

Strong Roots | Rewarding Future

Annual Report
2017

General Information

Takaful International Co.B.S.C.

Registered office:

Building No 680, Road No 2811
Seef District 428,
Kingdom of Bahrain

Postal Address:

P.O. Box 3230 Manama
Kingdom of Bahrain

Telephone number 17565656
Fax number 17582688
E-mail address takaful@takafulweb.com
Website www.takaful.bh

Takaful Centers:

Seef District:

Tel.: +973 17 565 617
Fax.: +973 17 582 886

Muharraq:

Tel.: +973 17 565 400
Fax.: +973 17 677 321

Salmabad:

Tel.: +973 17 565 414
Fax.: +973 17 877 287

Hamala:

Tel.: +973 17 565 447
Fax.: +973 17 005 428

Jerdab:

Tel.: +973 17 565 444
Fax.: +973 17 484 390

Qatar Branch:

P.O. Box 31240, Doha, Qatar
Tel.: +974 44 916 444
Fax.: +974 44916445

Primary Bankers:

Bahrain Islamic Bank
Al Salam Bank
Kuwait Finance House
Bank of Bahrain and Kuwait
Ahli United Bank
National Bank of Bahrain
National Bank of Kuwait

Auditors:

Ernst & Young
10th Floor
East Tower, Bahrain World Trade Center
P.O. Box 140 Manama,
Kingdom of Bahrain

Listing:

Bahrain Bourse

Actuary:

Family Takaful
ΣICG Actuaries &
Management Consultants Ltd.
70, Omirou, Nea Smyrni,
17121, Athens, Greece

General Takaful

Abdul Rahim Abdul Wahab,
Pakistan

Registrars:

Bahrain Bourse,
P.O. Box 3203, Manama
Kingdom of Bahrain



**His Royal Highness Prince
Khalifa Bin Salman
Al Khalifa**

Prime Minister of
Kingdom of Bahrain



**His Majesty
King Hamad Bin Isa
Al Khalifa**

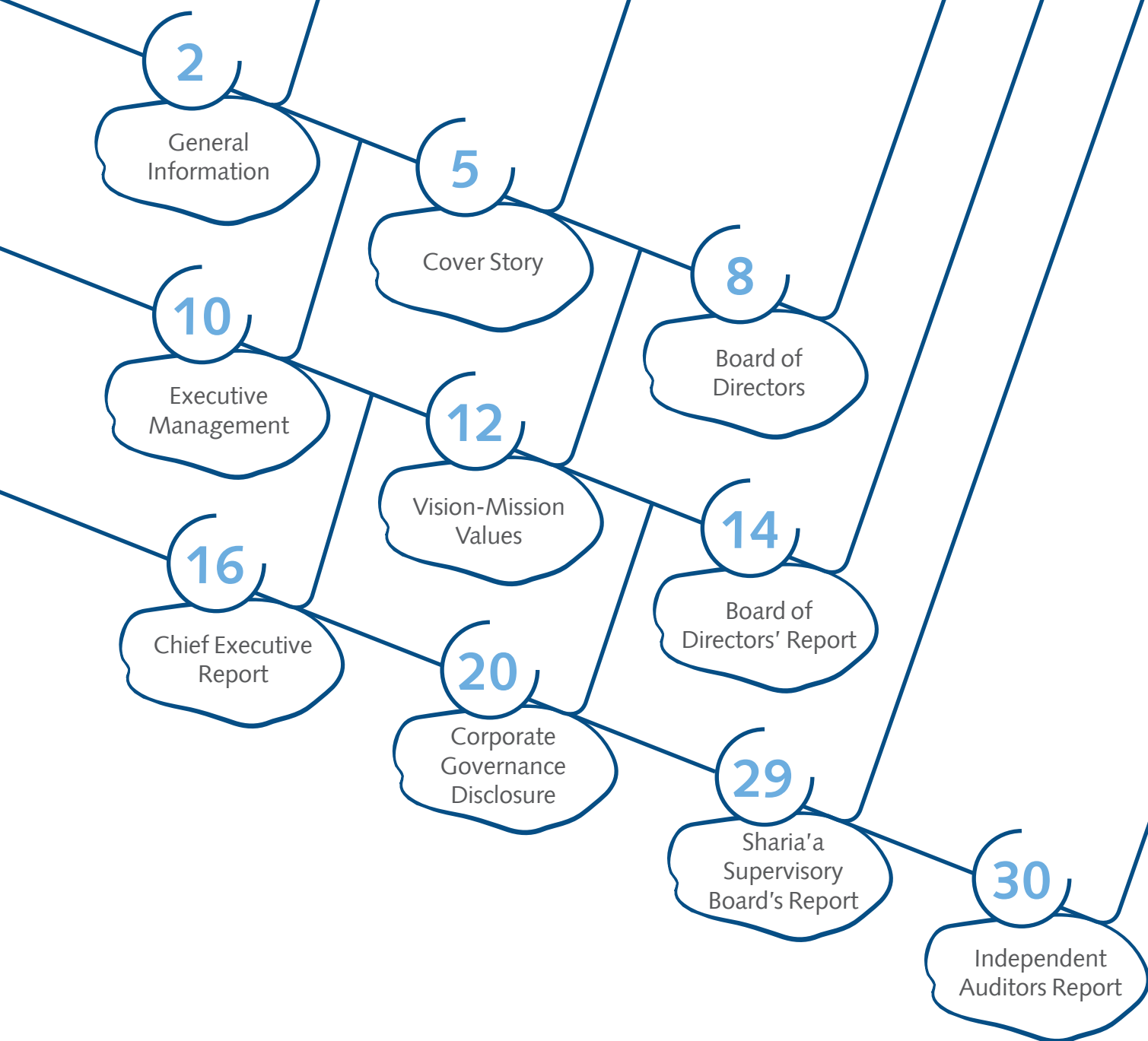
King of the
Kingdom of Bahrain



**His Royal Highness Prince
Salman Bin Hamad
Al Khalifa**

Crown Prince, Deputy
Supreme Commander
and First Deputy
Prime Minister of
Kingdom of Bahrain

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Deeper the roots | Stronger the tree.

The theme underscores the rich history of being rooted as the first Islamic insurance Company in Bahrain and the region, spanning over three decades. The theme also symbolizes the stable growth and strength of our company and a powerful reminder of our commitment to our clients as our progress is inextricably intertwined with the impeccable services extended to their utmost satisfaction.

Further, our corporate identity The “Palm fronds” represents the robust characteristics of the Palm Tree - Strength, Expansion and Achievement. The Palm fronds aspire us to accomplish our vision.

A close-up photograph of green plant leaves, likely from a palm or similar species, with a dark background. The leaves are long and narrow, with visible veins. The text is overlaid in white, sans-serif font.

Branching out Towards a Fruitful Future



Virtually in every culture on earth, trees and leaves have deep-rooted symbolic meaning. Takaful International's corporate identity the "Palm frond" which is richly significant in Islamic culture also means harmony, development and success.

While remaining strong and grounded to the roots, we branch out to be fruitful. In pursuits to enjoy the bounty; innovative products and services are provided to the customers; understanding their needs and wants. Thereby, making the theme very visual, that the growth and development of Takaful International is continuous as new innovations spring forth towards a bright and "fruitful" future.

