Annual Report 2020

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

Ashraf Bseisu	- Chairman	Sultan AlKhomashi	- Member
Imad Abdel Khaleq	- Deputy Chairman	Bassam Hussein	- 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 & Risk		Investment	
Tareq Al-Sahhaf	- Chairman	Bassam Chilmeran	- Chairman
Sherif El Ghamrawi	- Member	Fateh Bekdache	- Member
Imad Abdel Khaleq	- Member	Tareq Al-Sahhaf	- Member
Bassam Hussein	- Member	Sultan AlKhomashi	- Member
		Nabil Kotran	- Ex-Officio

Nomination , Remunerations & Governance		Reinsurance	
Bassam Hussein	- Chairman	Imad Abdel Khaleq	- Chairman
Lamia Ben Mahmoud	- Member	Lamia Ben Mahmoud	- Member
Fateh Bekdache	- Member	Bassam Chilmeran	- Member
Sultan AlKhomashi	- Member	Sherif El Ghamrawi	- Member
		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

* The Former Chairman of the Technical Committee retired on 13 May 2020, and therefore the Deputy Chairman assumed the duties as the acting Chairman from that date. Due to the spread of the coronavirus pandemic, the majority of the member companies agreed to postpone the date for the election of Syndicate's Technical Committee members , and thus the previous Technical Committee was authorized to conduct the Syndicate 's business until 27 August 2020, which is the date of electing the current Technical Committee members and when they received their duties for the 2020-2023 cycle.

Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2020

US Dollars

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

We are pleased to present the 41st annual report of the Technical Committee of the Syndicate for the financial year ended December 31, 2020, which highlights the achievements made during 2020, 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 despite the continuing economic slowdown in the Arab region, as well as the repercussions of the spread of the Coronavirus (Covid 19) epidemic in the world.

2. On the investment side, the new Technical Committee conducted a comprehensive study on the Syndicate's investments and the related investment policy. It has introduced amendments and updates on this policy to keep pace with the developments of local and international markets and to reflect the Syndicate conservative investment policy. A comprehensive review was made on the Syndicate's funds frozen in the Lebanese market and a legal body has been appointed to represent the Syndicate and follow-up the legal matters. A lot of efforts have been made through visits to all the banks that the Syndicate deals with as well as addressing Lebanon's Central Bank for the purpose of explaining the nature of the Syndicate's business and investments. Possible options have been studied to invest that funds into alternative investments for the purpose of preserving the funds of Syndicates' members till the Lebanese economic situation is resolved and receiving the funds.

3. 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 six meetings ,Audit & Risk Committee held two meetings, while the Nomination , Remunerations and Governance Committee and the Reinsurance Committee held One meeting each.

4. Seeking to strengthen the managerial staff, the Technical Committee studied the Syndicate's organizational structure and conducted a comprehensive restructuring to ensure the strengthening of all departments by attracting new specialized competent professionals which will contribute in improving the Syndicate business in the foreseeable future.

5. The number of Member companies in the Syndicate reached 190 at the end of 2020 compared with 190 in 2019, an increase of 3 members and the withdrawal of 3 members.

6. 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.

7. The Technical Committee is continuously monitoring the current situation of the spread of the new coronavirus, and its economic impacts on the syndicate's operations. There are clear directives for the Executive Management to continue its services to member companies in a regular manner, with emphasis on the need to take all necessary precautions to maintain the safety and health of the Syndicate's staff, as part of the set Business Continuity Plan.

ARAB WAR RISKS INSURANCE SYNDICATE

Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2020

US Dollars

Insurance activity

Net premiums

The net premium of the Syndicate for 2020 stands at US$ 16,700,033 compared to US$ 15,985,631 for 2019, an increase of US$ 714,402 (4.47 %).

