

**BAHRAIN KUWAIT INSURANCE  
COMPANY BSC**

**ANNUAL REPORT  
2004**

**ANNUAL REPORT 2004**

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## **GENERAL INFORMATION**

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### **HEAD OFFICE**

BKIC House	PO Box	:	10166
168, Road 1703	Telephone	:	+973 17542222
Diplomatic Area 317	Telefax	:	+973 17530799
Manama, Kingdom of Bahrain	E-mail	:	bkicbah@batelco.com.bh
	Website	:	www.bkic.com

Commercial registration: 4745

### **SALMABAD BRANCH**

1390, Road 426	PO Box	:	10166
Salmabad 704	Telephone	:	(+973) 17875000
Manama, Kingdom of Bahrain	Telefax	:	(+973) 17875050
	E-mail	:	bkicbah@batelco.com.bh
	Website	:	www.bkic.com

Commercial registration: 4745

### **KUWAIT OFFICE**

BBK Building - Floors 5 and 6,	PO Box	:	26728, Safat 13128
Ahmed Al-Jaber Street	Telephone	:	+965 885511
Al Sharq	Telefax	:	+965 2468545, 2462169
State of Kuwait	E-mail	:	bkickt@ncc.moc.kw

Commercial registration: 30713  
Licence: 23

### **PRINCIPAL BANKERS**

Bank of Bahrain & Kuwait (Bahrain & Kuwait)  
National Bank of Bahrain  
Ahli United Bank  
Burgan Bank, Kuwait

### **SHARE REGISTRARS:**

#### **Bahrain:**

KPMG	PO Box	:	710
Manama, Kingdom of Bahrain	Telephone	:	+973 17215080
	Telefax	:	+973 17215080

#### **Kuwait:**

Kuwait Clearing Company	PO Box	:	22077
Safat 13081	Telephone	:	+965 2465696
State of Kuwait	Telefax	:	+965 2469457

### **AUDITORS**

Bahrain: KPMG  
Kuwait: KPMG Al Nisf & Partners

**DIRECTORS AND MANAGEMENT**

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**BOARD OF DIRECTORS**

Ali Ben Yousuf Fakhro	-	Chairman
Tewfic A.S.H. Al-Gharabally	-	Vice-Chairman
Issa Ahmed Al-Khalaf	-	Director
Abdulla Hassan Buhindi	-	Director
Hassan Mohamed Zainal-Abedin	-	Director
Murad Ali Murad	-	Director
Tariq Mohamed Abdul-Salaam	-	Director
Suhail Mohammed Hajee	-	Director
Ebrahim Khalid Al-Duhaim	-	Director
Ahmed Shamlan Al-Bahar	-	Director

**EXECUTIVE COMMITTEE**

Abdulla Hassan Buhindi	-	Chairman
Tewfic A.S.H. Al-Gharabally	-	Vice-Chairman
Murad Ali Murad	-	Member
Suhail Mohammed Hajee	-	Member
Tariq Mohamed Abdul-Salaam	-	Member

**AUDIT COMMITTEE**

Hassan Mohamed Zainal-Abedin	-	Chairman
Issa Ahmed Al-Khalaf	-	Vice-Chairman
Ebrahim Khalid Al-Duhaim	-	Member
Ahmed Shamlan Al-Bahar	-	Member

**GENERAL MANAGEMENT**

Ebrahim Al-Rayes	-	Chief Executive Officer
K. Gopi Rao	-	General Manager
Waleed Ahmed Mahmood	-	Deputy General Manager
K. K. Kamath	-	Assistant General Manager – Finance and Administration
K.P. Balakrishnan	-	Assistant General Manager – Commercial lines
Fatima A. Karim	-	Assistant General Manager – Personal Lines
Abdulla Ahmed Abdul-Rahim	-	Secretary to the Board

**Kuwait office:**

Abdulla Rabia Mohammed	-	General Manager
K Saigopal	-	Deputy General Manager

**REPORT OF THE CHAIRMAN TO THE SHAREHOLDERS  
for the year ended 31 December 2004**

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Dear Shareholders,

It is my great pleasure to present to you this 28<sup>th</sup> Annual Report of your Company for the year ending 31 December 2004.

During the year 2004, Bahrain Monetary Agency (BMA) has played a pivotal role in building a new insurance regulatory framework. In its enhanced role as the regulator for the entire financial sector, BMA increased its focus on the insurance industry and is currently in the process of introducing comprehensive regulations covering this sector in the Kingdom. There is no doubt that BMA is aiming to further promote Bahrain as the hub of financial activities in the region.

We have taken various steps towards addressing corporate governance issues within the company. The Board of Directors has formed an Executive Committee from amongst its members. The Executive Committee will be involved in reviewing ongoing activities of the company, taking decisions concerning important operational matters exceeding management authority and investment related matters. The Board has also formed an Audit Committee to assist in monitoring financial and accounting matters and ensuring compliance with internal procedures, rules and BMA disclosure standards. The terms of reference for both committees are well-defined and approved by the Board.

As a prominent participant in both Bahraini and Kuwaiti insurance markets, your company is gearing itself to face increasing challenges that lie ahead as the markets grow in their complexities and increased competition. I am proud to inform you that the company is in the process of developing new and improved strategies to face these challenges and retain its competitive edge in the market.

During the year, the company has also implemented certain new policies to promote and strengthen its professional image in the insurance market. Furthermore, to keep in line with the ever-changing information technology sector, the company is in the process of implementing a state-of-the-art insurance operating system that will put the company in a strong position in terms of offering most efficient and customer-friendly service.

I am pleased to note that the conservative underwriting policy put in place by the management has yielded positive results as evident in the improved underwriting results for the year under review which exceeded for the first time income from other sources. Additionally, staffing and procedural streamlining has also contributed to reduction in operating expenses for the year 2004.

