

12 February 2022

To
The Board of Directors
Life Insurance Corporation of India

Re: Proposed initial public offering of equity shares of Life Insurance Corporation of India

Dear Sirs,

We have verified the translated version of the audited financial statements of Life Insurance Corporation (International) B.S.C. (c) for the year ended December 31, 2019. These Financials statements have been translated by the Company in Indian Rupees in accordance with Ind AS 21, "The Effect of Changes in Foreign Currency Rates"

The work carried out by us is in accordance with the Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed upon Procedures regarding Financial Information" issued by the Institute of Chartered Accountants of India.

As required under Schedule VI Part A Item No. (11)(I)(A)(ii)(b) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations"), we have verified the translated financial information contained in the Annexure attached to this Certificate which is proposed to be uploaded on the website of Life Insurance Corporation of India in connection with its proposed initial public offering of equity shares (the "Offer").

We did not audit the financial statements of Life Insurance Corporation (International) B.S.C. (c). These financial statements have been audited by other audit firms, whose reports have been furnished to us by the Company.

These translated financials should not in any way be construed as a reissuance or re-dating of any of the previous audit reports, nor should these be construed as a new opinion on any of the audited consolidated financial statements referred to herein.

These translated financials are intended solely for use of the management for uploading on website of Life Insurance Corporation of India in connection with its proposed initial public offering of equity shares.

Based on our examination, we confirm that the information in this certificate is true, fair, correct, accurate and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

Restriction on use

This certificate has been provided by us, at the request of the Life Insurance Corporation of India and solely for the information of Axis Capital Limited, Kotak Mahindra Capital Company Limited, BofA Securities India Limited, Citigroup Global Markets India Private Limited, Goldman Sachs (India) Securities Private Limited, ICICI Securities Limited, JM Financial Limited, J.P. Morgan, Nomura Financial Advisory and Securities (India) Private Limited and SBI Capital Markets Limited, book running lead managers appointed by Life Insurance Corporation of India (Collectively referred to as the "Book Running Lead Managers" or the "BRLMs") to assist them in conducting their due-diligence and documenting their investigations of the affairs of Life Insurance Corporation of India in connection with the proposed offer. This certificate may be relied on by the BRLMs, their affiliates and legal counsel in relation to the Offer.

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BRANCHES :



This certificate is not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior consent in writing, other than the purpose stated above. We, however, hereby give consent for inclusion of our name and this information (in full or in part) in the Draft Red Herring Prospectus, Updated Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus proposed to be filed by Life Insurance Corporation of India with the Securities and Exchange Board of India ("SEBI"), the National Stock Exchange Limited and BSE Limited (the "Stock Exchanges") and the Insurance Development and Regulatory Authority of India ("IRDAI") and any other material used in connection with the Offer and submission of this certificate to SEBI, Stock Exchanges, or IRDAI in connection with the proposed Offer, as the case may be. Additionally, we hereby give our consent for the submission of this certificate to any other regulatory authority as may be required under applicable law in connection with the proposed Offer, as the case may be.

For Batliboi & Purohit
Chartered Accountants
FRN: 101048W

Raman Hangekar
Partner
Membership No: 030615

Date: 12-02-2022
Place: Mumbai
UDIN: 22030615ABPRCU6125



Statement of financial position

	Notes	31-12-2019.	31-12-2019.
		BD	INR
Assets:			
Furniture and equipment	5	8,883	1,782,380
Intangible asset	6	4	803
Right-of-use assets	7.1	39,411	7,907,845
Statutory deposits	8	688,303	138,108,479
Financial assets Held-To-Maturity (HTM)	9(b)	433,166,959	86,915,253,540
Financial assets Available for sale (AFS)	9(c)	51,133,789	10,260,030,557
Financial assets at Fair Value Through Profit or Loss (FVTPL)	9(d)	131,196,836	26,324,736,981
Policy loans	14	6,429,903	1,290,164,538
Reinsurance contracts receivable	23.1	46,020	9,233,945
Premium receivable	11	1,649,171	330,907,316
Term deposits with banks	10	141,328,083	28,357,578,784
Accrued interest income	12	9,943,034	1,995,076,732
Other assets	13	168,796	33,869,035
Bank Balances and Cash	15	36,232,902	7,270,157,149
Total Assets		812,032,094	162,934,808,084
Equity and liabilities			
Equity			
Share capital	16	20,000,000	1,163,523,035
Statutory reserve	17	7,057,276	1,416,047,369
Contingency fund reserve	18	216,991	43,539,396
Investment fair value reserve		847,586	170,068,724
Retained earnings		19,170,122	6,695,989,363
Total Equity		47,291,975	9,489,167,887
Liabilities			
Life Insurance Fund	20	756,190,104	151,730,073,701
Employee's end-of-service indemnity		22,530	4,520,660
Due to Life Insurance Corporation of India	21(a)	211,139	42,365,188
Zakat and tax provisions	22	219,486	44,040,020
Reinsurance Contract liabilities	23.2	300,052	60,205,644
Claims payable	24	3,542,867	710,878,744
Lease liabilities	7.2	40,350	8,096,256
Other liabilities	25	4,213,591	845,459,984
Total liabilities		764,740,119	153,445,640,197
Total equity and liabilities		812,032,094	162,934,808,084

The attached notes form an integral part of these financial statements.



Statement of Financial Position as at December 31, 2019

	Notes	2019	2019
		BD	INR
Revenues			
Premiums:			
First year	26.1	11,576,775	2,180,864,132
Renewal	26.2	38,822,005	7,313,394,121
Single premium	26.3	76,352,607	14,383,510,259
Unit link premium	26.4	1,496	281,821
Group insurance premium		3,594	677,047
Reinsurance ceded	23.2	(180,283)	(33,962,198)
Discount on commutation of premium	27	(1,318,594)	(248,400,298)
Net insurance premium		125,257,600	23,596,364,884
Claims incurred	29	(140,172,332)	(26,406,042,367)
Change in life insurance fund	20(a)	(20,017,754)	(3,770,998,546)
Net underwriting results		(34,932,486)	(6,580,676,029)
Realised income from investments	28	33,765,983	6,360,927,046
Unrealised gain/(loss) on investments at FVTPL	9	12,045,929	2,269,244,629
Impairment on investment securities, net	30	(4,371,257)	(823,469,196)
Income from investments		41,440,655	7,806,702,479
		6,508,169	1,226,026,450
Depreciation of right-of use assets	7.1	(6,854)	(1,291,175)
Interest expense on lease liabilities	7.2	(2,103)	(396,169)
General and administrative expenses	32	(7,529,597)	(1,418,445,813)
Other income	31	856,793	161,404,979
Profit/(loss) before zakat and income tax		(173,592)	(32,701,728)
Zakat and income tax (expense)/reversal		(69,537)	(13,099,568)
Profit/(loss) after zakat and income tax		(243,129)	(45,801,296)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of AFS investments during the period	9(c)	11,588,564	2,183,084,975
Other comprehensive income for the year		11,588,564	2,183,084,975
Translation Difference			747,261,060
Total comprehensive income for the year		11,345,435	2,884,544,739

The accounting policies and the notes form an integral part of these financial statements.



Statement of changes in equity Year ended December 31, 2019

	Share capital	Statutory reserve	Contingency Reserve	Investments fair value reserve	Retained earnings	Total
	BD	BD	BD	BD	BD	BD
Balance as at 1 January 2019	20,000,000	7,057,276	201,870	(10,740,978)	19,428,372	35,946,540
Loss for the year	-	-	-	-	(243,129)	(243,129)
Other comprehensive income for the period:	-	-	-	11,588,564	-	11,588,564
Total comprehensive income	-	-	-	11,588,564	(243,129)	11,345,435
Transfer to contingency reserve	-	15,121	-	-	(15,121)	-
At 31 December 2019	20,000,000	7,057,276	216,991	847,586	19,170,122	47,291,975



	Share capital	Statutory reserve	Contingency Reserve	Investments fair value reserve	Retained earnings	Total
	INR	INR	INR	INR	INR	INR
At 1 January 2019	1,163,523,035	1,296,665,783	37,090,504	(1,973,489,296)	6,080,833,123	6,604,623,149
Loss for the year	-	-	-	-	(45,801,297)	(45,801,297)
Other comprehensive income for the period:						
Total comprehensive income				2,183,084,975	2,183,084,975	2,183,084,975
Transfer to contingency reserve			2,848,535		(2,848,535)	-
Translation Difference		119,381,586	3,600,357	(39,526,955)	663,806,072	747,261,060
At 31 December 2019	1,163,523,035	1,416,047,369	43,539,396	170,068,724	6,695,989,363	9,489,167,887

The accounting policies and the notes form an integral part of these financial statements