Board of Directors



Jamal Ali Al Hazeem
Chairman



**AbdulRahman Abdulla
Mohammed**
Vice Chairman



Khaled Soud Al Hasan
Board Member



**Ebrahim Mohamed Sharif
Al Rayes**
Board Member



**Othman Ebrahim
Al Askar**
Board Member



**Ahmed AbdulRahman
Bucheeri**
Board Member



**Khalid Jamal Al
Muzaire**
Board Member



**Abdulla Rabea Mohamed
Rabea**
Board Member

Executive Management



Younis J. Al Sayed
Chief Executive



Essam M. Al Ansari
General Manager



Abdulaziz A. Al Othman
Deputy General Manager



Ali E. Noor
Deputy General Manager
Business Development
IT and Family Investment



Ahmed Swailem
Assistant General Manager,
General Takaful

Sharia'a Supervisory Board:

Dr. Shaikh Abdul Latif Mahmood Al Mahmood
Chairman

Dr. Shaikh Abdul Sattar Abdul Karim Abuguddah
Deputy Chairman

Shaikh Mohsin Abdul Hussain Al Asfoor
Member

Management Team:

Santosh Shreenivas Prabhu
Financial Controller

Haider G. Shehabi
Senior Manager - Motor Takaful and Centres

Jijan Abraham Stephen
Senior Manager - General Takaful

Reema Nowrooz
Senior Manager – Family Takaful and Healthcare

Lamia E. Hassan
Senior Manager – Corporate Control

Sayed Jaffer K. Hussain
Manager – Information Systems

Waleed El Bendary
Manager - Investment

The background of the slide features a close-up, blurred view of several green palm fronds. The fronds are long and narrow, with a central vein visible. They are arranged in a slightly curved, overlapping pattern, creating a sense of depth and movement. The lighting is soft, highlighting the texture of the leaves against a dark, out-of-focus background.

Growing Stronger Together

The palm tree is synonymous with growth and the Kingdom of Bahrain. The theme “Growing Stronger Together” highlights the evolution of Takaful International as a truly Bahraini company that has a 100% Bahraini management team. It also underlines the fact that the company is thriving and growing due to its strong local talent and partnerships.

Vision

“To be recognized as the pioneering innovative leader of quality Sharia’a compliant insurance solutions.”

Mission

“To be the insurance company of choice by spreading awareness of Islamic insurance solutions and becoming the leading provider of a full range of Takaful products that combines superior quality based on Sharia’a principals and values.”

Values

The essence of our values is our ability to succeed in providing excellent services based on commitment and quality. The principles are:

- 1) Adhere to the highest levels of professionalism.
- 2) Contribute effectively to the local economy.
- 3) Maintaining the company growth, profitability and development.
- 4) Believe that there is potential for development and commitment to achieve success.
- 5) Strengthen leadership by providing integrated services and innovative products.

Products and Services

Takaful is the first Islamic insurance company in the region which provide services that specifically suit the Islamic values and caters to the requirements of the modern era.

1. General Takaful

A. Commercial & Major Accounts

- Property All Risks Takaful
- Marine & Aviation Takaful
- Engineering Takaful
- Bankers Blanket Bond Takaful
- Directors & Officers Takaful
- Professional Indemnity Takaful
- Medical Malpractice Takaful
- Surety Bonds Takaful
- Office Comprehensive Takaful
- General Accident Takaful

B. Personal Lines

- Travel Takaful
- Home Takaful
- Property Takaful
- Personal Accident Takaful
- Domestic Servant Takaful

2. Family Takaful and healthcare

- A. Family Takaful (Osratak)
- B. Group Family Takaful
- C. Education Takaful (Taleemi)
- D. Saving Takaful (Edikhari)
- E. Group Health Takaful (Sehatak)
- F. Regular Pay-back Takaful (Sandooki)

3. Motor Takaful (Sayaratak)

- A. Motor Comprehensive Takaful with various a la carte options for coverage enhancement
- B. Motor Third Party

4. Smart Takaful

5. E-Takaful (online Takaful)

6. Takaful Hotline (80008050)

Directors' Report

for the year ended 31 December 2017



We will keep optimising our investments and pave the way for sustained and profitable growth in future.

In the name of Allah, The Most Compassionate, The Most Merciful

Dear Shareholders,

On behalf of the members of the Board of Directors, I am pleased to present the 28th Annual report of your Company for the financial year ended 31 December 2017.

At the outset, I thank you for your continued support.

Year 2017 saw subdued growth trends in the region amid persistently high inflation, even as there were improvements in some key economic parameters. The economic growth is likely to improve gradually, though realising our full potential would require focused measures to revive the investment cycle and boost consumption.

The global economic scenario continues to show gradual and sustained improvement with signs of recovery both in US and Europe. On the other hand, emerging economies, which were considered the growth engines pulling the world out of a slow-down, seem to be facing some issues in terms of tepid domestic growth and inflationary concerns. We believe that these are temporary hurdles and the economic scenario should further improve across developed and emerging economies.

During the year 2017 your company adopted some changes on the underwriting and risk management of the company to phase out some loss business which were having negative impact on the profitability of the overall business. Thereby there was a reduction in the total gross contributions written by 11% compared to previous year. During FY'17 Takaful International wrote total gross contributions of BD 19.7M compared to BD 22.2M during the previous year.

Further the company introduced change in the method of reserving for the unearned revenue, depreciation charge, Impairments on investments and technical reserving which had an overall impact on the profitability of the company which resulted in the overall loss of BD 773k for the year.

We strongly believe that adopting above measures are in the best interest of the company on the long run and will further strengthen the reserves of the company.

The Board of Directors expenses for 2017 was BD 36,200 for sittings fees and BD14,968 for travel and other expenses.

We will also keep optimising our investments and pave the way for sustained and profitable growth in future. We are focused on building a Takaful company that sets benchmarks and creates sustainable value for all stakeholders. We will also continue with our commitment to social initiatives that benefit the less privileged sections of our society.

We are focused on building a Takaful company that sets benchmarks and creates sustainable value for all stakeholders

In the coming years, we will continue re-imagining performance through team work, entrepreneurial spirit and best practices. With an unwavering focus on creating value for all our stakeholders, I look forward to your continued support over the next decade of our existence.

I would like to extend our sincere thanks and gratitude to His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain, His Royal Highness Prince Khalifa Bin Salman Al Khalifa, The Prime Minister and His Highness Prince Salman Bin Hamad Al Khalifa the Crown Prince and Deputy Supreme Commander of BDF for their continued support to the National Financial Institution.

I would like also to thank the Government Ministers and the Governor of The Central Bank of

Bahrain for their valuable assistance and guidance. I am confident that the Company will continue to achieve greater milestones and lead the growth of a vibrant Takaful industry in the future.

Finally on behalf of all members of the Board of Directors, I wish to express my sincere thanks and appreciation to the shareholders for their understanding and support. I would also like to thank our Sharia'a Supervisory Board for their guidance and direction. My thanks are also to our esteemed customers for their confidence and trust in the Company and its services and to the management and staff for their continued diligence, dedications and determination. I would also like to thank the intermediaries and retakaful companies for their beneficial mutual relationships.