Income arising from investment sector is always affected by changing trends in the financial markets. The general investment climate in the region has been fairly bullish thereby resulting in a substantial increase in the unrealized market value of the investments held by the company. The realized income from investments however, showed a decrease in the current year by nearly 24% over 2003.

As always, the company recognizes the importance of the staff training and motivation. During the year 2004, company's staff has attended 37 training programs both locally and abroad. As at end of 2004 Bahrainization is at the level of 70%.

The company's gross premium income has increased from BHD 18,045,078 in 2003 to BHD 18,328,995 in 2004 – a modest increase of 1.5%. Our investment income on the other hand went down by 24.26%. The net profit however, increased from BHD 1,337,080 in 2003 to BHD 1,608,890 in 2004 – an increase of 20%. This increase has been made possible by growth in the underwriting result from BHD 656,252 in 2003 to BHD 1,095,357 in 2004 – an increase of nearly 67%.

During the year under review an amount of BHD 103,209 was paid to directors towards fees, travel expenses and allowances.

**REPORT OF THE CHAIRMAN TO THE SHAREHOLDERS  
for the year ended 31 December 2004**

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The total distributable profit for the year amounted to BHD 1,771,563. Your Board of Directors propose distribution of cash dividend of 20 fils per share and a bonus share issue of 5% of the issued share capital out of share premium and proposes the following appropriations subject to shareholders' approval in the General Assembly:

	Bahraini Dinars
Statutory Reserve	165,000
General Reserve	165,000
Proposed Dividend 20% of the paid-up capital	1,000,000
Proposed Bonus share issue – 5% of the paid-up capital by capitalizing reserves	
Directors' Remuneration	77,000
Donations	25,000
Retained Earnings	339,563
<b>Total</b>	<b>1,771,563</b>

It is a matter of great pride and privilege that I wish to inform you that your company will be completing 30 years of its operation in the year 2005. I take this opportunity to convey my hearty gratitude to all the valued clients, suppliers, various institutions and all the shareholders who have contributed to this growth. On behalf of the Board of Directors I would like to express my sincere thanks and appreciation to the management and staff for their dedication, loyalty and hard work.

I am also thankful and grateful to His Majesty King Hamad bin Isa Al-Khalifa, and the Government of the Kingdom of Bahrain, and His Highness Shaikh Jaber Al-Ahmed Al-Jaber Al-Sabah, Amir of the State of Kuwait and his Government for their continued support and assistance to the Company.

I take this opportunity to thank Mr. Ahmad Al-Asfoor whose term as director ended during year for his valuable contribution to the Company and at the same time extend a warm welcome to Mr. Murad Ali Murad and Mr. Ahmed Shamlan Al-Bahar who have joined the Board during the year.

I would like to acknowledge with gratitude, the support given to our Company by all officials, government ministries and institutions in the Kingdom of Bahrain and of State of Kuwait.

Ali Ben Yousuf Fakhro  
Chairman of the Board of Directors

6 March 2005

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS**

6 March 2005

**Bahrain Kuwait Insurance Company BSC**

Manama, Kingdom of Bahrain

We have audited the accompanying financial statements of Bahrain Kuwait Insurance Company BSC as at, and for the year ended, 31 December 2004 set out on pages 7 to 28.

**Respective responsibilities of directors and auditors**

These financial statements are the responsibility of the directors of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bahrain Kuwait Insurance Company BSC as at 31 December 2004 and the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Other regulatory matters**

In addition, in our opinion, the Company has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the Chairman of the board of directors and confirm that the information contained therein is consistent with the financial statements. To the best of our knowledge and belief, no violations of the Bahrain Commercial Companies Law 2001, the Bahrain Insurance Law 1987 or the terms of the Company's memorandum and articles of association have occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

**Bahrain Kuwait Insurance Company BSC**

**BALANCE SHEET**

as at 31 December 2004

Bahraini dinars

	Notes	2004	2003
<b>ASSETS</b>			
Cash and cash equivalents	2,21	9,714,798	8,374,123
Statutory deposits	4	1,719,355	1,765,190
Receivables	2		
Policyholders {net of impairment provision BD 173,094 (2003: BD 162,368)}		3,250,328	2,717,414
Reinsurance companies	13	1,543,644	1,551,531
Others		633,892	662,429
Outstanding claims recoverable from reinsurers	13,14	10,373,011	9,916,712
Investments	2,5,17,18,19	11,437,341	9,927,306
Land and buildings:	2, 6		
Investment property	6	535,519	616,721
For operational purposes	6	412,837	450,648
Furniture, equipment and vehicles	7	345,761	396,457
Other assets	8	-	46,410
<b>TOTAL ASSETS</b>		<b>39,966,486</b>	<b>36,424,941</b>
<b>LIABILITIES</b>			
Insurance reserves			
Outstanding claims	2,9,14	14,830,564	13,342,860
Unearned premiums and commission	2,10	4,051,473	3,622,248
Payables and accrued liabilities			
Reinsurance companies		1,703,034	1,613,701
Policy holders		1,225,051	1,425,123
Advance claim recoveries		175,456	171,963
Unclaimed dividends from previous years		173,478	65,807
Others	11	1,632,283	1,369,595
<b>TOTAL LIABILITIES</b>		<b>23,791,339</b>	<b>21,611,297</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	1	5,000,000	5,000,000
Treasury Shares	5	(2,477)	-
Share premium		4,361,700	4,361,700
Statutory reserve	3	2,100,000	1,950,000
General reserve	3	1,150,000	1,100,000
Investments fair value reserve	2	1,794,361	989,320
Retained earnings		1,771,563	1,412,624
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>16,175,147</b>	<b>14,813,644</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>39,966,486</b>	<b>36,424,941</b>

Ali Ben Yousuf Fakhro  
Chairman

Tewfic A.S.H. Al-Gharabally  
Vice-Chairman

Ebrahim Al-Rayes  
Chief Executive Officer

The Board of Directors approved the financial statements consisting of pages 7 to 28 on 6 March 2005.