Statement of cash flows

Year ended December 31, 2019

	Note	2019 BD	2019 INR
Cash flows from operating activities:			
(Loss)/ Profit before zakat and income tax		(243,129)	(45,801,297)
Adjustments for non-cash items:			
Depreciation on furniture and equipment	5	5,984	1,127,282
Amortization	6	33,074	6,230,569
Depreciation on right of use asset	7.1	6,854	1,291,175
Interest expense on lease liability	7.1	2,103	396,169
Foreign exchange gain on investments	9 (b)	(4,433)	(835,101)
Gain on sale of motor vehicle and furniture		(125)	(23,548)
Unrealised (loss)/gain on investments at fair value through profit and loss	9 (c)	(12,045,929)	(2,269,244,629)
Gain on disposal of investment securities	28	(1,544,420)	(290,942,010)
Dividend income	28	(496,348)	(93,503,376)
Interest income	28	(31,725,215)	(5,976,481,660)
Impairment loss recognised on Investment, net		4,371,257	823,469,196
Claim expense	24	140,172,332	26,406,042,367
Reinsurance expense	23.2	180,283	33,962,198
Movement in life insurance fund	20(a)	20,017,754	3,770,998,546
Zakat tax provision provided		69,537	13,099,568
Provision for employees end of service indemnity		1,023	192,716
		<u>118,800,602</u>	<u>22,379,978,166</u>
Changes in operating assets and liabilities			
(Increase)/ decrease in premiums receivable		(37,951)	(7,149,312)
Decrease in reinsurance contract receivable		42,217	7,952,952
Decrease in due from the International agencies company Limited		-	-
Decrease in other assets		4,727	890,485
Increase in policy loans		(195,524)	(36,833,339)
(Decrease)/Increase in due to Life Insurance Corporation of India		200,307	37,734,373
Increase/ (Decrease) in other liabilities		169,677	31,964,211
Net cash from operations		<u>118,984,055</u>	<u>22,414,537,538</u>
Payment of employees end of service indemnity			
		-	-
Payment of reinsurance expense	23.2	(263,858)	(49,706,282)
Claims paid	24	(139,981,467)	(26,370,086,703)
Net cash (used in)/generated from operating activities		<u>(21,261,270)</u>	<u>(4,005,255,448)</u>
Cash flows from investing activities			
Purchase of furniture and equipment	5	(1,364)	(256,954)
Proceeds from disposal of furniture and equipment		217	40,879
Purchase of financial assets	9	(60,307,695)	(11,360,926,415)
Proceeds from disposal of financial assets		126,881,881	23,902,351,324
Increase in fixed deposits		(57,303,374)	(10,794,964,313)
Transfer of actuarial reserve to LIC of India	20(a)	(846,512)	(159,468,216)
Dividends received	28	496,348	93,503,376



Life Insurance Corporation (International) B.S.C. (c)
Notes to Financial Statements
Year ended December 31,2019

Interest received	12	32,118,825	6,050,630,974
Net cash generated from/ (used in) investing activities		41,038,326	7,730,910,655
Cash flows from financing activities			
Repayment of lease liabilities	7.2	(8,018)	(1,510,452)
Dividend paid		-	-
Net cash used in financing activities		(8,018)	(1,510,452)
Net increase in cash and cash equivalents		19,769,038	3,724,144,755
Translation difference		-	1,623,747,370
Net (decrease)/increase in cash and cash equivalents after translation difference		-	5,347,892,125
Cash and cash equivalents at the beginning of the year		81,651,256	15,002,160,861
Cash and cash equivalents at the end of the year		101,420,294	20,350,052,985
Comprising			
Bank balances and cash	15	36,232,902	7,270,157,149
Term deposits with less than three months maturity from the date of placement	10	65,187,392	13,079,895,836
		101,420,294	20,350,052,985

The accounting policies and the notes form an integral part of these financial statements.



1. Status and activities

- 1.1 Life Insurance Corporation (International) B.S.C. (c) (the “Company”) was formed by Life Insurance Corporation of India and the International Agencies Company Limited, Bahrain. The Company is registered with the Ministry of Industry, Commerce and Tourism under commercial registration no. 21606 and operates under an insurance license issued by the Central Bank of Bahrain (the “CBB”). The registered address of the Company is 1st floor, All Al-Wazzan Building, Al-Khalifa Avenue, P.O. Box 584, Manama, Kingdom of Bahrain.
- 1.2 The Company commenced its operations on July 23, 1989 and is engaged in carrying out life insurance business, mainly with Indian expatriates in the Kingdom of Bahrain and other GCC countries. It is also engaged in conducting similar business with all nationalities resident in Bahrain under special permission granted by the Central Bank of Bahrain, from November 8, 2006.
- 1.3 The International Agencies Company Limited (the “Agent”) is the agent of Life Insurance Corporation (International) B.S.C. (c) in Bahrain. It is responsible for providing:
- Administration and technical services for all policies issued by the Company.
 - Marketing services in Bahrain.

In return, the Agent is entitled to compensation at agreed terms.

- 1.4 All reinsurance is ceded to Swiss Reinsurance Company, HannoverRe and Munich Reinsurance Company on agreed terms.
- 1.5 Based on resolution number 125 dated July 14, 2004 (Hijri 14/5/1424) issued by the Council of Ministers in Saudi Arabia, and its subsequent implementation guidelines thereon, insurance companies operating in Saudi Arabia are required to obtain a license to undertake insurance activities in the Kingdom from the Saudi Arabian Monetary Agency (“SAMA”). The requirements for license include operating as a public joint stock company and having a minimum paid up capital of Saudi Riyals 100 Mn.

Under these regulations, on December 29, 2004, the Board of Directors of the Company submitted an application for the license with SAMA under the name of “Saudi Indian Company for Cooperative Insurance” (“SICCI”). The Company acquired 10.2% of the issued share capital of SICCI. Further, the Company ceased its activities in the Kingdom, but later on August 1, 2005 business activities resumed as SAMA permitted existing operations to continue for a three-year grace period. On December 28, 2008, SAMA did not further extend Saudi Operations of the Company to market new insurance policies.

During 2011, SAMA approved exit plan via letter dated 15.06.1432 H (corresponding May 20, 2011), of the Saudi Operations of the Company. The Company transferred the Saudi portfolio to Kingdom of Bahrain or LIC India with the consent of the policyholders.

During the year 2018, SICCI obtained approval from Capital Market Authority and SAMA for further capital reduction to 18.03%. Accordingly, the Company’s investment in SICCI was proportionately reduced which resulted in recording losses in the income statement for the year 2018.

Investment in SICCI has been fully provided for being identified as impaired on account of the share trading being suspended by The Saudi Stock Exchange (Tadawul) since 12 November 2018.



2. Adoption of new and revised international financial reporting standards (IFRS)

2.1 New and Revised Standards that are effective for the current year

In the current year, the Company has adopted IFRS 16 Leases as issued by the IASB in January 2016. The Standard replaces the existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease

IFRS 16 results in lessees accounting for most leases within the scope of the Standard in a manner similar to the way in which finance leases are accounted for under IAS 17 Leases. The Standard requires lessees to recognize a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset is amortized over the length of the lease and the financial liability is measured at amortised cost. The requirements for lessor accounting remains substantially unchanged.

The Company's accounting policies for its leases are detailed in note 3.

The data of initial application of IFRS 16 for the Company is January 1, 2019. Upon adoption of IFRS 16, the Company has opted for the modified retrospective application permitted by the Standard.

Practical expedients used and impact of application of IFRS 16 Leases

During the first time application of IFRS 16 to operating leases, the company has used the following practical expedients:

- Use of single discount rate.
- Reliance on previous assessments on whether leases are onerous.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and accordingly, the comparative information is not restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The impact from the adoption of IFRS 16 as at January 1, 2019 has resulted in an increase in right-of-use assets relate to office premises at the Zamil Tower, Bahrain.

The off- balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognised lease liabilities as of January 1, 2019:

	BD	INR
Operating Lease Commitments disclosed as of December31,2018	54,120	9,943,717
Discounted using the Company's incremental borrowing rate at the date of initial application	46,265	8,500,481
Lease Liabilities recognized as at January 1,2019	46,265	8,500,481



	As previously reported	IFRS 16 adjustment s	January 1,2019	As previously reported	IFRS 16 adjustments	January 1,2019
	BD	BD	BD	INR	INR	INR
Right of use assets	-	46,265	46,265		8,500,481	8,500,481
Net impact on Total assets	-	46,265	46,265		8,500,481	8,500,481
Lease liabilities	-	46,265	46,265		8,500,481	8,500,481
Net impact on total liabilities	-	46,265	46,265		8,500,481	8,500,481
Net impact on retained earnings	-	-	-		-	-

The following table summarizes the impact on the statement of profit or loss and other comprehensive income for the year ended December 31, 2019

	As Reported	IFRS 16 Adjustments	Without adoption of IFRS 16	As Reported	IFRS 16 Adjustment s	Without adoption of IFRS 16
	BD	BD	BD	INR	INR	INR
General and administrative expenses	7,529,597	8,018	7,537,615	1,418,445,813	1,510,452	1,419,956,265
Depreciation of right of use assets	6,854	(6,854)	-	1,291,175	(1,291,175)	-
Interest expense on lease liability	2,103	(2,103)	-	396,169	(396,169)	-
	7,538,554	(939)	7,537,615	1,420,133,157	(176,892)	1,419,956,265

The following table summarizes the impact on the statement of cash flows for the year ended December 31, 2019:



	As Reported BD	Without adoption			Without adoption of	
		IFRS 16 Adjustments BD	of IFRS 16 BD	As Reported INR	IFRS 16 Adjustments INR	IFRS 16 INR
Depreciation of right of use assets	6,854	(6,854)	-	1,291,175	(1,291,175)	-
Interest on lease liabilities	2,103	(2,103)	-	396,169	(396,169)	-
Net Cash flows from operating activities	8,957	(8,957)		1,687,344	(1,687,344)	-
Payment of principal portion of lease liabil	8,018	(8,018)	-	1,510,452	(1,510,452)	-
Net cash used in financing activities	8018	(8,018)	-	1,510,452	(1,510,452)	-

2.2 New and revised IFRSs applied with no material effect on the financial statements

In the current year the Company has applied the following IFRS Standards and interpretations that are effective for an annual period that begins on or after January 1, 2019.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 9 Financial Instruments

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

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4 notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

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

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*: The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable



compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* to clarify the accounting for defined benefit plan amendments, curtailments and settlements.
- IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- the effect of changes in facts and circumstances.