Thank You,

Jamal Ali Al Hazeem
Chairman

Kingdom of Bahrain, 20th February 2018

Chief Executive's Report

for the year ended 31 December 2017



In the name of Allah, The Most Compassionate, The Most Merciful

Macroeconomic parameters for Bahrain economy have been improving consistently over the last few quarters. The business sentiment continues to be positive, largely owing to political stability and some reforms starting to come through. However, weak investment demand, partly emanating from a leveraged corporate sector alongside a stressed banking sector, remains a challenge. At a time when the global economy seems poised for a turnaround after years of sluggish growth, we hope the investment cycle turns sooner and builds on the improving macro parameters.

Bahrain and other GCC countries continued to see some improvements in macroeconomic conditions during the year. Several structural reforms were initiated by the Government that are expected to provide an impetus to long-term sustainable growth in the economy.

Many business sectors have been under economic stress in the last couple of years on account of several global, regional and economical situations. There were challenges in terms of slowdown in nominal growth due to the impact of muted global commodity prices on some important sector and subdued private investments.

The year 2017 was another year of challenges and opportunities for Takaful International. Takaful International wrote overall Contributions of BHD19.7M compared to previous year of BD 22.2M. The company was cautious in its underwriting policy and restructured further its business portfolio in line with its strategy to maintain a balanced portfolio, adopting prudent underwriting policies to protect the interest of its stakeholders. The overall net claims ratio, was 73% for the year 2017 compared to 68% for the year ended 2016.

Takaful International was successful in maintaining business despite challenging business environment. The company adopted prudent and best practice policies in impairment of investments and reserving for Takaful liabilities which resulted in additional one off reserve and impairment expenses and had an overall loss of BD 773K for the year compared to BD 631K overall profit for the previous year.

Bahrain's insurance sector has evolved over the last decade. A competitive market and regulatory initiatives focused on high quality products that meet the needs of the customers have laid the foundation for future growth. These factors enhance Takaful's prospects to tap the available potentials in the market. We have built a business model based on a competitive product proposition, quality customer service and a good distribution network. With the use of technology and a committed team of employees, we strive to be the preferred choice of customers for their protection and savings needs. We accord the highest importance to honouring the trust that our customers have reposed in us, not only for themselves but also for their families. We are therefore committed to ensuring that we are responsive to customer needs.

Takaful International Company was awarded the E-Government Excellence Award 2017 for its Smart Takaful application.

Takaful International's focus remains on supporting delivery of elements of value to customers. The company's array of products continues to fulfil customer specific protection and financial goals, in a cost-effective manner. The Company has consistently focused on its differentiator – a customer-centric value proposition. At the same time, it has adopted a strategy to follow a segmented approach with an emphasis on more profitable product lines. Our customer-focussed approach encompasses products, distribution, customer service and claims settlement activities designed to provide a superior experience to our customers.

Our strategy has been that of offering convenience to customers. To render this strategy in action we developed an array of products relevant to customers' needs to provide a delightful on-boarding experience and to deliver superior service to customers.

I take pride to announce that Takaful International Company was awarded the E-Government Excellence Award 2017 for its Smart Takaful application.

Our DEVICE-AGNOSTIC digital platform has been built to offer convenience, empower customers and improve distribution efficiencies. We consistently endeavour to make every aspect of our business simple and transparent. We believe,

with the support of TECHNOLOGY, the Company can become more efficient and keep delivering superior levels of customer service.

Our strength is in growing and managing high quality, multi-distribution channel, together with our expertise in providing innovative solutions to our customers' savings and protection needs and delivering service excellence.

All these helped your company to leverage opportunities and to maintain its leadership position in Bahrain's Takaful business. We are thankful to all our stakeholders for their support extended in making us their preferred Insurance provider.

Chief Executive's Report

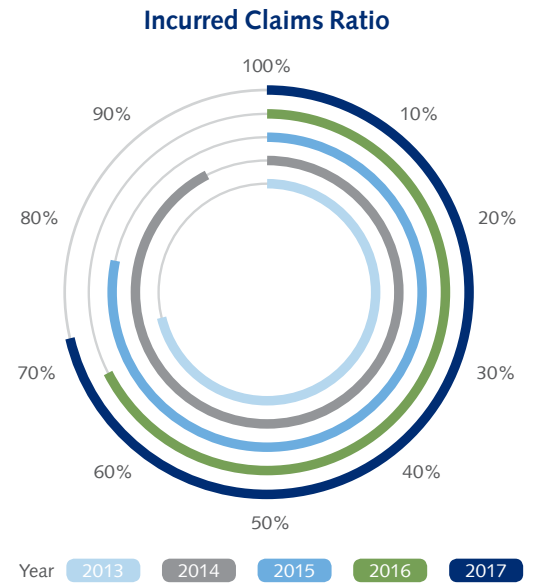
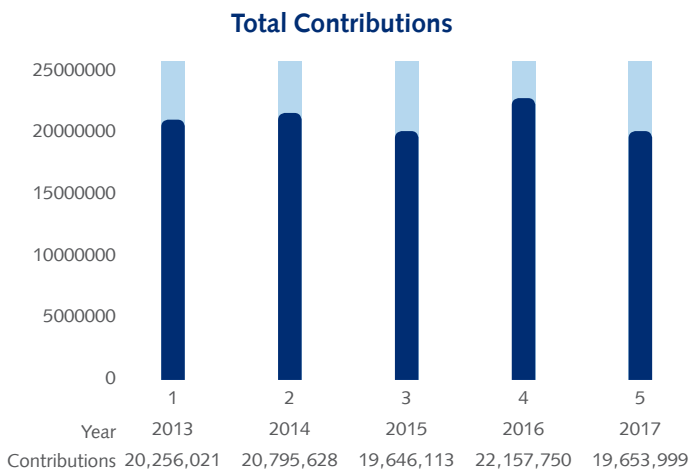
for the year ended 31 December 2017

I would like to highlight some of important results of the company which are reflected in the following graphs and are self-explanatory:

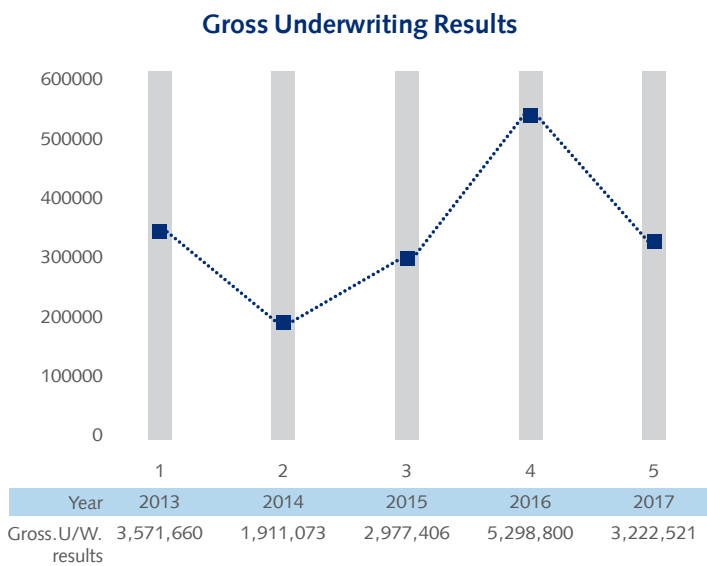
Financial performance:

Contributions:

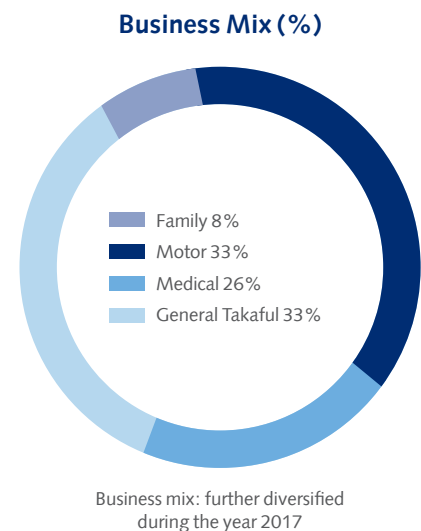
The total contributions for the year ended 31 December 2017 amounted to BHD19.6 against BD 22.1M for 2016.

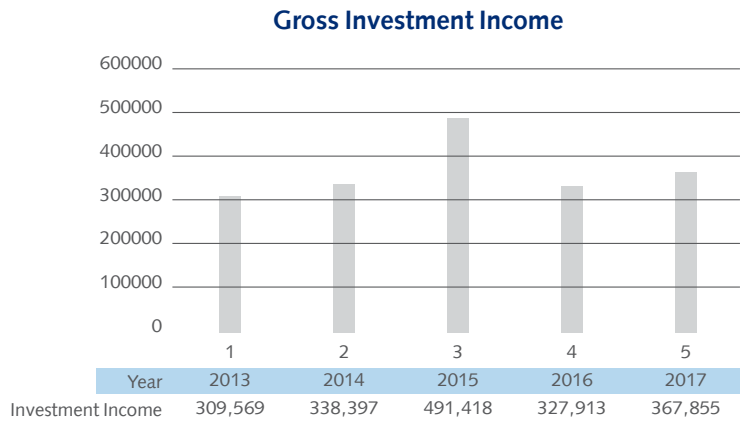
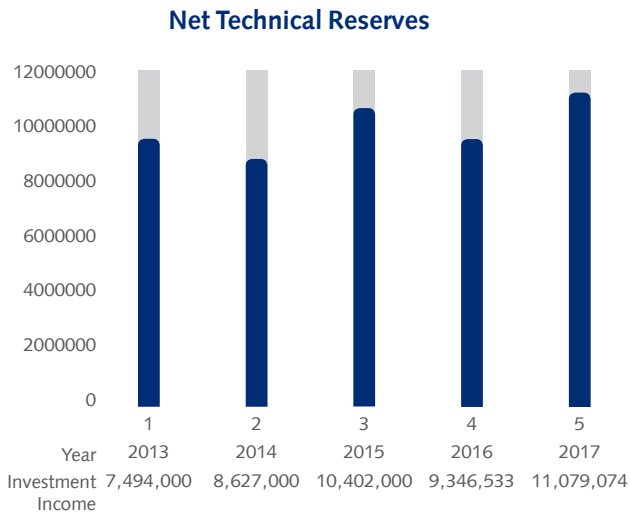


Claims: The overall net claims incurred ratio for year 2017 was 73% compared to 68% for the year 2016.



Gross Underwriting results: The gross underwriting results before Wakala charge improved compared to previous year.





Overall management, general and administrative expenses for year 2017 which amounted to BHD3.136M was lower than previous year BHD3.180M.

Takaful has endeavored to maintain the expectations of its shareholders, policyholders and other stakeholders. Nurturing long-term relationships and best services have always been the highest priority of Takaful. Since inception, Takaful has believed in building a culture of integrity and transparency and endeavored to revolve all its business activities based on its founding principles of fairness, kindness, efficiency and effectiveness based on the Islamic Insurance, cooperative sharing and caring principles.

Our Board of Directors believes in upholding the highest standards of governance and accountability. The board has taken cognizance of various regulatory changes in the overall governance framework and remains committed to imbibing the spirit of the law and regulations.

We expect a positive outlook for the year 2018 and expect a decent growth in business. Our main focus will be on quality services, prudent claims and expenses management expenses which will help the company to generate better results.

I would like to take this opportunity to thank our Board of Directors for their support and guidance. I would also like to express my appreciation to the employees of Takaful International for their dedicated efforts towards achieving the goals of the company. Also thank our valued clients, reinsurance companies, Sharia'a board members, intermediaries and all our business partners for their support which has contributed in the growth of the company.

Thank you,

Younis J. Al Sayed
Chief Executive

Kingdom of Bahrain, 20th February 2018

Corporate Governance Report

for the year ended 31 December 2017

Financial Highlights (figures in (BD '000))

The financial highlights of the company are as follows:

Particulars	Growth rate 2017/16	2017	2016	2015	2014	2013
Gross contributions	(6%)	19,653	20,925	19,646	20,796	20,256
Underwriting profits	(39%)	3,223	5,299	2,977	1,911	3,572
Participants' net surplus	(462%)	(825)	228	(943)	(859)	69
Shareholders' net profit	(87%)	53	403	(755)	(843)	231
Total Profit	(222%)	(773)	631	(1,698)	(1,702)	300
Shareholders' Equity	2%	6,477	6,338	5,835	6,408	7,539
Investment Income	12%	368	328	491	338	310
Claims Ratio	5%	73%	68%	77%	90%	73%

Corporate Governance

Good Corporate Governance is an integral part of the Company's management and business philosophy. The Company subscribes fully to the principles and spirit of good Corporate Governance and embeds the principles of independence, integrity, accountability and transparency into the value system driving the Company.

The Board of Directors exercise their fiduciary responsibilities towards all stakeholders by ensuring transparency and independence in the decision making process. The Board has adopted high standards and values which set out the discipline expected of staff in their dealings with the participants, customers, shareholders, colleagues, brokers and other stakeholders of the company. One of the core values communicated within the Company is a belief that the highest standard of integrity is essential in business. The governance of the Company remains under continuous review, in order to enhance compliance levels according to international standards and best practice.

Corporate Governance Report

for the year ended 31 December 2017

Board of Directors

The Company is governed through its Board of Directors. The Board's main role is to create value addition to its participants and shareholders, to provide entrepreneurial leadership, to approve Company's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives. The Board, which meets regularly, has a schedule of matters reserved for its approval.

Code of Conduct

The Company's Code of Conduct covers the conduct of the Company's directors and executive management. The Code binds the signatories to the highest standards of professionalism and due diligence in performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information.

Capital adequacy and solvency margin

Solvency margin requirements are determined in accordance with the regulatory requirements established by the Central Bank of Bahrain and are calculated with reference to a prescribed contributions and claims basis. Where these calculations resulting solvency margin requirements falling below the minimum fund size prescribed by regulations, such minimum fund size is considered as the required margin of solvency. The shareholders' available capital for the Company is BD 6,314,000 as of 31 December 2017 (2016: BD 5,846,000). As at 31 December 2017 the deficiency of capital amounted to BD (2,322,000) compared to BD (1,163,000) as at 31 December 2016, after considering the net admissible assets of General Participants and Family Takaful Funds to cover solvency margin BD 4,987,000 compared to BD 3,282,000 and the required solvency margin of BD 2,453,000 (2016: BD 2,465,000).