**INCOME STATEMENT**  
**for the year ended 31 December 2004**

Bahraini dinars

	Notes	2004	2003
Gross premiums	2,12,14	18,328,995	18,045,078
Reinsurance cessions	2,13	(12,247,272)	(12,977,771)
<b>Retained premiums</b>	14	<b>6,081,723</b>	5,067,307
Unearned premiums adjustment	2	(445,923)	(425,266)
<b>Net premiums earned in the year</b>	14	<b>5,635,800</b>	4,642,041
Gross claims paid	2	(8,257,244)	(11,140,868)
Reinsurance and other recoveries	2	5,420,378	8,635,342
Outstanding claims adjustment – gross	2	(1,487,705)	5,166,752
Outstanding claims adjustment – reinsurance	2	456,299	(5,834,840)
<b>Net claims incurred</b>	14	<b>(3,868,272)</b>	(3,173,614)
General and administrative expenses	2,20	(1,943,873)	(2,030,157)
Net commission income	2	932,072	951,517
Policy and other fees		339,630	266,465
<b>Underwriting profit for the year</b>	14	<b>1,095,357</b>	656,252
Investment income	15	800,131	1,056,479
Corporate expenses		(190,281)	(153,500)
Other income / (expenses)	16	(96,317)	(222,151)
<b>NET PROFIT FOR THE YEAR</b>		<b>1,608,890</b>	1,337,080
<b>Earnings per share</b>	3	<b>32 fils</b>	27 fils

Ali Ben Yousuf Fakhro  
*Chairman*

Tewfic A.S.H. Al-Gharabally  
*Vice-Chairman*

Ebrahim Al-Rayes  
*Group General Manager*

The financial statements consist of pages 7 to 28.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**for the year ended 31 December 2004**

Bahraini dinars

<b>2004</b>	<b>Share capital</b>	<b>Treasury Shares</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>General reserve</b>	<b>Investments fair value reserve</b>	<b>Retained earnings</b>	<b>Total shareholders' equity</b>
Balance as at 1 January 2004	5,000,000	-	4,361,700	1,950,000	1,100,000	989,320	1,412,624	14,813,644
Reclassification from Investments	-	(2,477)	-	-	-	-	-	(2,477)
Transfer to statutory reserve (2003)	-	-	-	150,000	-	-	(150,000)	-
Transfer to general reserve (2003)	-	-	-	-	50,000	-	(50,000)	-
Dividend declared (2003)	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Directors' remuneration paid (2003)	-	-	-	-	-	-	(65,000)	(65,000)
Charity paid (2003)	-	-	-	-	-	-	(15,000)	(15,000)
Transfer to income statement of fair value gains on disposal/impairment	-	-	-	-	-	(354,881)	30,049	(324,832)
Fair value changes on investments	-	-	-	-	-	1,159,922	-	1,159,922
Net profit for the year	-	-	-	-	-	-	1,608,890	1,608,890
<b>Balance as at 31 December 2004</b>	<b>5,000,000</b>	<b>(2,477)</b>	<b>4,361,700</b>	<b>2,100,000</b>	<b>1,150,000</b>	<b>1,794,361</b>	<b>1,771,563</b>	<b>16,175,147</b>

The financial statements consist of pages 7 to 28.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
for the year ended 31 December 2004

Bahraini dinars

2003	Share capital	Treasury Shares	Share premium	Statutory reserve	General reserve	Investments fair value reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2003	5,000,000	-	4,361,700	1,805,000	1,050,000	(34,266)	1,289,951	13,472,385
Transfer to statutory reserve (2002)	-	-	-	145,000	-	-	(145,000)	-
Transfer to general reserve (2002)	-	-	-	-	50,000	-	(50,000)	-
Dividend declared (2002)	-	-	-	-	-	-	(875,000)	(875,000)
Directors' remuneration paid (2002)	-	-	-	-	-	-	(50,000)	(50,000)
Charity paid (2002)	-	-	-	-	-	-	(15,000)	(15,000)
Transfer to income statement of fair value gains on disposal/impairment	-	-	-	-	-	(297,567)	(79,407)	(376,974)
Fair value changes on investments	-	-	-	-	-	1,321,153	-	1,321,153
Net profit for the year	-	-	-	-	-	-	1,337,080	1,337,080
Balance as at 31 December 2003	5,000,000	-	4,361,700	1,950,000	1,100,000	989,320	1,412,624	14,813,644

The financial statements consist of pages 7 to 28.

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2004**

Bahraini dinars

	<b>2004</b>	2003
<b>INSURANCE ACTIVITIES</b>		
Premiums received net of commission	17,607,515	17,749,203
Payment to insurance and reinsurance companies	(11,294,646)	(11,996,522)
Claims paid	(6,844,658)	(10,955,443)
Claims recovered	4,037,139	8,643,099
General and administrative expenses paid	(1,177,800)	(1,573,798)
Interest and other expenses paid	(286,598)	(262,966)
Release / (Deposit) of statutory deposits	45,835	(301,210)
<b>Cash flows from insurance activities</b>	<b>2,086,787</b>	1,302,363
<b>INVESTING ACTIVITIES</b>		
Dividends and interest received	475,592	550,135
Proceeds from sale of investments	1,074,647	1,933,950
Payments for investments purchased	(1,447,736)	(748,809)
Rent received	74,428	75,944
Capital expenditure on fixed assets	(102,943)	(107,047)
Proceeds from sale of fixed assets	72,229	37,301
<b>Cash flows from investing activities</b>	<b>146,217</b>	1,741,474
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(892,329)	(860,396)
<b>Cash flows used in financing activities</b>	<b>(892,329)</b>	(860,396)
<b>TOTAL CASH FLOWS DURING THE YEAR</b>		
	<b>1,340,675</b>	2,183,441
Cash and cash equivalents at 1 January	8,374,123	6,190,682
<b>CASH AND CASH EQUIVALENTS at 31 December</b>	<b>9,714,798</b>	8,374,123
<b>CASH AND CASH EQUIVALENTS</b>		
Current accounts	3,140,620	3,302,214
Short-term deposits	6,574,178	5,071,909
<b>Total</b>	<b>9,714,798</b>	8,374,123

The financial statements consist of pages 7 to 28.