2.3 New and revised IFRS in issue but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts

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

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

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

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



- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt new standards on the required effective date together with IFRS 9 (see above). The Company expects that the new standard will result in an important change to the accounting policies for insurance contracts liabilities of the Company and is likely to have significant impact on profit and total equity together with presentation and disclosure.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material (effective from January 1, 2020).

Amendments to IFRS 3 Business Combinations - Definition of a Business (effective from January 1, 2020).

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 (effective from January 1, 2020).

Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments.
Amendments regarding pre-replacement issues in the context of the IBOR reform (effective from January 1, 2020).

The Directors do not expect that the adoption of the above standards will have a material impact on the Company's financial statements in future periods except for the adoption of IFRS 9 and IFRS 17.

3. Significant Accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the applicable requirements of the Bahrain Commercial Law of 2001, and the Central Bank of Bahrain Insurance Regulations (as contained in Volume 3 of the CBB Rulebook).

3.2 Basis of preparation

The financial statements are prepared under the historical cost basis, except for certain financial instruments measured at fair value. The financial statements include the net assets and results of operations of the Company in the Kingdom of Bahrain, Kuwait and Qatar and its branches in Oman and the United Arab Emirates. All inter-branch transactions and balances are eliminated.

These financial statements are presented in Bahrain Dinars ("BD") being the functional currency of the Company.

3.3 Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

3.4 Fair value



Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes fair value measurement is categorized into Levels 1, 2 or 3 based on the degree to which the inputs to fair value measurement in its entirety, which are described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.



3.5 Insurance contract

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

**3.6 Revenue recognition
Insurance Contracts**

Life insurance premiums including Unit Link premiums are recognised as revenue when due from policyholders. Premiums receivable relate to the premium due in the month of October, November and December for which the normal grace period of three months have not expired and the previous instalments have been paid. Claim expenses are recorded on basis of notification received. Maturities and annuities payments are recorded when due to policyholders or beneficiaries. Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the profit or loss when incurred.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Other income

All other income is recognised on an accrual basis.

3.7 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognises that impairment loss in the profit or loss for the year.

3.8 Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the reporting date.

The reinsurers' portion towards the outstanding claims is classified as reinsurance contract assets in the financial statements.

3.9 Liability adequacy

At each reporting date the Company reviews the carrying amounts of its insurance liabilities carried out by the appointed actuary to ensure that its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the results for the year.



3.10 **Life insurance fund**

The life insurance fund is determined on a quarterly basis to provide sufficient funds in order to meet the current obligations of future liabilities. This fund is valued by an appointed actuary registered with the CBB.

3.11 **Claims payable**

Provision for claims payable is made for those policies where intimation of death is received as at the reporting date.

3.12 **Motor vehicles and furniture**

Motor vehicles and furniture are stated at cost less accumulated depreciation and any impairment in value. The costs of Motor vehicles and furniture are depreciated on a straight-line basis over the estimated useful lives, which are as follows:

Motor vehicles	5 years
Furniture and fixtures	1 - 4 years

The gain or loss arising on the disposal or retirement of an item of Motor vehicles and furniture is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

3.13 **Intangible asset**

Intangible asset comprising computer software is stated at cost less accumulated amortisation and any impairment in value. The amount paid for computer software amortized on straight line basis over their estimated useful life of 3 years.

3.14 **Impairment of tangible and intangible assets**

At the end of each reporting period, the Company reviews the carrying value of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses based on the net present value of future cash flows are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss previously been recognised. The reversal of the loss is recognised immediately in statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



3.15 **Financial instruments**

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.16 **Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' (HTM) investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At present financial assets of the Company consist of financial assets at FVTPL, held-to-maturity investments, AFS investments and receivables comprising accounts and other receivables, dues from related parties and cash and bank balances.

3.16.1 **Investment securities**

Investments are recognised and derecognised on trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at the fair value, plus transaction costs, except for those investments classified as at fair value through profit or loss, which are initially measured at fair value. Premiums and discounts on held to maturity investments are aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield of the investment. For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices on the relevant exchange at the close of the business on the reporting date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking.



A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'income from investments' line item in the statements of comprehensive income.

AFS investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) HTM investments or (c) financial assets at FVTPL.

Investments held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of "investments fair value reserve". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments fair value reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment.

3.16.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortised cost, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.



3.16.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For AFS a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When an AFS financial assets is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity investment, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

With respect to the AFS equity investments, impairment loss previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments fair value reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.16.4 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The difference between the carrying amount of the financial asset derecognised and the sum of the consideration received and receivable is recognised in profit or loss.

3.17 Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost, using the effective interest method, with interest expenses recognised on an effective yield basis.



3.18 Provisions

Provisions are recognised when the Company has a present obligation (legal and constructive) as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

3.19 Taxation and VAT

Income tax expense represents the sum of the tax currently payable on Saudi Arabian income and Zakat tax, Saudi Arabian withholding tax, Kuwait income tax and Oman income tax, calculated using tax rates applicable based on Saudi Arabian, Kuwait and Oman operations. Value Added Tax (VAT), will be charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person within the UAE and Bahrain jurisdictions. The Company is required to file its VAT returns and compute the payable tax and deposit the same within the prescribed due dates of filling VAT return and tax payment.

3.20 Provision for employees' end-of-service benefits

Provision is made for amounts payable under the Bahrain Labour Law applicable to employees' accumulated periods of service and latest entitlements to salaries and allowances. In UAE and Oman the end-of-service benefits are provided as per applicability of local laws.

3.21 Foreign currencies

Foreign currency transactions are recorded in Bahrain Dinars at the approximate rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated at the year-end rates of exchange. Exchange differences are reported as part of the results for the year.

For the purpose of presenting financial statements, the assets and liabilities of the Company's foreign operations (including comparatives) are presented in Bahraini Dinars using exchange rates prevailing at each reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3.22 Leases (effective from January 1,2019)

The Company at Lessee:

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect of all lease arrangements in which it is the lessee, except of short-term leases (lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on straight line basis over the term of the lease.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following where applicable:

Fixed Lease payments, less any lease incentives:



Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

Amount expected to payable by lessee under the Residual value guarantees

The exercise price of the purchase option, if the lessee is reasonably certain to exercise the options, and

Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest, method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurements of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated amortization (over the shorter period of lease term and useful life of underlying asset) and impairment losses.

The Company recognizes a provision when it incurs an obligation for costs to dismantle and remove a leased asset or restore the site on which it is located

Leases (prior to January 1, 2019)

The Company as lessee:

Finance leases, which transferred to company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the Fair value of leased asset or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between finance expenses and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expenses in the Statement of Profit and Loss and other comprehensive income on a straight-line basis over the lease term.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the entity's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management has made judgements, (apart from those involving estimations) which have a significant effect on the amounts recognised in the financial statements. These include the following:



Classification of investments

Management has to decide upon acquisition of an investment whether it should be classified as HTM, investments at FVTPL or AFS.

For those deemed to be HTM, the Company ensures that the requirement of IAS 39 are met and in particular the Company has the positive intention and ability to hold these to maturity.

The Company classifies investments as carried at fair value through profit or loss if they are acquired primarily for the purpose of short-term profit making or, upon initial recognition, they are designated as at fair value through profit or loss.

All other investments are classified as AFS.

Impairment of HTM investments

HTM investment carried at amortised cost, impairment is measured as the difference between the carrying amount of the investment securities and the present value of estimated cash flows discounted at the investment securities original effective interest rate. Losses are recognised in the statement of profit or loss and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of profit or loss.

The Company considers evidence of impairment for HTM carried at amortised cost at both a specific asset and collective level. All individually significant HTM investments are assessed for specific impairment. All individually significant HTM investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. HTM investments that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

Impairment of AFS equity investments

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Company also evaluates among other factors, normal volatility in the price of investments and the future cash flows and the discount factors for unquoted investments.