During the year ended 31 December 2017, the Group's Board of Directors submitted a letter to the Central Bank of Bahrain proposing additional capital injection. Further, the Board of Directors in their meeting held on 8 November 2017 have approved the recommendation to increase the paid capital of the Company by BD 2,250,000. The recommendation would be presented to the Company's shareholders for approval in the EGM to be held on 21st of March 2018.

Key persons trading policy

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

Corporate Governance Report

for the year ended 31 December 2017

Key persons and related parties' interests

The following key persons and related parties held shares in the Company as of 31 December 2017:

Name	Position	No of shares
Dr. Shaikh Abdullatif M. Al-Mahmood	Shari'a Supervisory Board Chairman	98,867

The key persons did not trade in the shares of the company during the financial year ended 31 December 2017.

The Chief Executive Officer, General Manager and other members holding positions of approved status within the Company do not hold any shares of the Company in their names or in the names of their families.

Board of Directors:

Board Meetings during the financial year ended 31st December 2017

Board Member	Position	No. of Board meetings during the year 2017	No. of meetings attended during the year 2017
Jamal Ali Al Hazeem	Chairman	6	6
Khalil Ebrahim Nooruddin (Resigned on 5th April 2017)	Vice Chairman		3
Abdulrahman Abdulla Mohamed	Vice Chairman		6
Khaled Saud Al Hasan	Member		5
Ebrahim Mohamed Sharif Al Rayes	Member		5
Ebrahim Husain Al Jassmi (Resigned on 10th April 2017)	Member		3
Othman Al Askar	Member		6
Ahmed AbdulRahman Bucheeri	Member		6
Khalid J. Al Muzaire	Member		6
Abdulla Rabea Mohamed Rabea	Member		6

Corporate Governance Report

for the year ended 31 December 2017

Executive Committee Meetings During 2017

Committee Member	Position	No. of Board meetings during the year 2017	No. of meetings attended during the year 2017
Khaled Saud Al Hasan	Chairman		4
Ebrahim Husain Al Jassmi (Resigned on 10th April 2017)	Vice Chairman		1
Othman Ebrahim Al Askar	Member	4	4
Abdulrahman Abdulla Mohamed	Member		4
Ahmed Abdul Rahman Bucheeri	Member		4

Audit Committee Meetings during 2017

Committee Member	Position	No. of committee meetings held during the year 2017	No. of meetings attended during the year 2017
Khalid J. Al Muzaire	Chairman		4
Ebrahim Mohamed Sharif AlRayes	Member	4	4
Khalil Ebrahim Nooruddin (Resigned on 5th April 2017)	Member		1

Nomination and Remuneration Meetings during 2017

Nomination and Remuneration Committee	Position	No. of committee meetings held during the year 2017	No. of meetings attended during the year 2017
Khalid Jamal Al Muzaire	Chairman		2
Ebrahim Husain Al Jassmi (Resigned on 10th April 2017)	Member	2	1
Abdulla Rabea Mohamed Rabea	Member		2

Corporate Governance Report

for the year ended 31 December 2017

Director's external appointments:

Name	Other companies in which directorship is held
Jamal Ali AlHazeem	<ul style="list-style-type: none"> • Chairman, Gulf African Bank – Kenya • Board member and Chairman of audit committee, Nass Corporation – Bahrain • Board member, KCPC – Kuwait • Vice Chairman, GBCorp – Bahrain • Chairman, Eazy Financial Services – Bahrain • Chairman, Oma Bahrain – Bahrain • Chairman, Jeem Holding SPC • Chairman, Jeem Food Trading WLL • Chairman, Jeem Properties WLL • Chairman, Procco Financial Services WLL
Khalil Ebrahim Nooruddin (Resigned on 5th April 2017)	<ul style="list-style-type: none"> • Managing Partner, Capital Knowledge, Bahrain • Board Member, Bahrain Islamic Bank, Bahrain • Director, RA Holding Corporation & 22 subsidiaries and associate companies, Cayman • Managing Partner, MESK, Bahrain
Abdulrahman Abdulla Mohamed	<ul style="list-style-type: none"> • Director, TAIB Bank B.S.C • Board Member, Al Baraka Islamic Bank B.S.C
Ebrahim Mohamed Sharif Al rayes	<ul style="list-style-type: none"> • Vice Chairman of the Board & Chairman of the Executive Committee of United Insurance Co, Bahrain • Chairman of Technical Committee of AWRIS, Bahrain • Vice Chairman of Bahrain Insurance Association

Corporate Governance Report

for the year ended 31 December 2017

Name	Other companies in which directorship is held
Khaled Saud Alhasan	<ul style="list-style-type: none"> • Vice Chairman, Gulf Insurance and Reinsurance Co., Kuwait • Chairman, Syrian Kuwait Insurance Co., Syria • Chairman/General Mgr. Fajr Gulf Insurance and Reinsurance Co., Lebanon • Vice Chairman, Arab Orient Insurance Co., Jordan • Vice Chairman, Bahrain Kuwait Insurance Co., Bahrain • Vice Chairman, Arab Misr Insurance Group, Egypt • Vice Chairman, Gulfsigorta, Turkey • Managing Director, Buruj Coop Insurance Co., Saudi Arabia • Board member, Algerian Gulf Life Insurance Co, Algeria • Director, Egyptian Takaful (Property), Egypt • Director, Arab Reinsurance Co., Lebanon
Othman Ebrahim Al Askar	<ul style="list-style-type: none"> • Board Member, Bahrain Islamic Bank
Ahmed Abdulrahman Bucheeri	<ul style="list-style-type: none"> • Board member and Chairman of the Audit Committee, Invita Claims Management Company – Bahrain.
Khalid J. Al Muzaire	<ul style="list-style-type: none"> • Nil
Abdulla Rabea Mohamed Rabea	<ul style="list-style-type: none"> • Nil
Ebrahim Husain AlJassmi (Resigned on 10th April 2017)	<ul style="list-style-type: none"> • Board member Bahrain Islamic Bank BSC • Board member Ibdar Bank BSC • Chairman E H E Consulting WLL

Corporate Governance Report

for the year ended 31 December 2017

The Board has set up an Audit Committee with approved terms of reference and mandates to carry out the assigned functions.

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

- Reviewing the Company's draft financial statements and interim results statement prior to the Board approval and reviewing the external auditors details reports thereon;
- Reviewing the appropriateness of the Company's accounting policies and other operational procedures;
- Reviewing regularly the potential impact in the Company's financial statements of certain matter such as impairment of fixed assets, investments, receivables and other assets values and proposed changes in AAIOFI and International Financial Reporting Standards applicable to the company.
- Reviewing and approving the terms of engagement for the audit
- Reviewing the annual report of the company and reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and
- Reviewing the internal audit functions terms of reference, its work programme and quarterly reports on its work during the year.