**NOTES**

to the 2004 financial statements

Bahraini dinars

**1 STATUS AND OPERATIONS**

Bahrain Kuwait Insurance Company BSC, which was formed pursuant to Amiri Decree 3 of 1975, conducts primary general insurance business through its head office in the Kingdom of Bahrain and a branch office in Kuwait.

**Authorised share capital**

60 million shares of 100 fils each

2004	2003
6,000,000	6,000,000

**Issued and fully paid share capital (50 million shares of 100 fils each)**

Bahraini shareholders

Kuwaiti shareholders

Al-Ahlia Insurance Company KSC

Gulf Insurance Company KSC

Kuwait Insurance Company SAK

Kuwait Re-insurance Company KSC

Warba Insurance Company SAK

2,554,000	2,563,000
431,000	444,000
500,000	500,000
515,000	493,000
500,000	500,000
500,000	500,000
<b>5,000,000</b>	<b>5,000,000</b>

- (i) The company has only one class of equity security and the holders of the security have equal voting rights.
- (ii) Names and nationalities of the major shareholders and the number of equity securities held in which they have an interest of 5% or more of outstanding shares.

Name of the shareholder	Nationality	No of shares	% of total Outstanding shares
Abdulla Hassan Buhindi	Bahraini	5,961,955	11.92
Kuwait Insurance company	Kuwaiti	5,150,000	10.30
Gulf Insurance company	Kuwaiti	5,000,000	10.00
Kuwait Reinsurance company	Kuwaiti	5,000,000	10.00
Warba Insurance company	Kuwaiti	5,000,000	10.00
Al-Ahlia Insurance company	Kuwaiti	4,310,000	8.62
Bank of Bahrain and Kuwait	Bahraini	3,325,516	6.65

- (iii) Distribution schedule of equity shares:

Categories	No of shares	No. of shareholders	% of total Outstanding shares
Less than 1%	10,804,905	3,809	22
1% up to less than 5%	5,447,624	6	11
5% up to less than 10%	7,635,516	2	15
10% up to less than 20%	26,111,955	5	52
20% up to less than 50%	-	-	-
50% and above	-	-	-
<b>Total</b>	<b>50,000,000</b>	<b>3,822</b>	<b>100.00</b>

**NOTES**

to the 2004 financial statements

Bahraini dinars

*1 Status and operations (continued)*

## (iv) Directors' interest in the company:

The directors collectively hold 12.06% of the equity in the company. The total amount of premium earned and claims settled, during the year 2004, from the transactions entered into with the directors and the entities in which the directors have significant interest was BD 119,075 and BD 172,444 respectively. These transactions were entered into in the normal course of business of the company.

**Related parties**

The Kuwaiti shareholding insurance companies, which are each represented on the Board of Directors, operate in the Kuwait insurance market in direct competition with the Company. Similarly, the Chairman of the Board is also a director of another insurance company operating in Bahrain. Various directors have interests in customers of the Company. All transactions with such related parties are conducted on a normal commercial basis. The significant transactions and balances with related parties, mainly arising on account of inward and outward re-insurance, are shown below:

	2004		2003	
	Transactions	Balances	Transactions	Balances
Al-Ahlia Insurance Company KSC	293,945 (Dr) 418,055 (Cr)	173,425 (Dr)	349,533 (Dr) 311,005 (Cr)	297,535 (Dr)
Gulf Insurance Company KSC	1,017,649 (Dr) 996,580 (Cr)	165,093 (Dr)	1,726,969 (Dr) 1,772,441 (Cr)	144,024 (Dr)
Kuwait Insurance Company SAK	194,322 (Dr) 212,351 (Cr)	181,825 (Dr)	254,784 (Dr) 245,967 (Cr)	199,854 (Dr)
Kuwait Reinsurance Company KSC	133,898 (Dr) 119,524 (Cr)	28,538 (Dr)	101,508 (Dr) 115,988 (Cr)	42,912 (Cr)
Warba Insurance Company SAK	99,180 (Dr) 52,988 (Cr)	94,816 (Dr)	2,323,228 (Dr) 2,336,186 (Cr)	48,624 (Dr)

**2 SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Bahrain Commercial Companies Law 2001.

The financial statements are prepared on the historical cost basis, except that available-for-sale investments are stated at their fair values.

The following accounting policies have been consistently applied by the Company:

**CONSOLIDATION AND TRANSLATION**

**Kuwait office:** The income, expenses, assets and liabilities of the Kuwait office are fully consolidated.

**Foreign currency:** The financial statements of the Kuwait office have been translated from Kuwaiti dinars to Bahraini dinars as follows:

- Assets and liabilities at closing rate – KD 1 = BD 1.279 (2003: BD 1.279)
- Income and expenses at average rate for the year – KD 1 = BD 1.279 (2003: BD 1.264)

**NOTES**

**2 Significant accounting policies (continued)**

Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated at rates ruling at the date of the transaction. Transactions during the year are translated at approximate prevailing rates. Exchange gains and losses are included in the net profit and loss for the year.

**INSURANCE OPERATIONS**

**Gross premiums** represent the total business written in the year, including premiums on annual policies covering part or all of the year. In addition, gross premiums include certain premiums derived from local inward business under coinsurance arrangements. Instalments of premium in respect of longer term policies covering subsequent years are deferred to be recognised in the relevant period.

**Unearned premiums** at the balance sheet date are calculated on retained premiums:

- by the 24th method for all annual policies, except for marine cargo business.
- at 25 percent of annual retained premiums for marine cargo business. This approximation method is used because marine cargo policies cover variable periods shorter than one year.