Key sources of estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. The determination of the liabilities under life insurance contracts is dependent on estimates made by the appointed actuary, which is reviewed by the Company.

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements.



The estimated number of deaths determines the value of the benefit payments and the value of the valuation of premiums. In order to ensure the adequacy of liability the actuary of the Company estimates the current obligation of future liabilities at each reporting date.

Note 20, Life Insurance Fund, presents the basis used for the estimate of life funds in order to meet the current obligations of future liabilities.

Impairment losses on loans and receivables

The Company reviews problem receivables on a regular basis to assess whether a provision for impairment should be recorded in profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management did not include the extension options in the lease terms on the basis that lease cannot be renewed without the consent of both parties.

5. Furniture and equipment

	Motor Vehicles	Furniture, fixtures and others	Total 2,019	Motor vehicles	Furniture, fixtures and others	Total 2,019
	BD	BD	BD	INR	INR	INR
Cost/ valuation						
At 1 January	36,500	31,533	68,033	6,706,313	5,793,703	12,500,016
Additions	-	1,364	1,364	-	256,954	256,954
Disposals	-	(2,201)	(2,201)	-	(414,630)	(414,630)
Translation Difference				617,438	523,147	1,140,585
At 31 December 2019	36,500	30,696	67,196	7,323,751	6,159,174	13,482,925
Accumulated depreciation						
At 1 January 2019	35,275	19,163	54,438	6,481,238	3,520,906	10,002,144
Charge for the year	1,125	4,859	5,984	206,701	915,352	1,127,282
Disposals	-	(2,109)	(2,109)	-	(397,299)	(397,299)
Translation Difference				615,746	357,900	973,646
At 31 December 2019	36,400	21,913	58,313	7,303,685	4,396,859	11,700,545
Net book value	100	8783	8883	20,066	1,762,315	1,782,380



6. Intangible asset

	2019	2019
	Software	Software
	BD	INR
Cost		
At 1 January 2019	548,057	100,697,034
Translation Difference		9,270,987
At 31 December 2019	<u>548,057</u>	<u>109,968,021</u>
Accumulated amortisation		
At 1 January 2019	514,979	94,619,461
Amortisation Expense	33,074	6,230,569
Translation Difference		15,347,756
At 31 December 2019	<u>548,053</u>	<u>109,967,217</u>
Carrying Amount	4	803

Notes to the financial statements for the year ended 31 December 2019

7. Leases

The Company only operates as a lessee.

7.1 Right-of-use assets

The recognized right-of-use assets relate to the Company's office premises at Zamil Tower in Kingdom of Bahrain, which are leased by the Company, for an average term of 5 years

	2019	2019
	BD	INR
Cost		
At 1 January 2019	46,265	8,500,481
Depreciation during the period	(6,854)	(1,291,175)
Translation Difference		698,539
At 31 December	<u>39,411</u>	<u>7,907,845</u>
Total cash outflow for leases		
At 31 December 2019	<u>8,018</u>	<u>1,510,452</u>

The following are the amounts recognized in the Statement of profit or Loss and other comprehensive income for the year ended December 31,2019



	2019	2019
	\$	INR
Depreciation of right of use assets	6,854	1,291,175
Interest on lease liabilities	2,103	396,169

At the reporting date, none of the property leases in which the Company is the lessee, contain variable lease payment terms.

7.2 Lease liabilities

	2,019	2,019
	BD	INR
At 1 January 2020	46,265	8,500,481
Accretion of interest	2,103	396,169
Payments	(8,018)	(1,510,452)
Translation Difference		710,058
At 31 December 2020	40,350	8,096,256

The maturity analysis of Lease liabilities as at 31 December 2019 is as follows:

	2019	2019
	BD	BD
Not later than 1 year	6,216	1,247,245
Later than 1 year and not later than 5 years	34,134	6,849,011
	40,350	8,096,256

8. Statutory deposits

	2019	2019
	BD	INR
Bank of Baroda, Dubai (8.1)	500,301	100,385,746
Oman Houshing Bank S.A.O.C. (8.2)	73,636	14,775,115
Nations Bank of Bahrain	53,539	10,742,638
Cental Bank of Bahrain (8.3)	50,000	10,032,535
Emirates NBD-dubai-Abu Dhabi (8.4)	5,650	1,133,676
National Bank of Dubai (8.1)	5,177	1,038,769
	688,303	138,108,479

8.1 The deposits placed in Dubai, U.A.E. are in accordance with the U.A.E. Federal Law No. 6 of 2007 concerning formation of Insurance Authority of U.A.E and are under lien to Insurance Authority of U.A.E.

8.2 The deposit placed in the Sultanate of Oman is in accordance with Royal Decree No. 12/79 promulgating and governing the insurance companies law in Oman and is under lien to Capital Market Authority of the Sultanate of Oman.



- 8.3 The cash deposit is placed with the Central Bank of Bahrain (the "CBB") as per section GR-7.1.2 of the General Requirement Module of the CBB Insurance Rulebook
- 8.4 The deposit placed with Emirates NBD is for Abu Dhabi operations.
- 8.5 Interest rates on above deposits range between 1% to 3% p.a.

9. Investments

	2019 BD	2019 INR
Held-to-maturity ("HTM")		
Quoted	430,836,271	86,447,599,362
Unquoted	14,528,167	2,915,086,878
Allowance for impairment	<u>(12,197,479)</u>	<u>(2,447,432,700)</u>
Total HTM investments (A)	433,166,959	86,915,253,540
Available-for sale ("AFS")		
Quoted	55,040,630	11,043,940,938
Unquoted	2,612,646	524,229,249
	<u>57,653,276</u>	<u>11,568,170,187</u>
Allowance for impairment	<u>(6,519,487)</u>	<u>(1,308,139,630)</u>
Total AFS investments (B)	51,133,789	10,260,030,557
Designated at fair value through profit or loss ("FVTPL")		
Quoted (C)	131,196,836	26,324,736,981
Total Investment Securities	615,497,584	123,502,027,078

The fair value of HTM investments as at 31 December 2019 was BD 478.87 Mn (INR 90,210,823,549).

(a) HTM Investments

As at the reporting date, HTM investments comprise of the following:

	2019 BD	2019 INR
Debt instruments		
Zero coupon bonds	12,603,041	2,528,808,999
Other bonds	432,761,397	86,833,877,241
	<u>445,364,438</u>	<u>89,362,686,240</u>
Allowance for impairment	<u>(12,197,479)</u>	<u>(2,447,432,700)</u>
At 31 December 2019	433,166,959	86,915,253,540

The movements in HTM investments are as follows:

	2019 BD	2019 INR
At 1 January 2019	474,966,006	87,267,689,126
Acquisitions	18,356,076	3,457,967,158
Disposals/redemptions	<u>(47,234,909)</u>	<u>(8,898,239,692)</u>
Capitalisation of interest (Note 12)	379,057	71,407,781
Amortisation of discount (Note 12)	<u>(1,101,792)</u>	<u>(207,558,552)</u>
Translation difference		7,671,420,419
At 31 December 2019	445,364,438	89,362,686,240



The movement in allowance for impairment of HTM is detailed below:

	2019 BD	2019 INR
At 1 January 2019	(11,636,158)	(2,137,964,836)
Charge for the year (Note 30)	(561,321)	(105,743,166)
Translation difference		(203,724,698)
	<u>(12,197,479)</u>	<u>(2,447,432,700)</u>
At 31 December 2019		

HTM Investments include BD 9.19 Mn (INR 1,843,979,933) under lien to Capital Market Authority of Sultanate of Oman.

(b) AFS investments

As at the reporting date, AFS investments comprise of the following:

	2019 BD	2019 INR
Quoted investments		
Debt instruments		
Government bonds	389,193	78,091,848
Mutual funds	20,658,784	4,145,199,471
Other bonds	9,948,889	1,996,251,542
	<u>30,996,866</u>	<u>6,219,542,861</u>
Equity investments	24,043,764	4,824,398,077
	<u>55,040,630</u>	<u>11,043,940,938</u>
Unquoted investments		
Equity instruments	2,612,646	524,229,249
Total AFS investments	<u>57,653,276</u>	<u>11,568,170,187</u>
Allowance for impairment	(6,519,487)	(1,308,139,630)
	<u>51,133,789</u>	<u>10,260,030,557</u>

Unquoted equity instruments amounting to BD 2.61 Mn (INR 523.698.327) are carried at cost as their fair values cannot be reliably measured.