The Committee meets with Directors and management, and as and when considered necessary with both the external and internal auditors. The Company has an in-house internal audit department which continuously monitors, performs and conducted their procedures on all transactions of the company as per the International Audit Standards and has adequate control and monitoring and provides periodic reports directly to the Audit Committee.

Internal control

The Directors have continued to review the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and the Company's high level internal control arrangements. These reviews have included an assessment of internal controls, and in particular internal financial controls, by the internal audit function, management assurance of the maintenance of control and reports from the external auditor on matter identified in the course of its audit work.

Fines and penalties

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

Corporate Governance Report

for the year ended 31 December 2017

Organizational structure

Chief Executive: Mr. Younis J. Al Sayed is a leading pioneer in the insurance and reinsurance sector with a rich experience that exceeds 36 years during which he held various positions. A graduate of Kuwait University, he began his illustrious career with the Arab Insurance Group (ARIG) in 1982 and was responsible for underwriting operations of all aspects of aviation insurance regionally as well as in international markets. In 2001, he joined Dubai International Financial Centre (DIFC) as Managing Director and played a prominent role in establishing the infrastructure of insurance and reinsurance sector for DIFC. Being specialized in Islamic Insurance (Takaful) Mr. Younis joined Takaful International Company in 2003 as General Manager and was promoted to the position of Chief Executive in 2008. Mr. Younis served as Chairman and Board member in various Insurance organizations. He was the Chairman of the Bahrain Insurance Association (BIA) for two consecutive terms from 2011 till 2014, and the Chairman of the International Federation of Takaful and Islamic Insurance Companies (IFTI) from 2014 till 2016. He was also a Board member at the Egyptian Saudi Insurance Company, Egypt from 2005 till 2008.

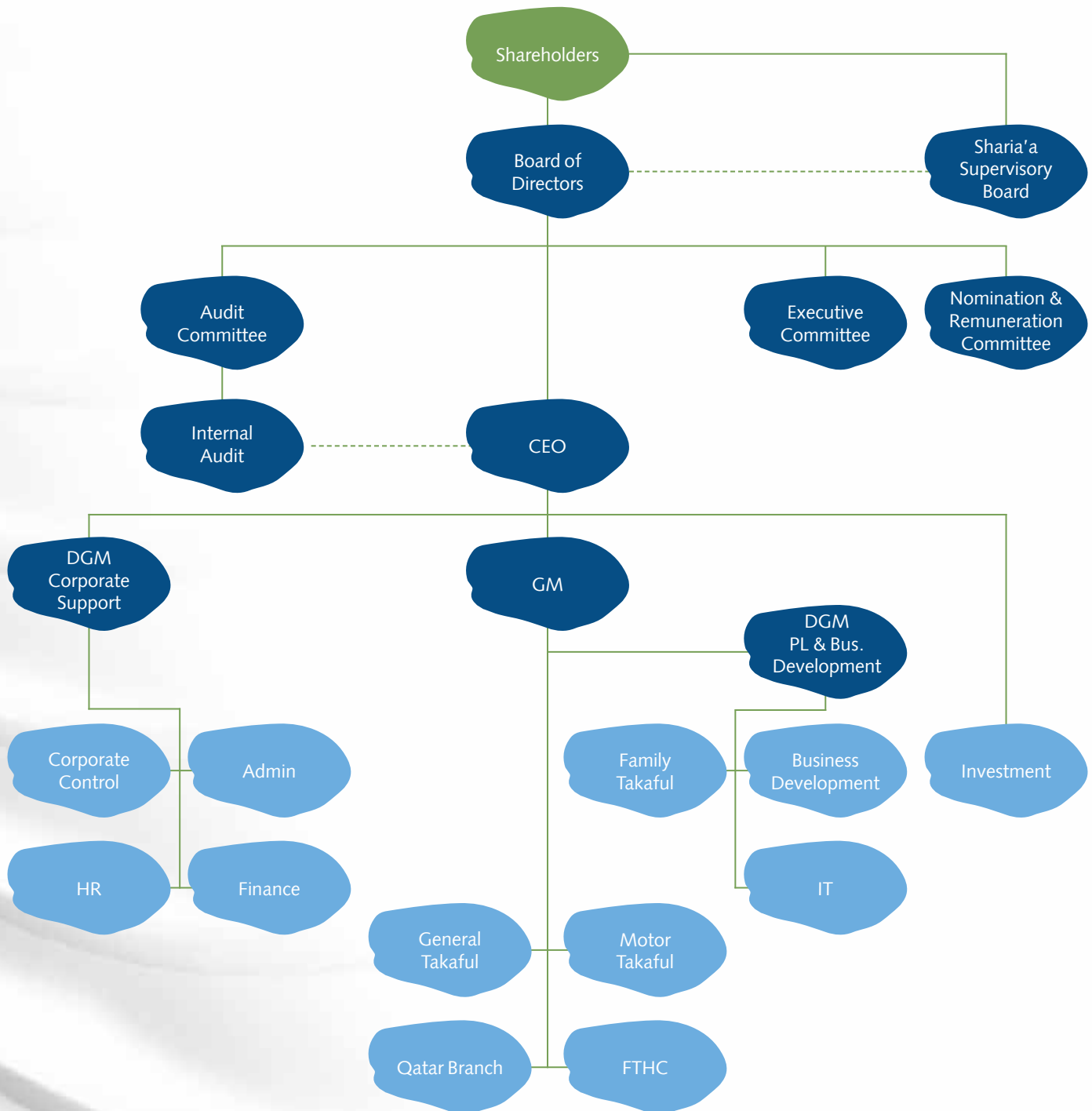
General Manager: Mr. Essam Al Ansari is a top professional in the insurance field. He is an ACII degree holder (Associate of the Chartered Insurance Institute) from the Chartered Insurance Institute-London and now pursuing towards FCII. He possesses 28 years of extensive experience in insurance and reinsurance business, through his long association in the insurance and reinsurance industry in Bahrain and the region. He has been in the Executive Management Cadre of and Bahrain National Insurance Company (BNI), National Company for Cooperative Insurance (Tawuniya) Saudi Arabia and Bahrain Kuwait Insurance Company (BKIC), before joining Takaful International Company in 2006.

Deputy General Manager: Mr. A.Aziz Al Othman is a certified Accountant since 2002 and holds a Masters degree in Business Administration from the University of Hull, UK, A.Aziz also holds Dip CII from the Chartered insurance institute UK. A true professional in the Islamic Insurance field, He has extensive experience in the Islamic Insurance business acquired by his long association of over 20 years in the insurance industry with in-depth understanding of Takaful Markets. Al-Othman began his distinguished career with Takaful International Company in 1989. After handling various administrative positions in 2008 he was designated as Deputy General Manager. He's also the Chairman of Health 360 Ancillary Services His outstanding contributions have helped in enhancing the performance of the company for the past few years. He is also well experienced in developing, evaluating and analysing strategies and business planning, insurance statistical and financial statement, and has attended a number of seminars and workshops related to accounting and insurance.