**Commissions** received are matched with premiums earned, which results in an element of deferred commission being carried forward at balance sheet date.

**Acquisition costs** (included under general and administrative expenses) consist of commission paid and expenses incurred in marketing, issuing policies and arranging reinsurance, plus the related portion of general and administrative overheads, less commission received which is intended to cover the acquisition costs of the premiums ceded to reinsurers.

Acquisition costs are deferred in the same proportions as unearned premiums, in line with the matching concept.

**Claims** settled in the year are charged to results, net of reinsurance and other recoveries. At the year-end, provision is made for all outstanding claims, including claims incurred but not reported.

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

Outstanding claims from prior years are reviewed periodically and adjusted in the light of current circumstances.

**Policyholders' receivables:** Policyholders' receivables are stated at their cost less any impairment losses.

2 *Significant accounting policies (continued)*

INVESTMENT ACTIVITIES

**Investments**

(i) *Classification*

*Held-to-maturity* (HTM) investments are financial assets with fixed or determinable payments and fixed maturity, which the Company has the intent and ability to hold to maturity.

*Available-for-sale* (AFS) investments are financial assets that are not held for trading purposes or held-to-maturity. These constitute quoted and unquoted equity instruments and investments in managed funds.

(ii) *Recognition*

HTM and AFS investments are initially recorded at cost, including transaction costs.

(iii) *Subsequent measurement*

HTM investments are stated at their amortised cost less impairment losses.

AFS investments are stated at their fair value, with any resultant gain or loss transferred to an investments fair value reserve. In the event of sale or impairment, the cumulative gains or losses recognised in shareholders' equity are included in the net profit or loss for the year.

Purchase and sale of AFS and HTM investments are accounted for on the trade date. Impairment losses for investments are included in investment income.

**Interest and rent income** are recognised on accrual basis.

**Dividends** are recognised as income when declared by the investee companies.

GENERAL

**Investment property**, which comprises let-out portion of buildings, is carried at cost less depreciation and impairment losses.

**Land and buildings** held for operational purposes are carried at cost less accumulated depreciation and impairment losses.

**Depreciation** on buildings (whether held as investment property or for operational purposes) is provided on cost by the straight-line method at annual rates intended to write-off the cost over their estimated useful lives of 25 years. Depreciation on investment property is included under investment income and that on buildings held for operational purposes is included under general and administration expenses.

**NOTES**

to the 2004 financial statements

Bahraini dinars

*2 Significant accounting policies (continued)*

**Furniture, equipment and vehicles** (used in insurance operations or for administrative purposes and not intended for sale in the ordinary course of business) are carried at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on cost by the straight-line method at annual rates, which are intended to write off the cost of the assets over their estimated useful lives of 4 – 10 years. The cost of additions and major improvements are capitalised. Gain or loss on sale of these assets is included in net profit or loss for the year.

**Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in the income statement.

**Cash and cash equivalents** comprise cash in hand and at bank and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**Investments fair value reserve** represents the unrealised gain or loss on year-end fair valuation of AFS investments. In the event of sale or impairment, the cumulative gains or losses recognised under investments fair value reserve are included in the net profit or loss for the year.

**Provisions** are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**3 PROFIT APPROPRIATIONS AND RESERVES**

The directors propose a cash dividend of 20 fils per 100 fils share from the 2004 profits (2003: cash dividend 20 fils) and a bonus share issue of one for every twenty paid-up shares held. These and other appropriations mentioned below are subject to the shareholders' approval at the annual general meeting:

	<b>2004</b>	2003
Statutory reserve	165,000	150,000
General reserve	165,000	50,000
Proposed dividend	1,000,000	1,000,000
Directors' remuneration	77,000	65,000
Charity	25,000	15,000
	<b>1,432,000</b>	<b>1,280,000</b>

**NOTES**

**to the 2004 financial statements**

Bahraini dinars

*3 Profit appropriations and reserves (continued)*

	<b>2004</b>	2003
Net profit for the year	1,608,890	1,337,080
Weighted average of number of shares outstanding	50,000,000	50,000,000
Earnings per 100 fils share	32 fils	27 fils
Proposed cash dividend per 100 fils share	20 fils	20 fils
Proposed bonus share issue	5%	-
Net asset value per 100 fils share	324 fils	296 fils
Share price per Bahrain Stock Exchange at 31 December	460 fils	450 fils
Price to earnings ratio at 31 December	14.4 times	16.7 times
Total market capitalisation at 31 December	23,000,000	22,500,000

The earning per share has been computed on the basis of net profit of BD 1,608,890 for the year divided by the weighted average number of shares outstanding for the year.

**Statutory reserve:** The Bahrain Insurance Law 1987 requires appropriation of 10 percent of net profit to the statutory reserve until the reserve equals the paid up share capital. The reserve cannot be utilised for purposes of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law 2001.

**Share premium:** The share premium is not available for distributions but can be used to issue bonus shares.

**General reserve:** Appropriations are made as proposed by the directors and approved by the shareholders. It represents retained earnings and is available for distribution should it be required in the future.

**Directors' remuneration and charity:** Appropriations are made as proposed by the directors and subsequently approved by the shareholders. These are recognised as a liability in the period in which they are declared.

**Dividends** are recognised as a liability in the period when they are declared.

**4 STATUTORY DEPOSITS**

	<b>2004</b>	2003
Bahrain	125,000	125,000
Kuwait	1,594,355	1,640,190
<b>Total per balance sheet</b>	<b>1,719,355</b>	<b>1,765,190</b>

**Bahrain:** Under the Bahrain Insurance Law 1987, all insurance companies operating in Bahrain must maintain deposits with designated national banks. Such deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the regulatory authorities.