The movement in AFS investments is detailed below:

	2019 BD	2019 INR
At 1 January 2019	68,244,604	12,538,895,018
Foreign exchange fluctuation	4,433	835,101
Acquisitions	8,202,735	1,545,253,367
Disposals/redemptions	(30,387,060)	(5,724,396,408)
Increase in fair value	11,588,564	2,183,084,975
Translation difference		1,024,498,134
	<u>57,653,276</u>	<u>11,568,170,187</u>
At 31 December 2019		

The movement in allowance for impairment of AFS investments is detailed below:



	2019 BD	2019 INR
At 1 January 2019	(2,709,551)	(497,838,269)
Charge for the year (Note 30)	(3,809,936)	(717,726,030)
Translation difference		(92,575,331)
At 31 December 2019	(6,519,487)	(1,308,139,630)

(c) Investments at FVTPL

As at the reporting date, investments at FVTPL comprise of the following:

	2019 BD	2019 INR
Quoted		
Debt instruments		
Government bonds	60,911,148	12,221,864,484
Other bonds	70,285,688	14,102,872,497
	131,196,836	26,324,736,981

The movement in financial assets at FVTPL is detailed below:

	2019 BD	2019 INR
At 1 January 2019	133,117,515	24,458,293,372
Acquisitions	33,748,884	6,357,705,890
Disposals/redemptions	(47,715,492)	(8,988,773,215)
Increase in fair value	12,045,929	2,269,244,629
Translation difference		2,228,266,305
At 31 December 2019	131,196,836	26,324,736,981

10. Term deposits with banks

	2019 BD	2019 INR
Deposits with maturities less than three months	65,187,392	13,079,895,836
Deposits with maturities more than three months	76,140,691	15,277,682,948
	141,328,083	28,357,578,784

Term deposits with banks carry interest between 1% to 4.75% per annum with different contractual maturities.

Term deposits include deposits of BD Nil with State Bank of India, Oman as cash margin against guarantees issued by the Bank: and deposits of BD 6.71Mn (INR 1,346,366,197) under lien to Capital Market Authority of the Sultanate of Oman.



11. Premiums receivable

	2019 BD	2019 INR
Premiums receivable	1,649,171	330,907,316

Insurance receivable are recorded to the extent of the month of October, November and December 2019 and there are no past due receivables. No collateral has been obtained in respect of these receivables.

	Neither past due nor impaired Less than 90 days	
	2019 BD	2019 INR
<u>Premium receivable aging analysis</u>		
Receivables:		
Policyholders	1,649,171	330,907,316

12. Accrued interest income

	2019 BD	2019 INR
Accrued investment income	8,642,060	1,734,035,388
Outstanding policy loan interest income	1,300,974	261,041,344
	<u>9,943,034</u>	<u>1,995,076,732</u>

The movement in accrued interest income is as follows:

	2019 BD	2019 INR
At 1 January 2019	9,613,909	1,766,407,725
Interest income for the year (note 28)	31,725,215	5,976,481,660
Capitalisation of interest (note 9 (a))	(379,057)	(71,407,781)
Amortisation of discount (note 9 (a))	1,101,792	207,558,552
Received during the year	(32,118,825)	(6,050,630,974)
Translation difference		166,667,550
At 31 December 2019	<u>9,943,034</u>	<u>1,995,076,732</u>

13. Other Asset

	2019 BD	2019 INR
Loan receivable from International Precious Metal Refiners ("IPMR") (note 13.1)	973,113	195,255,805
Allowance for loan receivable	(973,113)	(195,255,805)
Other receivables	69,712	13,987,761
Due from investment custodian	74,847	15,018,103
Prepayments	24,237	4,863,171
	<u>168,796</u>	<u>33,869,035</u>

13.1 A loan receivable amounting to BD1,512 Mn (INR 303 Mn) from International Precious Metal Refiners ("IPMR") was to be settled in three installments until September 2013 as per the original agreement. During 2013, the Company rescheduled this loan to be received in six equal installments of BD 0.189 Mn (INR 38 Mn) each from 31 December 2013 to 31 December 2018 and the final installment of BD0.378 Mn (INR 75 Mn) on 31 December 2019. As collateral security, IPMR obtained three insurance policies amounting to BD0.161 Mn (INR 32 Mn) on the lives of the promoters & stakeholder partners and absolutely assigned the policies to LIC (International).

IPMR paid two installments each of BD0.189 Mn (INR 38 Mn) (USD0.5 Mn) due in Dec 2013 & Dec 2014; the installment of BD0.189 Mn (INR 38 Mn) due in year 2015 was partially filled from the maturity proceeds of the three assigned policies amounting to BD0.161 Mn (INR 32Mn) (USD0.426 Mn).

The provision held against the loan sanctioned to IPMR amounts to BD0.973 Mn (INR 195 Mn) (2018: BD0.973 Mn). The Company has initiated legal action against IPMR, its promoters and shareholders in the court of Abu Dhabi to recover outstanding dues including legal cost and damages.

IPMR has filed a Grievance case against LIC (International) based on fake & forged documents. The Company has filed a Criminal case against the involved parties in IPMR which was under investigation with the Public Prosecutor, Abu Dhabi, UAE.

14. Policy loans

	2019 BD	2019 INR
Policy loans	6,429,903	1,290,164,538

Policy loans carry interest rate of 8% (2018: 8%) per annum and have varied maturities. There were no past due or impaired balances as at the reporting date.

15. Bank balances and cash

	2019 BD	2019 INR
Cash in hand	704,141	141,286,384
Current accounts with conventional banks	8,231,380	1,651,632,159
Current accounts with investment banks	27,297,381	5,477,238,606
	<u>36,232,902</u>	<u>7,270,157,149</u>

As at December 31, 2019, term Deposits amounting to BD 65.19 MN (INR 13,080.42 MN) were classified as Cash and cash equivalents (refer Note 10)

16. Share capital

The authorised share capital of the Company consists of 200,000 ordinary shares of BD100 each which have been issued and fully paid and contributed as follows:

	Number of shares	%	Amount BD	Amount INR
Life Insurance Corporation of India	197,800	98.9	19,780,000	1,150,724,282
The International Agencies Company Limited, Bahrain	2,200	1.1	220,000	12,798,753
	200,000	100	20,000,000	1,163,523,035

17. Statutory reserve

As required by the Company's Articles of Association, 10% of the profit for the year should be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not available for distribution, except in circumstances stipulated in the Bahrain Commercial Companies Law. During the year, company has not transferred to the Statutory Reserve due to Net Loss.

18. Contingency fund reserve

As per Article 20 of the Oman Insurance Companies Law 1979 and article 10 (bis) (3) (b) to the executive by-law issued by Capital Market Authority (CMA) vide administrative decision no.19/2007 dated 4 June 2007, an amount equal to 1% of the net premiums for the year is to be transferred to a contingency reserve. The fund is not available for distribution, without prior approval of the CMA. Accordingly, 1% of the net premium for the year of the Company's branch in Oman was transferred to this reserve. During the year, the Company has transferred BD 15,121 (INR 2,848,535) to the contingency fund reserve.

19. Proposed dividend

No dividend is proposed for the year 2019.



Notes to the financial statements for the year ended 31 December 2020

20. Life insurance fund

The movement in the life insurance fund during the year was as follows:

	2019 BD	2019 INR
At 1 January 2019	73,70,18,862	1,35,41,58,65,802
(Reversal) Provided during the year	2,00,17,754	3,77,09,98,546
Actuarial reserve transferred to Life Insurance Corporation of India	-8,46,512	-15,94,68,216
Translation difference		12,70,26,77,569
At 31 December 2019	75,61,90,104	1,51,73,00,73,701

The Company's actuary M/S K.A. life insurance fund in the amount of BD 680,587,843 (INR 131,975,919,340) as of 31 December 2020 has been calculated based on an actuarial report prepared by a CBB-registered actuary.

Method:

- The method of valuation employed is a prospective Gross Premium Valuation.
- The amount of long term liabilities have been determined separately for each contract using a prospective calculation by projecting cash flows on a monthly basis till the end of the term of the policy
- For each product, the cash flows considered are: Premium Income, expenses (Including commission), death outgo and survival outgo (if applicable).
- The contractual benefit under each product have been modeled in accordance with the product specification for each plan.
- For product with guaranteed additions, the guaranteed addition vested as on the date of valuation and expected present value of future guaranteed benefits have been considered as a part of liability
- For participating products sum assured and vested bonuses as on the valuation date have been considered as part of liability. Allowance is made for future revisionary bonus only for Oman branch of the Company assuming the future bonus rates to be the same as the current rates to be the same as the current rates declared. No future bonus is considered for reduced paid up policies.
- A provision equivalent to 82.50% for Oman branch and 50% for all other branches of the reserve for lapsed policies is made towards revival of lapsed policies based on expected revival percentage.
- Re-insurance credit is allowed in the liabilities as per the reinsurance treaty.
- For unit linked products, the liabilities consist of the unit and non-unit reserves. Unit reserve is the Fund value. There is no reinsurance credit on unit linked liabilities.
- The non-unit reserve is calculated using the cash flow approach as mentioned above.
- Negative reserve, if any, are zeroed and thus no policy is treated as an asset.



- For policies under one year renewable group term products, unearned premium reserve (UPR) method using 1/365th method has been used for valuing liabilities.
- Allowance for future lapses and surrenders is not provided in the projected cash flow as a prudent measure.
- A provision has been made to support the cost of bonus declared as the date of valuation and same is subject to the approval of the Board.
- Reserve for the option rider are computed using gross premium methodology.