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

Line of business	2020	2019	Change (%)
Aviation	275,810	177,253	55.6
Cargo	10,802,557	10,666,464	1.28
Hull	1,760,442	1,106,977	59.03
Sabotage and Terrorism	2,457,701	3,109,592	-20.96
War on Land	1,075,357	754,829	42.46
Passive War	328,166	170,516	92.46
Total	**16,700,033**	**15,985,631**	**4.47**

Paid and outstanding claims

The net settled claims amount during 2020 was US$ 296,513 compared to US$ 196,966 in 2019.

The net outstanding claims amount under settlement stands at US$ 5,084,655 in 2020 compared to US$ 5,552,306 in 2019.

Profit commissions

The estimated profit commissions owed to Member companies in respect of the year 2019 and as shown in the 2020 balance sheet is US$ 2,042,623 whereas the profit commission of US$ 532,324 is due from reinsurers.

Year-end reserves

The unexpired risk reserve was calculated as at 31/12/2020 in accordance with the Syndicate's technical rules and practices. This reserve amounted to US$ 17.5 million in 2020 compared with same amount in 2019.

Investment activity:

In the year 2020, the Syndicate achieved investment return of US$ 7,974,874 compared to US$ 10,789,882 last year. A decrease of US$ 2,815,008 (26.09 %).

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 31/12/2020 amounted to a total of US$ 180,017,189 compared to US$ 183,393,591 for the same period last year with a decrease of US$ 3,376,402 (1.84 %) 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	2020	2019
Fixed deposits	97,436,237	115,937,278
Call accounts balances	5,624,958	138,155
Bahraini banks and companies Shares	8,924,607	10,316,514
Bonds	53,968,967	47,651,451
Current accounts balances	5,282,345	491,329
Cash on hand	10,051	2,990
Investment in Arab Insurance Institute	1	1
SICO Fund – Investment portfolio	8,770,023	8,855,873
Total	**180,017,189**	**183,393,591**

Distribution of Investment Return (in US dollars)

Investment type	2020	2019
Net interest on fixed deposits	4,028,873	7,281,706
Net income from bonds	2,978,120	2,387,686
Net Dividends of Bahraini banks and companies	504,702	552,753
SICO Fund – Investment portfolio	463,179	567,737
Total	**7,974,874**	**10,789,882**

General and Administrative expenses

The general and administrative expenses for the year 2020 amounted to a total of US$ 2,916,992 compared to US$ 3,331,487 in 2019, a decrease of US$ 414,495 (12.44 %).

ARAB WAR RISKS INSURANCE SYNDICATE

Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2020

US Dollars

The Syndicate's Result for the year

The insurance and investment activities of the Syndicate for the year 2020 generated a surplus amount of US$ 4,345,368 compared to US$ 10,987,762 in 2019, after loading the profit and loss account with the standard usual expenses, a decrease of US$ 6,642,394 ,due to taking provison of a decrease in fixed deposits and current accounts.

Following the ratification of the General Assembly of the Syndicate of the final accounts for the year 2020 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$ 157,316,533 by the end of 2020 compared to the amount of US$ 157,835,818 at the end of 2019 , a decrease of US$ 519,285 (0.33 %) .

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 Member 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

ARAB WAR RISKS INSURANCE SYNDICATE

Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2020

US Dollars

Shares as at 31.12.2020

	Amount (US$)
Investment in Arab Insurance Institute	**1**
Nos. 50,000 shares amounted US$ 10 for each share (An impairment of US$ 499,999 has been taken)	
Bahraini Banks & Companies Shares (BHD 3,357,445.670)	**8,924,607**
SICO Fund – Investment Portfolio	**8,770,023**
TOTAL	**17,694,631**