**NOTES**

**to the 2004 financial statements**

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*4 Statutory deposits (Continued)*

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

A statutory deposit of KD 733,410 (BD 938,031) {2003: KD 828,502 (BD 1,059,654)} is pledged as security for a regulatory guarantee issued by the bank in favour of the Kuwait Ministry of Commerce and Industry. In addition to the above deposit, the Kuwait office is also maintaining a deposit of KD 513,154 (BD 656,324) {2003: KD 453,898 (BD 580,536)} with a local bank for insurance policies issued through one of its customers. This amount has also been included under other miscellaneous liabilities (refer note 11) since the deposit is refundable to the customer upon discontinuation of the existing arrangement.

**5 INVESTMENTS**

**Available-for-sale investments**

Investments in listed companies {net of impairment provision  
BD 164,773 (2003: 116,413)}

Investments in closely held companies {net of impairment provision:  
BD nil; (2003: BD 378,000)}

Capital guaranteed managed funds

Other managed funds

TOTAL

**Held-to-maturity investments**

Bonds:

Floating rate

Fixed rate

TOTAL

**At 31 December**

Effective interest rates (average during the year):

Floating rate bonds

Fixed rate bonds

	<b>2004</b>	2003
	4,225,146	2,351,341
	201,030	223,530
	484,253	418,949
	4,015,549	4,503,028
	<b>8,925,978</b>	<b>7,496,848</b>
	845,525	717,625
	1,665,838	1,712,833
	<b>2,511,363</b>	<b>2,430,458</b>
	<b>11,437,341</b>	<b>9,927,306</b>
	3.25%	3.10%
	5.77%	5.77%

During the year the company has reclassified its investments in its own shares of the face value BD 2,477 (17,424 number of shares) to treasury shares which formed part of 'Available-for-sale investments' in previous years. These shares pertain to the odd lots allotted to the company, without any cash consideration, at the time of rights issue and include subsequent bonus shares on the same.

**NOTES**

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**6 LAND AND BUILDINGS**

**Investment property**

**BKIC house (Bahrain):**

Cost

Less: Accumulated depreciation

**At 31 December**

<b>2004</b>	<b>2003</b>
2,216,756	2,216,756
(1,681,237)	(1,600,035)
<b>535,519</b>	<b>616,721</b>

**Land and buildings (for operational purposes)- Bahrain:**

Cost

Less: Accumulated depreciation

**At 31 December**

<b>2004</b>	<b>2003</b>
1,105,589	1,105,589
(692,752)	(654,941)
<b>412,837</b>	<b>450,648</b>

Investment property represents the let-out portion of BKIC house. The fair value of the investment property was approximately BD 1,818,000 which has been determined by a professional property valuer, as on 1 May 2003. The directors are of the opinion that the current value is not materially different from the 2003 valuation.

**PROPERTIES OWNED BY THE COMPANY:**

<b>Sr. No.</b>	<b>Name of the Property</b>	<b>Address</b>	<b>Description</b>	<b>Existing use</b>	<b>Tenure</b>	<b>Terms of tenant's lease</b>	<b>Average age of the Property</b>	<b>Present Capital Value in BD</b>
1	BKIC House	Building 168, Road 1703, Diplomatic Area 317, Bahrain	Building measuring 4,690 Square meters.	Operational and Investment purpose.	Freehold	Annual renewable lease agreement with the tenants	19 years	736,339
2	Salmabad branch	Building 1396, Road 426, Salmabad 704, Bahrain	Building measuring 612 Square meters.	Operational purpose.	Freehold	N.A.	4 years	212,017

## NOTES

to the 2004 financial statements

Bahraini dinars

<b>7 OTHER FIXED ASSETS</b>	<b>2004</b>	<b>2003</b>
Furniture, equipment and others	282,084	324,537
Motor vehicles	63,677	71,920
<b>Net book value per balance sheet</b>	<b>345,761</b>	<b>396,457</b>

<b>Geographical distribution</b>	<b>2004</b>	<b>2003</b>
Bahrain	218,325	256,079
Kuwait	127,436	140,378
<b>Total per balance sheet</b>	<b>345,761</b>	<b>396,457</b>

<b>8 OTHER ASSETS</b>	<b>2004</b>	<b>2003</b>
Net book value of footbridge as at 1 January	46,410	92,826
Charge to income statement	(46,410)	(46,416)
<b>Net book value per balance sheet</b>	<b>-</b>	<b>46,410</b>

Other assets represent expenditure incurred by the Company on a footbridge that has been donated to the Bahrain Government. As per the contract with Bahrain Government, the Company is permitted to use its name on the footbridge for a period of twenty years until the year 2018. As a policy, the Company has amortised this expenditure till 31 December 2004.

<b>9 OUTSTANDING CLAIMS</b>	<b>2004</b>	<b>2003</b>
Incurring in 2004	2,695,174	-
2003	2,035,730	1,784,425
2002	3,135,125	3,434,998
2001	3,650,679	4,214,018
2000	747,944	936,224
1999	382,190	600,685
1998	745,230	771,917
Before 1998	1,438,492	1,600,593
<b>Total per balance sheet</b>	<b>14,830,564</b>	<b>13,342,860</b>

**NOTES**

to the 2004 financial statements

Bahraini dinars

**10 UNEARNED PREMIUMS AND COMMISSION**

	<b>2004</b>	2003
Minimum unearned premium reserve required by the Bahrain Insurance Law (percentage of retained premiums)	2,247,382	1,876,623
Unearned premium reserve	2,659,824	2,213,901
Premiums received in advance	916,284	896,629
Unearned commissions	475,365	511,718
<b>Total per balance sheet</b>	<b>4,051,473</b>	<b>3,622,248</b>

**11 PAYABLES AND ACCRUED LIABILITIES – OTHER**

	<b>2004</b>	2003
Garages, spare parts suppliers and others	576,575	550,720
Provision for leave pay and leaving indemnities	394,444	351,099
Premium reserve deposits	250,189	232,567
Accrued expenses	223,004	66,063
Other miscellaneous liabilities (refer note 4)	188,071	169,146
<b>Total per balance sheet</b>	<b>1,632,283</b>	<b>1,369,595</b>

**Retirement benefits cost:** The Company employed 55 Bahrainis and 24 expatriates in its Bahrain office and 2 Bahrainis, 6 Kuwaitis and 40 expatriates in its Kuwait office at 31 December 2004.