Year	Rate of Interest Assumption		
	Assurances	Personal pension	Deferred Annuity
2013	4.50%	4.50%	4.50%
2014	4.50%	4.50%	4.50%
2015	4.50%	4.50%	4.50%
2016	4.50%	4.50%	4.50%
2017	4.50%	4.50%	4.50%
2018	4.40%	4.40%	4.40%
2019	4.40%/4.20%/3.90%*	4.40%/4.20%/3.90%*	4.40%/4.20%/3.90%*

The valuation rate of interest for all the branches except UAE branch is maintained at the same level as valuation rate for previous year i.e. 4.40%. For UAE branch, the valuation rate of interest is 4.2% for first five years and 3.90% thereafter.

The following table shows mortality assumption for valuing liabilities

	Mortality Assumption
Assurances	85% of IALM (2006-08) Ultimate
Annuities:	
Death benefits	85% of IALM (2006-08) Ultimate
Annuity benefits	75% of LIC (1996-98) Ultimate rated down by 3 years

The mortality assumption of 85% of Indian Assured Lives Mortality ("IALM") (2006-08) Ultimate for Assurances and Death benefits and 75% of LIC (1996-98) Ultimate rated down by 3 years for Annuity benefits, used in the valuation of liabilities as of the reporting date is consistent with the assumptions used in the valuation as on December 31, 2018.

Expenses are equal to a certain percentage of office premiums as given in the table below. The expense assumption up to the third year is inclusive of commission as the commission on premium is paid only for the first 3 policy years. The expenses assumption from the 4th policy year onwards relates to the all expenses except commission.

Plan:	2nd and 3rd years	4th Year Onwards
Regular Premium and Limited Premium Payment Policies		
201, Cash Back Plans, 206, 207, 208, 2019, 210, Cash back with added Cover, 215, 218, 224, 225, 227, 228, 241	30%	3%
202	25%	3%
219, 220, 223, 239	20%	3%
243	7%	3%



230, 233, 235 (ULIPs)	NA	NA
Plan:	2nd Year Onwards	
Single Premium and Paid-up Policies		
201, 202, Cash Back Plans, 206, 207, 208, 209, 210, Cash back with added Cover, 215, 218, 219, 220, 221, 223, 224, 225, 227, 228, 232, 236, 239, 240, 241, 242, 243	0.05%	
230, 233, 235 (ULIPs)	NA	

The expense assumption for plans 244, 245, 246 and 247 are as follows:

Commission: Assumed actual payable rates

Premium related expenses (as percentage of premium):

Plan	1st year	2nd year onwards
244	5%	1.5%
245	0.08% of Single premium	0.08% of Single premium
246	0.08% of Single premium	0.08% of Single premium
247	0.08% of Single premium	0.08% of Single premium

Fixed expenses (Per Policy-in BD)

Plan	All Years
244	14
245	15
246	15
247	15

Sum Assured related expenses (as Percentage of sum assured):

Plan	1st year	2nd year onwards
244	0.013%	0.013%
245	Nil	Nil
246	Nil	Nil
247	Nil	Nil

21. Related parties

Related parties as defined in International Accounting Standard 24 include shareholders and key management personnel of the Company and their close family members and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions with related parties are approved by the Company's management.

The Company's Shareholders, Life Insurance Corporation of India ("LIC"), and the International Agencies Company Limited ("Intercol") provide administration, technical assistance and other services to the Company for which they are entitled to fees at agreed terms.



The technical assistance fee, a provision has been made amounted to BD NIL (Note 32) to LIC of India for the year ended December 31 2019.

The administration and technical expenses to Intercol for the year ended 31December 2019 amounted to 479,595 (INR 90,347,401).

The commission on first year and second year premium paid to related parties are as follows:

	2019 BD	2019 INR
The International Agencies Company Limited	732,422	137,975,634

21(a) Due to related parties:

	2019 BD	2019 INR
Transfer Value of Policies – LIC India	211,139	42,365,188
	<u>211,139</u>	<u>42,365,188</u>

*During 2019, annual maintenance charges related to e-life software of BD 28,350 (INR 5340649) paid to LIC India for 1 year period (October 2019 to September 2020) i.e. BD 21,263 (INR 4005581) are prepaid for the year 2020.

Notes to the financial statements for the year ended 31 December 2020

21 (c) Compensation of key management personnel

Remuneration to the CEO & Managing Director and other members of key management during the year was as follows:

	2019 BD	2019 INR
Short term benefits	246,699	46,473,824

The above compensation was in the form of salaries, allowances and bonuses.

21(d) Cost of Software (E-life) to related party

The Company has implemented e-life data software with effect from July 1, 2016 at cost of BD 189,000 (INR 37,922,982). The cost of software is charged by Life Insurance Corporation of India (“LIC”) to the Company. As per payment agreement an amount of BD 94,500 (INR 18,961.491) was paid during 2016 and balance amount of BD 94,500 (INR 18,961.491) was paid during the year 2018.

22. Zakat and Tax provision

22. Zakat and Tax provision

	Saudi Tax and Zakat	Kuwait Tax	2019 Total	Saudi Tax and Zakat	Kuwait Tax	2019 Total
	BD	BD	BD	INR	INR	INR
At 1 January	134,949	15,000	149,949	24,794,801	2,756,019	27,550,820
Tax expense	0	69,537	69,537	-	13,099,568	13,099,568
Translation difference				2,282,810	1,106,821	3,389,632
At 31 December	134,949	84,537	219,486	27,077,611	16,962,408	44,040,020

The Director of Income Tax ("DIT") in the State of Kuwait has finalised the Company's tax declarations in respect of the Company's Kuwait operations up to the year 2012. Provisions have been made in respect of year 2013 and 2014 as per tax demands issued by the Kuwait Taxation Authorities (Note 35 a).

In respect of earlier operation in Saudi Arabia, the Company did not receive any new tax assessment from year 2009 as of the approval date of this audited financial statement. The provision of BD 134,949 (INR 27,077,611) was provided in the year 2010.

The Company's Oman Branch tax assessment has not been completed by the Oman tax authority since 2017. The Company's management is of the opinion that the additional taxes, if any, that may become payable on finalisation of the said would not be significant to the Company. Therefore, no provision for such additional tax liability has been made in the financial statements.

23. Reinsurance contracts and receivable liabilities

The Company's panel of reinsurers to whom business is ceded comprises Swiss Re, Hannover Re and Munich Reinsurance Company. Under the reinsurance treaty, the Company is compensated for losses on insurance contracts issued. As per the reinsurance treaty, the retention limit depends on Sum Assured, Age of LA and whether the life is standard or substandard. The maximum Sum Assured retained by the Company is USD 100,000. As per reinsurance treaty, the reinsurance is provided for age groups from 7 years to 99 years for death benefit, 18 years to 70 years for accidental benefit and from 18 years to 60 years for Critical Illness Rider. These reinsurance arrangements protect the Company from high risk insurance contracts.

	2019 BD	2019 INR
Reinsurance contracts receivable		
Swiss Reinsurance Company	46,020	9,233,945

Reinsurance contracts liabilities

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due Movement in reinsurance liabilities is as follows:

	Swiss Re, Hannover Re and Munich Re	
	2019 BD	2019 INR
At 1 January 2019	383,627	70,485,553
Reinsurance ceded	180,283	33,962,198
Paid during the year	(263,858)	(49,706,282)
Reversal during the year	0	-
Translation difference		5,464,175
At 31 December 2019	300,052	60,205,644



	claim BD	Claims BD	claims BD	claims BD	Surrenders BD	Total BD
At 1 January 2019	2,767,285	85,585	499,132	-	-	3,352,002
Claims provided during the year	133,205,464	325,377	4,673,779	27,585	1,940,127	140,172,332
Claims paid	(133,046,024)	(410,962)	(4,556,769)	(27,585)	(1,940,127)	(139,981,467)
At 31 December 2019	2,926,725	-	616,142	-	-	3,542,867

24. Claims payable

	Maturity claim INR	Death Claims INR	Survival claims INR	Disability claims INR	Surrenders INR	2019 Total INR
At 1 January	51,843,978	1,603,401	9,351,038	-	-	62,798,417
Claims provided during the year	25,093,604,963	61,295,398	880,459,107	5,196,537	365,486,363	26,406,042,367
Claims paid	(25,063,569,225)	(77,418,131)	(858,416,447)	(5,196,537)	(365,486,363)	(26,370,086,703)
Translation difference	505,369,704	14,519,332	92,235,626	-	-	612,124,663
At 31 December	587,249,420	-	123,629,324	-	-	710,878,744

25. Other liabilities

	2019 BD	2019 INR
Discounted premium	1,973,566	395,997,399
Proposal deposits	934,347	187,477,380
Accounts payable	590,640	118,512,329
Policy deposits	367,520	73,743,145
Accrued expenses and provisions	346,111	69,447,415
VAT payable	1,407	282,316
	4,213,591	845,459,984

26. Premiums

26.1 First year

First year premium represents, a new business premium pertaining for the first year of life insurance contract under conventional policies and where the premium is not a single premium.