Deputy General Manager – Business development, IT and Family Investment: Mr. Ali Noor has over 20 years of extensive experience dealing with Life & Medical underwriting. Banassurance offerings & product development in the insurance field: he holds an insurance Diploma from (CII) chartered Insurance Institute – UK and is presently pursuing his ACII. Highly versatile and efficient in project management, marketing, reinsurance & product documentation as acquired during his tenure with Bahrain National Insurance. He joined Takaful International Co. in 2006 and is a member of the Executive Management. Currently chairing the BIA Medical Committee and is closely associated with promoting compulsory medical coverage in Bahrain in coordination with Ministry of Health.

Corporate Governance Report

for the year ended 31 December 2017



Sharia'a Supervisory Board's Report

for the Financial year ended 31 December 2017

In the name of Allah, The Merciful, The Compassionate

Thanks to Allah, the Almighty, Prayers and Peace be Upon the True Messenger, His Relatives and All His Companions.

To the Shareholders and Participants of Takaful International.

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh.

In compliance with our appointment to undertake the duties of Shari'a supervision, we hereby submit the following report.

The Shari'a Supervisory Board reviewed the procedures relating to the Takaful transactions and the applications introduced by the company for the year ended on 31.12.2017. The Board has reviewed and confirmed the implementation of the principles and guidelines governing the relationship between the participants and shareholders in order to identify the rights of each side. Discussions took place with the Company's officers with regard to its items and the attached Notes. The Board gave its Shari'a directives for Takaful transactions and answered the queries made by the management.

It is the management responsibility to ensure that the company conducts its business in accordance with Islamic Sharia'a principles, our responsibility is to express an opinion on the company operations and that the financials are prepared on the basis of and in accordance with the principle of Islamic Sharia'a.

In our opinion

1. The computation of surplus deficit, charging of losses and expenses to the participants and shareholders fully confirm with the principles established by ourselves in compliance with Sharia'a rules and principles.
2. The Company has taken all the required measures to exclude any prohibited gains and spend them in the good.
3. The calculations of Zakah is in compliance with Islamic Sharia'a rules and principles and as directed by the Sharia'a supervisory Board. It should be noted that responsibility for payment of Zakah is undertaken by the shareholders.

We pray to Allah the Almighty to grant the Company continuous success for purifying business transactions from suspicions and prohibitions.

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

28 Jumada 1, 1439 corresponding to 14th February 2018.

Member of the Shari'a Supervisory Board:-

Dr. Shaikh Abdul Latif Mahmood Al Mahmood

Chairman

Dr. Shaikh Abdul Sattar Abdul Karim Abu Ghuda

Deputy Chairman

Shaikh Mohsin Abdul Hussain Al Asfoor

Member

Independent Auditor's Report to the shareholders

for the year ended 31 December 2017

Report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Takaful International B.S.C. (the "Company") and its subsidiary (together the "Group") as of 31 December 2017, and the related consolidated statements of profit or loss, changes in shareholders' equity, changes in participants' fund and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. These consolidated financial statements and the Company's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2017, the results of its operations, its cash flows, changes in participants' fund and changes in shareholders' equity for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 3), we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith; and
- a) the consolidated financial information contained in the Board of Directors' report is consistent with the consolidated financial statements.

Report on other regulatory requirements (continued)

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2017 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Group has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Company.

Partner's registration no. 115
20 February 2018
Manama, Kingdom of Bahrain

Consolidated Financial Statements for the Year 2017

Consolidated Statement Of Financial Position

At 31 December 2017

(Expressed in Bahraini Dinars)

	Notes	Shareholders		General Takaful	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
ASSETS					
Cash and investments:					
Statutory deposits	6	125,000	125,000	-	-
Cash and balances with banks	7	1,255,696	1,114,232	3,083,394	5,331,443
Available for sale investments	8	2,907,441	2,428,308	1,070,434	773,056
		4,288,137	3,667,540	4,153,828	6,104,499
Takaful and retakaful receivables	9	-	-	9,604,360	8,578,362
Retakaful share of outstanding claims	10	-	-	6,556,258	8,285,559
Deferred retakaful contribution	12	-	-	2,072,318	2,702,966
Deferred acquisition costs	13	464,402	706,739	-	-
Retakaful share of family takaful technical reserves		-	-	-	-
Property and equipment	16	2,083,013	2,272,525	-	-
Other receivables and prepayments	15	162,942	333,142	171,393	104,982
Receivable from takaful funds	17	916,585	983,532	-	-
TOTAL ASSETS		7,915,079	7,963,478	22,558,157	25,776,368
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES					
Shareholders' equity					
Share capital	19	6,250,000	6,250,000	-	-
Statutory reserve	19	522,041	519,727	-	-
General reserve	19	200,000	200,000	-	-
Accumulated losses		(658,387)	(679,213)	-	-
Investments fair value reserve		63,219	(23,543)	21,338	12,833
Equity attributable to shareholders of the parent		6,376,873	6,266,971	21,338	12,833
Non-controlling interests		100,817	70,586	-	-
Total equity		6,477,690	6,337,557	21,338	12,833
(Deficit)/surplus in participants' fund		-	-	(1,615,371)	(1,346,619)
Liabilities					
Gross outstanding claims	10	-	-	9,889,079	11,004,805
Unearned contributions	12	-	-	8,045,087	8,226,306
Unearned commissions	14	-	-	332,568	480,289
Family takaful technical reserves		-	-	-	-
Takaful and retakaful payables		456,320	567,550	4,489,678	5,675,492
Other liabilities and provisions	20	675,884	812,703	595,318	748,294
Employees' terminal benefits	23	305,185	245,668	-	-
Payable to shareholders		-	-	800,460	974,968
Total liabilities		1,437,389	1,625,921	24,152,190	27,110,154
TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES		7,915,079	7,963,478	22,558,157	25,776,368

Jamal Ali Al Hazeem
Chairman

AbdulRahman Abdulla Mohammed
Vice-Chairman

Younis J. Al Sayed
Chief Executive

The attached explanatory notes 1 to 40 form part of these consolidated financial statements.

Consolidated Statement Of Financial Position

At 31 December 2017

(Expressed in Bahraini Dinars)

Family takaful		Total	
31 December 2017	31 December 2016	31 December 2017	31 December 2016
-	-	125,000	125,000
1,195,896	1,162,428	5,534,986	7,608,103
1,626,512	1,485,205	5,604,387	4,686,569
2,822,408	2,647,633	11,264,373	12,419,672
284,707	440,464	9,889,067	9,018,826
738,241	616,433	7,294,499	8,901,992
84,760	327,386	2,157,078	3,030,352
-	-	464,402	706,739
383,892	1,707,505	383,892	1,707,505
-	-	2,083,013	2,272,525
27,352	10,936	361,687	449,060
-	-	916,585	983,532
4,341,360	5,750,357	34,814,596	39,490,203
-	-	6,250,000	6,250,000
-	-	522,041	519,727
-	-	200,000	200,000
-	-	(658,387)	(679,213)
(22,286)	(33,041)	62,271	(43,751)
(22,286)	(33,041)	6,375,925	6,246,763
-	-	100,817	70,586
(22,286)	(33,041)	6,476,742	6,317,349
651,931	1,209,357	(963,440)	(137,262)
897,850	733,691	10,786,929	11,738,496
150,657	462,157	8,195,744	8,688,463
-	5,027	332,568	485,316
2,063,704	2,780,866	2,063,704	2,780,866
481,412	581,770	5,427,410	6,824,812
1,967	1,966	1,273,169	1,562,963
-	-	305,185	245,668
116,125	8,564	916,585	983,532
3,711,715	4,574,041	29,301,294	33,310,116
4,341,360	5,750,357	34,814,596	39,490,203