Pension rights (and other social benefits) for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's contributions in respect of Bahraini employees for 2004 amounted to BD 44,767 (2003: BD 47,873).

Expatriate employees on limited-term contracts are entitled to leaving indemnities payable under the Bahrain and Kuwait Labour Laws, based on length of service and final remuneration. During the year the company has also introduced a scheme to provide for leaving indemnity for Bahraini and Kuwaiti national employees based on the length of service and final remuneration. The liabilities, which are unfunded, are provided for on the basis of the notional cost had all eligible employees left at the balance sheet date.

**Provision for employee leaving indemnities**

	<b>2004</b>	2003
At beginning of year	295,998	256,982
Charge for the year	64,669	59,664
Paid during the year	(35,453)	(20,648)
<b>Provision at 31 December</b>	<b>325,214</b>	<b>295,998</b>

**NOTES**

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**12 GROSS PREMIUMS**

Direct – lead by the Company, net of refunds  
Lead by other insurance companies – company's share

<b>2004</b>	2003
16,214,619	15,676,544
2,114,376	2,368,534
<b>18,328,995</b>	18,045,078

**Gross premiums per income statement**

**Geographical distribution**

Bahrain  
Kuwait

<b>2004</b>	2003
9,306,770	9,752,829
9,022,225	8,292,249
<b>18,328,995</b>	18,045,078

**Gross premiums per income statement**

**13 REINSURANCE**

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programmes. Reinsurance is effected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of risks.

The reinsurance programmes are reviewed annually to take into account the changing pattern of the business environment. The Company's net retention is determined in line with its financial strength so as to maximise returns from such reinsurance arrangements. The annual review also takes into account the panel of reinsurers and their security ratings.

The Company's panel of reinsurers to whom business is ceded comprise leading names in the international reinsurance market in Europe and companies of good standing in the Middle East.

**NOTES**

to the 2004 financial statements

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**14 SEGMENTAL INFORMATION**

**(a) Primary disclosures**

The classification of classes of insured risks for departmental purposes is as follows:

- Fire and general** : fire, general accident and engineering, medical, group life and special contingency  
**Marine and aviation** : marine cargo, marine hull and aviation  
**Motor** : motor third party, motor comprehensive & extended warranty

<b>2004</b>	<b>Fire and general</b>	<b>Marine and aviation</b>	<b>Motor</b>	<b>2004 Total</b>
Gross premiums	10,472,240	2,317,528	5,539,227	18,328,995
Premiums retained	2,251,139	348,907	3,481,677	6,081,723
Premiums earned	2,044,309	336,468	3,255,023	5,635,800
Net claims incurred	1,382,405	115,516	2,370,351	3,868,272
Underwriting profit	529,424	176,924	389,009	1,095,357
Outstanding claims recoverable from reinsurers	8,591,658	498,678	1,282,675	10,373,011
Insurance reserves – Outstanding claims	10,199,749	529,411	4,101,404	14,830,564

<b>2004</b>	
Unallocated corporate assets	18,156,134
Unallocated corporate liabilities	8,960,775
Capital expenditure during the year	102,943
Depreciation during the year	208,495

<b>2003</b>	<b>Fire and general</b>	<b>Marine and aviation</b>	<b>Motor</b>	<b>2003 Total</b>
Gross premiums	10,983,035	2,075,689	4,986,354	18,045,078
Premiums retained	1,780,137	297,607	2,989,563	5,067,307
Premiums earned	1,706,467	296,353	2,639,221	4,642,041
Net claims incurred	1,178,171	86,644	1,908,799	3,173,614
Underwriting profit	281,977	158,963	215,312	656,252
Outstanding claims recoverable from reinsurers	8,259,945	505,216	1,151,551	9,916,712
Insurance reserves – Outstanding claims	9,439,486	534,698	3,368,676	13,342,860

<b>2003</b>	
Unallocated corporate assets	16,580,923
Unallocated corporate liabilities	8,268,437
Capital expenditure during the year	107,047
Depreciation during the year	233,191

**NOTES**

to the 2004 financial statements

Bahraini dinars

## 14 Segmental information (continued)

**(b) Secondary disclosures****2004**

	<b>Bahrain</b>	<b>Kuwait</b>	<b>Total 2004</b>
Gross premiums	9,306,770	9,022,225	18,328,995
Premiums retained	3,587,118	2,494,605	6,081,723
Premiums earned	3,366,810	2,268,990	5,635,800
Net claims incurred	2,389,282	1,478,990	3,868,272
Underwriting profit	465,854	629,503	1,095,357
Outstanding claims recoverable from reinsurers	4,272,264	6,100,747	10,373,011
Insurance reserves – Outstanding claims	6,681,793	8,148,771	14,830,564
Corporate assets	12,020,058	6,136,076	18,156,134
Corporate liabilities	4,872,723	4,088,052	8,960,775
Capital expenditure during the year	83,830	19,113	102,943
Depreciation during the year	183,733	24,762	208,495

**2003**

	<b>Bahrain</b>	<b>Kuwait</b>	<b>Total 2003</b>
Gross premiums	9,752,829	8,292,249	18,045,078
Premiums retained	3,152,673	1,914,634	5,067,307
Premiums earned	2,974,442	1,667,599	4,642,041
Net claims incurred	2,190,562	983,052	3,173,614
Underwriting profit	215,201	441,051	656,252
Outstanding claims recoverable from reinsurers	4,217,877	5,698,835	9,916,712
Insurance reserves – Outstanding claims	6,237,868	7,104,992	13,342,860
Corporate assets	11,544,663	5,036,260	16,580,923
Corporate liabilities	4,638,334	3,630,103	8,268,437
Capital expenditure during the year	92,311	14,736	107,047
Depreciation during the year	189,887	43,304	233,191