26.2 Renewal

Renewal premium represents, premium pertaining to other than first year of life insurance contract under conventional policies and where the premium is not a single premium.

26.3 Single premium

Single premium represents a new business lump sum premium paid at the time of entering into life insurance contract under conventional policies and where the premiums are not payable subsequently.

26.4 Unit link premium

ULIP premium represents all types of premiums pertaining to life insurance contracts under Unit Linked Insurance Policies.

27. Discount on commutation of premium

This represents discount on commutation of premium to the policyholders who had commuted the premium for the full policy period. The Company provides 3.5% (2019: 3.5%) per annum discount on future cash flows.

28. Realised income from investments

	2019 BD	2019 INR
Interest income (note 12)	31,725,215	5,976,481,660
Gain on disposal of investments	1,544,420	290,942,010
Dividends income	496,348	93,503,376
	<u>33,765,983</u>	<u>6,360,927,046</u>

29. Claims incurred

	2019 BD	2019 INR
Maturities	133,029,564	25,060,468,446
Survival benefits	4,701,364	885,655,644
Surrenders	1,438,247	270,940,853
ULIP claim	501,881	94,545,698
Death Claim	325,377	61,295,398
Annuities paid	175,899	33,136,329
	<u>140,172,332</u>	<u>26,406,042,367</u>

30. Impairment loss recognized on investments, net

	2019 BD	2019 INR
HTM investments (note 9 (a))	3,809,936	717,726,030
AFS investments (note 9 (b))	561,321	105,743,166
	<u>4,371,257</u>	<u>823,469,196</u>

31. Other income

	2019 BD	2019 INR
Interest on policy loans	613,226	115,521,170
Interest on premiums	95,315	17,955,697
ULIP charges	26,806	5,049,787
Others	121,446	22,878,325
	<u>856,793</u>	<u>161,404,979</u>



32. General and administrative expenses

	2019 BD	2019 INR
Commission	5,374,107	1,012,388,787
Compensation	1,143,095	215,339,322
Staff costs	523,980	98,708,767
Administrative expenses	429,657	80,939,946
Legal and consultancy expenses	58,758	11,068,991
Technical assistance fees – LIC India	0	0
	<u>7,529,597</u>	<u>1,418,445,813</u>

33. Financial instruments and risk management

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company consist of bank balances and cash, fixed deposits, premium receivable, due from related parties, accrued income, policy loans and investments.

Financial liabilities of the Company consist of payables and accrued liabilities (to policyholders, insurance and reinsurance companies and other parties) and due to related parties.

Accounting policies for financial assets and financial liabilities are set out in note 3.

The risk associated with financial instruments and the Company's approach to managing such risks are described as follows:

33.1 Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net of bank balances and cash (note 15) and equity comprising issued capital, reserves (including investments fair value reserve) and retained earnings.

The issued share capital which is classified as a part of tier 1 capital is above minimum tier 1 capital requirement of BD 5 Mn (INR 1003 Mn) as per section CA – 1.2.1 of CBB rulebook volume 3.

The required margin of solvency as calculated by the Actuary as per section CA-2 is BD30.62 Mn (INR 6,144 Mn) whereas the capital available calculated as per section CA-1.2.21 and CA-1.2.22 is BD 40.22 Mn (INR 8,070 Mn) which is 1.31 times (2018: 1.20 times) of required margin of solvency.

33.2 Categories of financial instruments



The summary of financial assets and financial liabilities are as follows:

	2019 BD	2019 INR
Financial assets		
Receivables at amortised cost (including bank balances and cash)	196,461,975	39,420,232,807
HTM investments (Note 9a)	433,166,959	86,915,253,540
AFS investments (Note 9b)	51,133,789	10,260,030,557
Investments at FVTPL (Note 9c)	131,196,836	26,324,736,981
	<u>811,959,559</u>	<u>162,920,253,885</u>
Financial liabilities		
Amortised cost	8,267,649	1,658,909,559

33.3 Insurance risk management

Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer.

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 nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability over the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and age group. Underwriting limits are in place to enforce appropriate risk selection criteria.

33.4 Reinsurance risk management

Reinsurance risk is the risk, other than financial risk, transferred insurance contract issued by one insurer to compensate another insurer for one or more contracts issued by the cedant.

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

Reinsurance contracts ceded do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. To minimize its exposure to significant losses from reinsurer insolvencies the Company obtains



reinsurance through financially sound reinsurers, being Swiss Reinsurance Company, Munich Re and Hannover Re as explained in Note 23.

33.5 Claim development

Claim year	2016	2017	2018	2019	Total
	BD	BD	BD	BD	BD
At the end of the accident year	3,076,329	3,596,694	3,352,002	3,542,867	13,567,892
Current estimate of cumulative claims	3,076,329	3,596,694	3,352,002	3,542,867	13,567,892
Cumulative payments to date	(3,076,329)	(3,596,694)	(3,352,002)	0	(10,025,025)
Liability recognised in the statement of financial position		-	-	3542867	3,542,867

Claim year	2016	2017	2018	2019	Total
	INR	INR	INR	INR	INR
At the end of the accident year	529,894,594	622,182,384	615,878,747	710,878,744	2,478,834,469
Current estimate of cumulative claims	529,894,594	622,182,384	615,878,747	710,878,744	2,478,834,469
Cumulative payments to date	(529,894,594)	(622,182,384)	(615,878,747)	0	(1,767,955,725)
Liability recognised in the statement of financial position	0	-	-	710,878,744	710,878,744

33.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments foreign currency denominated financial instruments and interest bearing financial instruments.

33.6 (l) Fair value risk management

Fair value risk is the risk that the fair values of investment securities decrease as the result of changes in the levels of individual prices. Price risk arises from the change in fair values of investment securities.

The Company is exposed to fair value risks arising from investment securities. Investment securities are held for strategic rather than trading purposes. The Company does not actively trade in these investment securities.

Fair value sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period. If prices had been 5% higher/lower:

- Loss for the year ended 31 December 2019 would increase/decrease by BD6.56 Mn (INR 1,316 Mn) (2018: increase/decrease by BD6.66 Mn) as a result of the changes in fair value of investment at FVTPL.
- Other comprehensive income and investments fair value reserve would increase/decrease by BD2.43 Mn (INR 487 Mn) (2018: increase/decrease by BD 3.14 Mn) as a result of the changes in fair value of AFS investments.

The Company limits price risk by maintaining a well-diversified portfolio and by continuous monitoring of pertinent developments in international equity and bond markets.

33.6 (II) **Currency risk management**

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

The Company's financial assets and financial liabilities are denominated in Bahraini Dinars, United States Dollars, United Arab Emirates Dirhams, Saudi Arabian Riyals, Omani Riyals, Qatari Riyals, Kuwaiti Dinars and Indian Rupees. As the Bahraini Dinar, United Arab Emirates Dirham, Omani Riyal, Qatari Riyal and Saudi Arabian Riyal are effectively pegged to the United States Dollar, balances in the United States Dollars, United Arab Emirates Dirhams, Oman Riyals, Qatari Riyal and Saudi Arabian Riyals are not considered to represent a significant currency risk. However, balances denominated in Indian Rupees and Kuwaiti Dinars are exposed to movements in exchange rate.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2019 BD	2019 INR	2019 BD	2019 INR
United States Dollars	783,649,039	157,239,728,230	7,375,550	1,479,909,270
Indian Rupees	5,399,191	1,083,351,454	-	-
Saudi Riyals	44,315	8,891,836	143,793	28,852,166
Oman Riyals	15,725,634	3,155,359,470	20,627	4,138,822
United Arab Emirates -Dirhams	3,754,651	753,373,351	546,132	109,581,768
Kuwaiti Dinars	1,293,811	259,604,083	1,191	238,975
Qatari Riyals	907,220	182,034,328	680	136,442
	810,773,861	162,682,342,752	8,403,753	1,686,218,923

Foreign currency sensitivity analysis

The Company is mainly exposed to currency risk with respect to the Indian Rupee and Kuwaiti Dinar.

The following table details the Company's sensitivity to a 10% increase in the Indian Rupee and Kuwaiti Dinar against the Bahraini Dinar considered separately. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit (and a negative number indicates a decrease in profit) where the Indian Rupee and Kuwaiti Dinar strengthens 10% against the Bahraini Dinar. For a 10% weakening of the Indian Rupee and Kuwaiti Dinar against the Bahraini Dinar, there would be an equal and opposite impact on the profit.



	2019 BD	2019 INR
Impact on:		
Indian Rupee (a)	(539,919)	(101,711,399)
Kuwaiti Dinar (b)	(129,262)	(24,350,725)

- (a) This is mainly attributable to the exposure outstanding on Indian Rupee receivables at year end in the Company.
- (b) This is mainly attributable to the net exposure outstanding on Kuwaiti Dinar at year end in the Company.