Fixed Deposits & Investments Comparison for the Years 2020 & 2019

Fixed Deposits & Investments as at 31.12.2020

Investment Type	Carrying Value US$	Amount Invested %	Amount of Return US$	Return Rate %
Fixed deposits	115,713,985	58.32	4,013,514	3.47
Call account balances	5,624,958	2.83	15,359	0.27
Sub Total	**121,338,943**	**61.15**	4,028,873	**3.32**
Bonds	53,968,967	27.20	2,978,120	5.52
Bahraini banks & companies shares	8,924,607	4.50	504,702	5.66
Current account balances	5,415,865	2.73	-	-
Cash on hand	10,051	0.01	-	-
Investment in Arab Insurance Institute - Damascus	1	-	-	-
SICO Fund - Investment Portfolio	8,770,023	4.41	463,179	5.28
Sub Total	**198,428,457**	**100.00**	**7,974,874**	**4.02**
Impairment of fixed deposits	(18,277,748)	-	(12,890,583)	-
Impairment of investment	-	-	-	-
Impairment of Current accounts	(133,520)	-	(133,520)	-
Total	**180,017,189**	**100.00**	**(5,049,229)**	**(2.80)**

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	7,283,022	6.01
Call account balances	138,155	0.07	(1,316)	0.95
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**

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 2020, 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 2020 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Reserve in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 3 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 for 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 for 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 Fakhro
Partner registration No. 83
31 March 2021

KPMG

Financial Statements 2020

ARAB WAR RISKS INSURANCE SYNDICATE

Statement of Financial Position
as at 31 December 2020

US Dollars

	Note	2020	2019
ASSETS			
Cash and bank balances	3	10,917,354	632,474
Bank and term deposits	4	97,436,237	115,937,278
Investments	5	71,663,598	66,823,839
Balances due from ceding companies and reinsurers	6	6,646,532	7,209,261
Prepayments and other receivables	7	6,563,568	8,930,450
Property and equipment	8	1,723,097	2,106,039
Total assets		**194,950,386**	**201,639,341**
MEMBERS' EQUITY, TECHNICAL RESERVES AND LIABILITIES			
Members' equity (page 14)			
Syndicate's General Reserve		157,316,533	157,835,818
Available-for-sale investments fair value reserve		2,280,584	3,758,341
Total members' equity		**159,597,117**	**161,594,159**
Technical reserves			
Reserve for unexpired risks	9	17,500,000	17,500,000
Reserve for outstanding claims	9	5,084,655	5,552,306
Total technical reserves		**22,584,655**	**23,052,306**
Liabilities			
Balances due to ceding companies and reinsurers	10	3,463,554	848,859
Other payables	11	7,548,557	14,439,515
Provision for profit commission (net)	12	1,113,026	1,105,613
Provision for employees' leaving indemnity	13	643,477	598,889
Total technical reserves and liabilities		**35,353,269**	**40,045,182**
Total members' equity, technical reserves and liabilities		**194,950,386**	**201,639,341**

The financial statements were approved by the Technical Committee on 31 March 2021 and signed on its behalf by:

Ashraf Bseisu
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 2020

US Dollars

	Note	2020	2019
Net premiums ceded to Syndicate		16,700,033	15,985,631
Less Net reinsured premiums		(3,623,814)	(3,237,830)
Net premiums retained by the Syndicate		13,076,219	12,747,801
Commission income		1,056,757	1,107,803
Underwriting revenue		**14,132,976**	**13,855,604**
Claims incurred, net		(296,513)	(196,966)
Net movements in the technical reserves	14	460,238	(2,423,781)
Commission expense		(2,042,623)	(2,021,943)
Net underwriting surplus		**12,254,078**	**9,212,914**
General and administrative expenses	15	(2,916,992)	(3,331,487)
Interest and investment income	16	7,974,874	10,789,882
Impairment of fixed deposits	4 , 7	(12,890,583)	(5,395,120)
Impairment of current accounts	3	(133,520)	-
Impairment of investment	5	-	(124,999)
Impairment of fixed assets	8	(257,819)	(257,819)
Other income	17	315,330	94,391
Profit for the year		**4,345,368**	**10,987,762**

The financial statements were approved by the Technical Committee on 31 March 2021 and signed on its behalf by:

Ashraf Bseisu
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 comprehensive income
for the year ended 31 December 2020

