Reserve serves as the capital of the Syndicate. The Technical Committee's policy is to maintain a Syndicate reserve so as to maintain members and market confidence, and to sustain future development of the Syndicate. The Syndicate's objectives for managing its Syndicate Reserve are to safeguard the entity's ability to continue as a going concern, and to provide an adequate return to members by pricing services commensurately with the level of risk. There were no significant changes in the Syndicate's approach to capital management during the year. The Syndicate is not subject to externally imposed capital requirements.

24 SUBSEQUENT EVENTS

Subsequent to the year end, the outbreak of the Coronavirus (COVID-19) has rapidly evolved across the region and globally. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of many entities, including the Syndicate. Also anticipated indirect and knock on effects are yet to be determined fully. To counter these impacts, many governments announced various form of financial packages to assist corporates and individuals in these challenging times. As the outbreak continues to evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact.

The market value of available for sale investments decreased from US$ 19,172,388 as of December 31, 2019 to US$ 16,683,052 on March 31, 2020.

The Technical committee continues to monitor the situation and its impact on the Syndicate's operations and financial position. As at the reporting date, the committee and management have assessed that the Syndicate will continue its operation activities to its members as normal in the near future.