33.6 (III) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's fixed deposits are at fixed interest rates with variable maturity periods (note 8). Investments in bonds are at fixed and floating interest rates and include both government and other bonds. The Company holds most of these bonds to maturity and the accounting policy for held-to-maturity investments are set out in note 3.16.1. Thus repricing, in respect of fixed rate financial instruments, only occurs when funds are being reinvested on maturity of a deposit or bond.

33.7 Credit risk management

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.

The Company manages credit risk with respect to receivables from policyholders by monitoring in accordance with defined policies and procedures. Credit risk with respect to reinsurance companies is not considered to be significant.

Insurance receivables are recorded to the extent of the month of October, November and December 2020, and there are no past due receivables. No collateral has been obtained in respect of these receivables.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities or customers. The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings.

The carrying value of financial assets at the reporting date represents the Company's maximum exposure to credit risk on financial assets.

33.8 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk can be caused by market disruptions or credit down grades, which may cause certain sources of funding to dry up immediately.



To mitigate the risk, management ensures it has access to diversified funding sources and assets are managed with liquidity in mind, thereby maintaining a healthy balance of cash and cash equivalents to meet any unexpected liquidity needs. The management of the Company also manages the maturities of the Company's financial assets and financial liabilities in such a way as to be able to maintain an adequate liquidity ratio.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest (where applicable) and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	BD	BD	BD	BD	BD
2019						
Non-interest bearing	-	5,438,903	563,775	1,506,077	758,894	8,267,649

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	INR	INR	INR	INR	INR
2019						
Non-interest bearing	-	1,091,319,694	113,121,848	302,195,404	152,272,612	1,658,909,558

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the non-derivative financial assets including interest (where applicable) that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	BD	BD	BD	BD	BD	BD
2019							
Non-interest earning	-	37,882,073	10,087,594	46,020	36,486,816	0	84,502,503
Variable interest rate instruments	2.58%	35,730,631	29,932,647	75,306,916	3,924,380	70,462	144,965,036
Fixed interest rate Instruments	5.04%	5,664,925	4,069,676	26,179,563	176,560,143	685,542,936	898,017,243
		79,277,629	44,089,917	101,532,499	216,971,339	685,613,398	1,127,484,782



	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	INR	INR	INR	INR	INR	INR
2020							
Non-interest earning	-	7,601,064,465	2,024,082,797	9,233,945	7,321,105,171	0	16,955,486,378
Variable interest rate instruments	2.58%	7,169,376,122	6,006,006,573	15,110,385,41	787,429,594	14,138,250	29,087,335,949
Fixed interest rate Instruments	5.04%	1,136,671,167	816,583,338	5,252,947,642	35,426,916,285	137,554,669,988	180,187,788,420
		15,907,111,754	8,846,672,708	20,372,566,997	43,535,451,050	137,568,808,238	226,230,610,747

33.9 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair value estimates.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined by using prices from observable current market transactions and dealer quotes for similar instruments.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values, except in the case of certain held-to-maturity investments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2019		
	Level 1 BD	Level 2 BD	Total BD
Investments designated at FVTPL (Note 9c)	131,196,836	-	131,196,836
AFS financial assets (Note 9b)	39,277,459	9,243,684	48,521,143
	170,474,295	9,243,684	179,717,979

	2019		
	Level 1 INR	Level 2 INR	Total INR
Investments designated at FVTPL (Note 9c)	26,324,736,981	-	26,324,736,981
AFS financial assets (Note 9b)	7,881,049,643	1,854,751,665	9,735,801,308
	34,205,786,624	1,854,751,665	36,060,538,289

There are no financial liabilities at FVTPL at the reporting date.



Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information on how the fair values of these financial assets are determined.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	2019 BD	2019 INR		
Designated at FVTPL				Quoted bid prices in an active market
Manufacturing industry	3,940,919	790,748,156	Level 1	
Banking industry	48,113,751	9,654,057,818	Level 1	
Oil and gas industry	3,670,791	736,546,784	Level 1	
Government sector	60,911,147	12,221,864,283	Level 1	
Real estate industry	3,258,556	653,831,542	Level 1	
Others	11,301,672	2,267,688,398	Level 1	
	131,196,836	26,324,736,981		



Notes to the financial statements for the year ended 31 December 2020

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	2019 BD	2019 INR		
AFS investments				
				Quoted bid prices in an active market
- Manufacturing	7,752,281	1,555,500,609	Level 1	
- Banking industry	7,832,480	1,571,592,595	Level 1	
- Oil and gas industry	635,427	127,498,872	Level 1	
- Government sector	389,193	78,091,848	Level 1	
- Real estate	362,333	72,702,370	Level 1	
- Others	22,305,745	4,475,663,348	Level 1	
AFS Level 1	39,277,459	7,881,049,642		
AFS investments				
				Net Asset Value reports as at 31 December
- Banking industry	45,455	9,120,578	Level 2	
- Others	9,198,229	1,845,631,088	Level 2	
AFS Level 2	9,243,684	1,854,751,666		
	48,521,143	9,735,801,308		
HTM instruments measured at amortised cost				
				Quoted bid prices in an active market
- Manufacturing	59,289,291	11,896,437,742	Level 1	
- Banking industry	98,109,998	19,685,839,776	Level 1	
- Real estate industry	10,305,008	2,067,707,069	Level 1	
- Oil and gas industry	62,765,439	12,593,929,271	Level 1	
- Government sector	113,618,459	22,797,623,331	Level 1	
- Others	129,118,855	25,907,788,639	Level 1	
	473,207,050	94,949,325,828		

Fair value of financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The fair values of financial assets carried at amortised cost are as follows:

	Fair value hierarchy	2019		2019	
		Carrying value BD	Fair value BD	Carrying value INR	Fair value INR
HTM investments	Level 1	430,836,271	473,207,050	86,447,599,362	94,949,325,827
HTM investments	Level 2	14,528,167	5,664,876	2,915,086,878	1,136,661,335



34. Geographical concentration of investments

34.1 HTM investments

	2019 BD	2019 INR
BRICS countries	93,666,711	18,794,291,129
Developed countries	124,970,971	25,075,512,811
Other countries	214,529,277	43,045,449,600
	433,166,959	86,915,253,540

34.2 AFS investments

	2019 BD	2019 INR
BRICS countries	7,834,678	1,572,033,625
Developed countries	30,221,057	6,063,876,242
Other countries	13,078,054	2,624,120,690
	51,133,789	10,260,030,557

34.3 Designated at FVTPL

	2019 BD	2019 INR
BRICS countries	19,354,566	3,883,507,216
Developed countries	11,403,758	2,288,172,025
Other countries	100,438,512	20,153,057,740
	131,196,836	26,324,736,981

35. Contingencies and commitments

35.1 Taxation

The Director of Income Tax ("DIT") in Kuwait had finalised the Company's tax declarations in respect of the Company's Kuwait operations up to the year 2012.

During the year 2019, the tax department under Ministry of Finance, Kuwait completed the assessment of tax for the year 2013, and issued a tax demand of KD 40,241 (USD131,938). The Company filed an objection against the tax assessment in June 2019 which was rejected by the department in August 2019. Further, the Company filed an appeal against the rejection of objection against the tax assessment for the year 2013 before the appeal committee of Ministry of Finance- Kuwait, for which the decision is pending. However, additional tax provision was made during the year 2019 for BD34,873 (INR 6,997,292) (USD92,257) against the tax demand for year 2013 after adjusting the tax provision made in the earlier years.

During the year 2020, the tax department under Ministry of Finance, - Kuwait also completed the tax assessment for the year 2014 and issued a tax demand of KD 27,970 (USD91,705). The Company has filed an objection against the tax assessment of year 2014 with the tax authorities, for which the decision is pending. However, tax provision has been made tax assessment BD 34,664 (INR 6,955,356) (USD91,705) in the year 2019 against tax demand for year 2014.

With respect to the earlier operations in Saudi Arabia, the Company did not receive any new tax assessment from the year 2009 as of the approval date of this audited financial statement. The provision of BD134,949 (INR 27,077,611) was provided in the year 2010.



The Company's Oman Branch tax assessment has not been completed by the Oman tax authority since 2017. The Company's management is of the opinion that the additional taxes, if any, that may become payable on finalization would not be significant to the Company. Therefore, no provision for such additional tax liability has been made in the financial statements.

35.2 Commitments

	2019 BD	2019 INR
Investment commitments	351,696	70,568,049

36. Subsequent events

As of the date of approval of these financial statements, the outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of COVID-19 has caused widespread disruptions to business, with a consequential negative impact on economic activity.

The extent and duration of such impacts remain uncertain and are dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact the Company's future financial results, cash flows and financial condition consequent to the adverse effect of the disruption on the operations of the Company.

The Company considers this event to be a non-adjuting event after the reporting period and therefore has not made any adjustments to the financial statements as a result of this matter.

38. Life insurance corporation group information

Life Insurance Corporation of India's Group financial information can be accessed at www.licindia.in