**15 INVESTMENT INCOME**

	<b>2004</b>	<b>2003</b>
Dividends received	370,413	399,824
Interest income	269,544	262,118
Profit on sale of investments	352,692	638,633
Advisory fees	(16,853)	(10,355)
Net income from investment property	(2,305)	7,672
Provision for impairment of investments	(48,360)	(116,413)
	925,131	1,181,479
Investment management expenses	(125,000)	(125,000)
<b>Total net investment income</b>	<b>800,131</b>	<b>1,056,479</b>

**NOTES**

to the 2004 financial statements

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**16 OTHER (EXPENSES)/ INCOME**

	<b>2004</b>	2003
Interest on premium reserve deposit	(4,603)	(7,737)
Foreign exchange difference	3,109	71,053
Provision for doubtful receivables	(20,830)	(141,629)
Profit on sale of assets	4,118	9,615
Miscellaneous expenses	(78,111)	(153,453)
<b>Total net other (expenses)/ income</b>	<b>(96,317)</b>	<b>(222,151)</b>

**17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments consist of financial assets and financial liabilities.

**Financial assets** of the Company include cash and cash equivalents, deposits, investments and receivables.

**Financial liabilities** of the Company include payable and accrued liabilities (to policyholders, insurance and reinsurance companies and other parties) and dividends payable.

Accounting policies for financial assets and liabilities are set out in note 2.

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

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company has deposits and investments in currencies other than Bahraini dinars and United States dollars. The dinar is effectively pegged to the dollar, thus currency rate risks occur only in respect of other currencies. The Company does not hedge against such currency risks.

The table below summarises the exposure to currency risk excluding assets and liabilities arising from insurance and reinsurance contracts.

## NET OPEN POSITIONS (in Bahraini dinar equivalents)

	<b>2004</b>	2003
Kuwaiti dinars (Bahrain exposure)	3,822,600	2,297,975
US dollars	5,891,757	5,788,904
Other currencies	498,329	703,408
<b>Total</b>	<b>10,212,686</b>	<b>8,790,287</b>

**NOTES**

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17 Financial instruments and risk management (continued)

**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 Company's short-term deposits are at fixed interest rates and mature within one year. Investments in bonds consist of both fixed rate and floating rate instruments.

**Effective interest rates** : The effective interest rate for a fixed rate Instrument carried at cost is the historical rate.

Range of interest rates on cash equivalents and deposits (fixed rate instruments)

2004	2003
1.25%-4.75%	1.0%-3.5%

The effective interest rates on bonds are disclosed in note 5.

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

**Market risk**

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

The Company is exposed to market risk with respect to its investments (listed and unlisted shares, bonds and managed funds). The geographical concentration of the Company's investments is set out in note 18.

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

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Cash is placed with national banks. Credit risk on receivables is limited to (local) policyholders, which are carried net of impairment losses, and to insurance and reinsurance companies.

The Company manages credit risk with respect to receivables from policyholders by monitoring in accordance with defined policies and procedures.

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

The Company manages credit risk on its investments by ensuring that investments are only made in counter-parties that have a good credit rating.

**NOTES**

to the 2004 financial statements

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*17 Financial instruments and risk management (continued)***Liquidity risk**

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Company has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business. Should there be a need, given its gearing, the Company has the ability to raise funds from banks at short notice. The maturity profile of the Company's investments is set out in note 19.

**Fair values of financial instruments**

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.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair value of the Company's cash, receivables and payables are not materially different from their carrying values.

**18 GEOGRAPHICAL CONCENTRATION OF INVESTMENTS**

Bahrain  
Other GCC countries  
Asia  
Europe  
Rest of the world

	2004	2003
Bahrain	5,105,051	3,647,339
Other GCC countries	2,517,745	2,409,534
Asia	72,366	48,522
Europe	457,069	457,069
Rest of the world	3,285,110	3,364,842
<b>Total per balance sheet</b>	<b>11,437,341</b>	<b>9,927,306</b>

**19 MATURITY PROFILE OF INVESTMENTS**

Listed companies  
Closely held companies  
Other managed funds  
Capital guaranteed managed funds  
Bonds

**Total per balance sheet**

	Less than 1 year	1 - 5 years	More than 5 years	No maturity	2004 Total
Listed companies	-	-	-	4,225,146	4,225,146
Closely held companies	-	-	-	201,030	201,030
Other managed funds	-	523,160	309,466	3,182,923	4,015,549
Capital guaranteed managed funds	-	200,160	102,458	181,635	484,253
Bonds	-	2,218,638	292,725	-	2,511,363
<b>Total per balance sheet</b>		<b>2,941,958</b>	<b>704,649</b>	<b>7,790,734</b>	<b>11,437,341</b>

2003

46,995	2,807,417	698,339	6,374,555	9,927,306
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**NOTES**

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**20 GENERAL AND ADMINISTRATIVE EXPENSES**

Employee related costs

Depreciation

Other operating expenses

**Total general and administrative expenses**

<b>2004</b>	2003
1,309,633	1,450,016
208,495	233,191
425,745	346,950
<b>1,943,873</b>	2,030,157

**21 CONTINGENT LIABILITIES**

A contingent liability exists at the balance sheet date in respect of letters of guarantee amounting to BD 1,634,218 (2003: BD 1,662,126) issued by a bank in Kuwait in favour of the Ministry of Commerce, State of Kuwait to comply with statutory requirement. The company maintains a deposit of BD 1,597,660 (2003: BD 1,643,437) in the same bank to cover the amounts guaranteed.

**22 COMPARATIVE FIGURES**

The comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported net profit, net assets or shareholders' equity.