US Dollars

	2020	2019
Profit for the year (page 12)	**4,345,368**	**10,987,762**
Other comprehensive income		
Fair value changes of available-for-sale investments	(1,477,757)	2,496,624
Other comprehensive income for the year	**(1,477,757)**	**2,496,624**
Total comprehensive income for the year	**2,867,611**	**13,484,386**

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

ARAB WAR RISKS INSURANCE SYNDICATE

Statement of changes in members' equity
for the year ended 31 December 2020

US Dollars

2020	General Syndicate's Reserve	Available-for-sale investments fair value reserve	Total members equity
At 1 January	**157,835,818**	**3,758,341**	**161,594,159**
Profit for the year (page 12)	**4,345,368**	**-**	**4,345,368**
Other comprehensive income			
Fair value changes of available-for-sale investments	-	(1,477,757)	(1,477,757)
Other comprehensive income	**-**	**(1,477,757)**	(1,477,757)
Total comprehensive income for the year (page 13)	**4,345,368**	**(1,477,757)**	**2,867,611**
Amounts settled to withdrawn members (net) & adjustments	2,805,030	-	2,805,030
Amounts deducted from profits of members	3,318,079	-	3,318,079
Dividend paid during the year	(10,768,007)	-	(10,768,007)
Technical committee members remunerations for 2019	(219,755)	-	(219,755)
Subtotal	**(4,864,653)**	**-**	**(4,864,653)**
At 31 December	**157,316,533**	**2,280,584**	**159,597,117**

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**

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

ARAB WAR RISKS INSURANCE SYNDICATE

Statement of cash flows
for the year ended 31 December 2020

US Dollars

	Note	2020	2019
OPERATING ACTIVITIES			
Profit for the year (page 12)		**4,345,368**	10,987,762
Adjustments			
Depreciation		160,588	214,960
Impairment of fixed deposits		12,890,583	5,395,120
Impairment of current accounts		133,520	-
Impairment of investment		-	124,999
Impairment of fixed assets		257,819	257,819
Net interest and investment income		(7,974,874)	(10,789,882)
Changes in the operating assets and liabilities			
Provision for profit commission (net)		7,413	(153,442)
Provision for employees' terminal benefits		44,588	83,935
Reserve for outstanding claims		(467,651)	2,577,223
Balances due from ceding companies and reinsurers		562,729	(2,277,259)
Prepaid expenses and Other receivables		51,690	(193,111)
Balances due to ceding companies and reinsurers		2,614,695	(989,411)
Other payables		(6,890,958)	(554,684)
Technical committee remuneration		(219,755)	(325,000)
Net cash from operating activities		**5,515,755**	**4,359,029**
INVESTING ACTIVITIES			
Purchase of investments		(10,372,116)	(12,241,283)
Proceeds from maturity /sale of investments		4,054,600	4,004,273
Net interest and investment income received		10,282,111	9,653,579
Purchase of property and equipment		(35,465)	(5,804)
Decrease in bank balances and term deposits		5,618,413	5,492,387
Net cash from investing activities		**9,547,543**	**6,903,152**
FINANCING ACTIVITIES			
Settlement /(Amounts paid) to withdrawn member companies from Syndicate's General Reserve (net)		2,805,030	1,558
Amounts deducted from profit of new members from Syndicate's General Reserve		3,318,079	6,073,150
Dividends paid		(10,768,007)	(17,453,491)
Net cash used in financing activities		**(4,644,898)**	**(11,378,783)**
Net decrease in cash and cash equivalents		**10,418,400**	**(116,602)**
Cash and cash equivalents at the beginning of the year		**632,474**	**749,076**
Cash and cash equivalents at the end of the year *	3	**11,050,874**	**632,474**

*** Excluding provision of BD 133,520 (2019: nil)**

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 2020

The following standards, amendments and interpretations, which became effective in 2020 are relevant to the Syndicate:

i) Amendments to References to Conceptual Framework in IFRS Standards:

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

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

ii) Definition of Material (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.

The adoption of this amendment had no 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 2020 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) Annual Improvements to IFRS Standards 2018-2020

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018–2020.The following are the key amendments in brief:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent, then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by reducing undue costs and avoiding the need to maintain parallel sets of accounting records.

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

ii) 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 2023. 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 recognized 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 recognized 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 remains on track to start providing IFRS 17 financial statements in line with the requirements for interim reporting at its effective date from 1 January 2023.

iii) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing 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 and extended in 2020, '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.

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortized 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.

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 amortized cost, contract assets and debt instruments at FVOCI, but not equity instruments. Under IFRS 9, credit losses are recognized 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.

iv) Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further , 'a right to defer' exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments – e.g. convertible debt.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The Syndicate does not expect to have a significant impact on the financial statements.

c) Early Adoption Standards

The Syndicate did not early-adopt new or amended standards in 2020.

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

	2020	2019
Cash on hand	10,051	2,990
Current account balances	5,415,865	491,329
Call account balances	5,624,958	138,155
	11,050,874	**632,474**
Impairment of current accounts*	**(133,520)**	**-**
	10,917,354	**632,474**

* Including current accounts in lebanese banks in amount of US$ 267,040

4 BANK AND TERM DEPOSITS

	2020	2019
Term deposits due within 12 months	113,488,332	104,641,284
Term deposits due within more than 12 months	2,225,653	16,463,968
	115,713,985	**121,105,252**
Impairment of Fixed Deposits *	(18,277,748)	(5,167,974)
	97,436,237	**115,937,278**

* Bank balances include term deposits with Lebanese banks of USD 36,555,495 (2019: 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 losses that may arise on these deposits.

5 INVESTMENTS

	Available-for-sale	Held-to-maturity	Total 2020	Total 2019
At 1 January	19,172,388	47,651,451	66,823,839	56,215,204
Purchased during the year	-	10,372,116	10,372,116	12,241,283
Matured during the year	-	(4,054,600)	(4,054,600)	(4,004,273)
	19,172,388	**53,968,967**	**73,141,355**	**64,452,214**
Fair value changes	(1,477,757)	-	(1,477,757)	2,496,624
Impairment allowances	-	-	-	(124,999)
Sale during the year	-	-	-	-
At 31 December	**17,694,631**	**53,968,967**	**71,663,598**	**66,823,839**

The categories of the above investments are as follows:

2020	Available- for-sale	Held-to-maturity	Total
Interest bearing securities*	-	53,968,967	53,968,967
Quoted equity securities	17,694,630	-	17,694,630
Unquoted equity securities	1	-	1
At 31 December	**17,694,631**	**53,968,967**	**71,663,598**

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**

* The fair value of investments in securities as of December 31, 2020 is US$$ 55,627,450 (2019: US$ 49,457,854)
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

	2020	2019
Balance due from ceding companies	6,243,505	7,135,470
Balance due from re-insurers	403,027	73,791
	6,646,532	**7,209,261**

7 PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
Premium reserve retained by ceding companies	2,533,367	2,699,579
Accrued interest	2,282,220	4,589,457
Adjusted premiums due from reinsurers	136,070	-
Accrued profit commission due from re-insurers	544,838	535,024
Other receivables	768,805	740,943
Due from re-insurers	306,223	592,593
	6,571,523	9,157,596
Provision for impairment *	(7,955)	(227,146)
	6,563,568	8,930,450

* 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	2020 Total	2019 Total
Cost						
At 1 January	208,841	162,959	237,412	2,068,200	2,677,412	3,365,330
Additions	-	35,465	-	-	35,465	5,804
Disposals	-	(5,442)	-	-	(5,442)	-
Impairment	-	-	-	(387,371)	(387,371)	(693,722)
At 31 December	208,841	192,982	237,412	1,680,829	2,320,064	2,677,412
Accumulated depreciation						
At 1 January	201,903	158,540	210,930	-	571,373	792,316
Charge for the year	5,814	5,496	19,726	129,552	160,588	214,960
Disposals / Write-off	-	(5,442)	-	-	(5,442)	-
Impairment	-	-	-	(129,552)	(129,552)	(435,903)
At 31 December	207,717	158,594	230,656	-	596,967	571,373
Net book value						
At 31 December 2020	1,124	34,388	6,756	1,680,829	1,723,097	2,106,039
At 31 December 2019	6,938	4,419	26,482	2,068,200	2,106,039	-

9 TECHNICAL PROVISIONS

Movements in insurance liabilities as follows:

	2020 (Net)	2019 (Net)
Claims		
At 1 January	24,157,919	21,734,138
Reversal during the year	(163,725)	2,620,747
Claims settled during the year (net)	(296,513)	(196,966)
At 31 December	23,697,681	24,157,919
Reserve for unexpired risks	17,500,000	17,500,000
Reserves for outstanding reported claims	5,084,655	5,552,306
Provision for profit commission (Net)	1,113,026	1,105,613
	23,697,681	24,157,919

10 BALANCES DUE TO CEDING COMPANIES AND REINSURERS

	2020	2019
Due within 12 months		
Balances due to ceding companies *	2,883,461	708,662
Balances due to re-insurers	580,093	140,197
	3,463,554	848,859

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

11 OTHER PAYABLES

	2020	2019
Due within 12 months		
Provisional profit commission due to member companies for the previous year	2,042,623	2,021,943
Adjusted premiums due to reinsurers	971,854	1,131,201
Amounts due to withdrawing members	1,170,566	3,868,663
Sundry payables for members	2,948,290	6,638,072
Accruals and other payables	415,224	779,636
	7,548,557	**14,439,515**

12 PROVISION FOR PROFIT COMMISSION (NET)

The provision for profit commission (net) US$1,113,026 (2019: US$ 1,105,613) represents the net commission due to and from the Syndicate for the year 2020. 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

	2020	2019
As at the beginning of the year	598,889	**514,954**
Charge for the year	60,925	83,935
Adjustments	(16,337)	
	643,477	**598,889**

The number of staff employed by the Syndicate at 31 December 2020 was 24 employees (2019: 25 employees). 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	2020	2019
Reserve for unexpired Risks	(17,500,000)	(17,500,000)
Reserve for Outstanding Claims	(5,084,655)	(5,552,306)
Provision for profit commission (net)	(1,113,026)	(1,105,613)
Sub Total	**(23,697,681)**	**(24,157,919)**
Technical reserves and provisions as at 1 January		
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**
Net movements in the technical reserves	**460,238**	**(2,423,781)**

15 GENERAL AND ADMINISRATIVE EXPENSES

	2020	2019
Staff salaries and related costs	2,324,852	2,597,863
Insurance expenses	111,459	117,583
Depreciation and write - off of fixed assets	160,588	214,960
Other general and administrative expenses	320,093	401,081
	2,916,992	**3,331,487**

16 INTEREST AND INVESTMENT INCOME (Net)

	2020	2019
Interest on time deposits and call accounts (Net)	4,028,873	7,281,706
Dividend income from equity securities	504,702	552,753
Interest on interest bearing securities (Net)	2,978,120	2,387,686
Income from Fund Investment	463,179	567,737
	7,974,874	**10,789,882**

17 OTHER INCOME

	2020	2019
Interests on premium reserve - Cargo and Hull	32,822	32,364
Goverment Covid-19 Supports	220,048	-
Release of provision (net)	62,460	62,027
	315,330	**94,391**

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 2020 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	2020	2019
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:

	2020	2019
Balances due from ceding companies and reinsurers	6,646,532	7,209,261
Term deposits	97,436,237	115,937,278
Investments	71,663,598	66,823,839
Other receivables	6,563,568	8,930,450
Cash and bank balances	10,907,303	629,484
Total	**193,217,238**	**199,530,312**

(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 2020			
Balances due from ceding companies and reinsurers	4,022,680	2,623,852	**6,646,532**
31 December 2019			
Balances due from ceding companies and reinsurers	5,081,891	2,127,370	**7,209,261**

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 2020		
10 percent increases in equity prices	-	1,769,463
10 percent decrease in equity prices	-	(1,769,463)
31 December 2019		
10 percent increases in equity prices	-	1,917,239
10 percent decrease in equity prices	-	(1,917,239)

(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$	
	2020	2019	2020	2019
US Dollars	154,575,069	155,377,451	154,575,069	155,377,451
Bahraini Dinar	5,321,398	6,011,703	14,149,597	15,985,119
Kuwaiti Dinar	544,829	527,423	1,790,696	1,739,190
EURO	59,488	14,824	72,742	16,643
Sudanese Pound	21,058,878	14,429,905	381,166	319,785
Omani Rial	-	546,258	-	1,420,698
Jordanian Dinar	6,321,306	6,027,405	8,915,805	8,501,276
Lebanese Pound	199,161,839	50,394,375	132,114	33,429
Total			**180,017,189**	**183,393,591**

(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 2020	**Carrying amount**	**Total cash outflows**	**Under 1 year**
Balances due to ceding companies	2,883,461	2,883,461	2,883,461
Balances due to re-insurers	580,093	580,093	580,093
Outstanding claims	5,084,655	5,084,655	5,084,655
	8,548,209	**8,548,209**	**8,548,209**
31 December 2019			
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**

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 2020	Level 1	Level 2	Level 3	Total
Available-for-sale investments	17,694,630	-	1	17,694,631
Total	17,694,630	-	1	17,694,631

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

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

2020	Available-for-sale	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying value	Total fair value
Assets						
Cash and cash equivalents	-	-	10,917,354	-	10,917,354	10,917,354
Bank balances and term deposits	-	-	97,436,237	-	97,436,237	97,436,237
Investments *	17,694,630	53,968,967	-	-	71,663,597	71,663,597
Balances due from ceding companies and reinsurers	-	-	6,646,532	-	6,646,532	6,646,532
Other receivables	-	-	6,456,529	-	6,456,529	6,456,529
Total financial assets	**17,694,630**	**53,968,967**	**121,456,652**	**-**	**193,120,249**	**193,120,249**
Liabilities						
Balances due to ceding companies and reinsurers	-	-	-	3,463,554	3,463,554	3,463,554
Other payables	-	-	-	7,548,557	7,548,557	7,548,557
Total financial liabilities	**-**	**-**	**-**	**11,012,111**	**11,012,111**	**11,012,111**

**Excluding share of Arab Insurance Institute, Damascus, Syria for US$ 1 (2019: US$ 1).*

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).*

21 MATURITY PROFILE OF INVESTMENTS

Held to maturity	Less than 1 year	1-5 years	More than 5 years	Total
2020	-	16,563,820	37,405,147	**53,968,967**
2019	4,054,600	24,114,500	19,482,351	**47,651,451**

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 2019 amounts to US$ 219,755 in the year 2020 (2018: US$ 325,000 paid in 2019). Salaries and benefits paid to key management personnel amounts to US$ 628,654 (2019: US$ 727,466). End of service benefits payable to key management personnel amounts to US$ 165,378 (2019: US$ 131,742).

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 Impact of COVID-19

During 2020, an outbreak of the novel Coronavirus (COVID-19) has rapidly evolved across the region and globally. As a result, governments and authorities, including the Government of the Kingdom of Bahrain, have implemented several measures to contain the spread of the virus such as suspension of flights from/to various countries, other travel restrictions and quarantines and have also announced various support measures to counter adverse economic implications. These measures and policies have caused significant disruption in the operation of many companies around the globe. COVID-19 has also brought about significant uncertainties in the global economic environment.

The Technical Committee has considered the potential impacts of the current economic downturn and uncertainty involved in the determination of the reported amounts of the Syndicate's financial and non-financial assets and liabilities in these financial statements, and they are considered to represent management's best assessment based on available and observable information.

The Government of the Kingdom of Bahrain has granted subsidies of $220,048 towards bahraini staff costs which is classified under other income in statement of profit or loss and $6,896 towards utility charges to counter adverse economic implications.