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

	Notes	Shareholders		General Takaful		Family takaful		Total	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Revenues									
Gross contributions	21	-	-	18,069,815	20,290,466	1,584,184	1,867,284	19,653,999	22,157,750
Retakaful share of gross contributions		-	-	(5,439,179)	(6,632,333)	(753,328)	(633,336)	(6,192,507)	(7,265,669)
Retained contributions		-	-	12,630,636	13,658,133	830,856	1,233,948	13,461,492	14,892,081
Unearned contributions adjustment - gross	12	-	-	181,219	(431,825)	311,500	(327,441)	492,719	(759,266)
Unearned contributions adjustment - retakaful	12	-	-	(630,648)	627,715	(242,626)	242,474	(873,274)	870,189
Net earned contributions		-	-	12,181,207	13,854,023	899,730	1,148,981	13,080,937	15,003,004
Commission income		-	-	856,945	1,076,852	10,727	10,490	867,672	1,087,342
Unearned retakaful commission income adjustment		-	-	147,721	(139,692)	5,027	(2,147)	152,748	(141,839)
Net earned commission income		-	-	1,004,666	937,160	15,754	8,343	1,020,420	945,503
Other takaful income		-	-	4,597	6,740	5,569	7,510	10,166	14,250
Total takaful revenue		-	-	13,190,470	14,797,923	921,053	1,164,834	14,111,523	15,962,757
Expenses									
Gross claims paid	10	-	-	(16,250,399)	(19,113,915)	(936,122)	(1,058,155)	(17,186,521)	(20,172,070)
Claims recovered from retakaful and other parties	10	-	-	7,748,909	7,899,708	512,244	807,003	8,261,153	8,706,711
Outstanding claims adjustments - gross	10	-	-	1,115,726	1,111,496	(164,159)	(1,233)	951,567	1,110,263
Outstanding claims adjustments - retakaful and others	10	-	-	(1,729,301)	179,860	121,808	30,241	(1,607,493)	210,101
Net claims incurred		-	-	(9,115,065)	(9,922,851)	(466,229)	(222,144)	(9,581,294)	(10,144,995)
Other takaful expenses		-	-	(477,596)	(410,048)	(3,049)	(15,703)	(480,645)	(425,751)
Transfer to family takaful technical reserve		-	-	-	-	(606,451)	(171,254)	(606,451)	(171,254)
Provision for impaired takaful receivables	9	-	-	(215,245)	79,131	(5,367)	(1,088)	(220,612)	78,043
Total takaful expenses		-	-	(9,807,906)	(10,253,768)	(1,081,096)	(410,189)	(10,889,002)	(10,663,957)
Surplus from takaful operations before wakala fees		-	-	3,382,564	4,544,155	(160,043)	754,645	3,222,521	5,298,800
Wakala fees expense		-	-	(3,541,439)	(4,323,971)	(396,046)	(653,549)	(3,937,485)	(4,977,520)
(Deficit) / surplus from takaful operations after wakala fees		-	-	(158,875)	220,184	(556,089)	101,096	(714,964)	321,280
Wakala fees income	24	3,937,485	4,977,520	-	-	-	-	3,937,485	4,977,520
Investment income	25	142,272	133,676	130,515	53,276	95,068	140,961	367,855	327,913
Mudarib share	24	56,396	48,559	(32,629)	(13,319)	(23,767)	(35,240)	-	-
Other income - net	26	389,038	292,445	-	-	-	-	389,038	292,445
		4,525,191	5,452,200	97,886	39,957	71,301	105,721	4,694,378	5,597,878
Management, general and administrative expenses and depreciation	22	(3,136,352)	(3,180,092)	-	-	-	-	(3,136,352)	(3,180,092)
Amortisation of acquisition costs	13	(1,214,255)	(1,637,016)	-	-	-	-	(1,214,255)	(1,637,016)
Impairment loss on investments	8	(121,213)	(231,801)	(207,763)	(181,335)	(72,638)	(57,732)	(401,614)	(470,868)
Net management, general and administrative expenses		(4,471,820)	(5,048,909)	(207,763)	(181,335)	(72,638)	(57,732)	(4,752,221)	(5,287,976)
Net profit and (deficit) / surplus for the year		53,371	403,291	(268,752)	78,806	(557,426)	149,085	(772,807)	631,182
Attributable to:									
Shareholders of the parent		23,140	396,607						
Non-controlling interests		30,231	6,684						
		53,371	403,291						
Earnings per share	27	0.37 Fils	6.35 Fils						

Jamal Ali Al Hazeem
Chairman

AbdulRahman Abdulla Mohammed
Vice-Chairman

Younis J. Al Sayed
Chief Executive

The attached explanatory notes 1 to 40 form part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

	Share capital	Statutory reserve	General reserve	Accumulated losses	Investments fair value reserve	Equity attributable to shareholders of the parent	Non-Controlling interests	Total equity
At 1 January 2017	6,250,000	519,727	200,000	(679,213)	(23,543)	6,266,971	70,586	6,337,557
Profit for the year	-	-	-	23,140	-	23,140	30,231	53,371
Other comprehensive income	-	-	-	-	86,762	86,762	-	86,762
Total comprehensive income for the year	-	-	-	23,140	86,762	109,902	30,231	140,133
Transfer to statutory reserve	-	2,314	-	(2,314)	-	-	-	-
At 31 December 2017	6,250,000	522,041	200,000	(658,387)	63,219	6,376,873	100,817	6,477,690
At 1 January 2016 as previously reported	6,250,000	480,066	200,000	(1,036,159)	(74,368)	5,819,539	-	5,819,539
Effect of change due to consolidation	-	-	-	-	-	-	15,902	15,902
At 1 January 2016	6,250,000	480,066	200,000	(1,036,159)	(74,368)	5,819,539	15,902	5,835,441
Profit for the year	-	-	-	396,607	-	396,607	6,684	403,291
Other comprehensive income	-	-	-	-	50,825	50,825	-	50,825
Total comprehensive income for the year	-	-	-	396,607	50,825	447,432	6,684	454,116
Transfer to statutory reserve	-	39,661	-	(39,661)	-	-	-	-
Increase in subsidiary capital	-	-	-	-	-	-	48,000	48,000
At 31 December 2016	6,250,000	519,727	200,000	(679,213)	(23,543)	6,266,971	70,586	6,337,557

The attached explanatory notes 1 to 40 form part of these consolidated financial statements.

Consolidated Statement of Changes in Participants' Fund

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

	Investments fair value reserve				Total
	General takaful	Family takaful	General takaful	Family takaful	
At 1 January 2017	(1,346,619)	1,209,357	12,833	(33,041)	(157,470)
Realised fair value gains / (losses) on investment securities	-	-	(421)	20,036	19,615
Unrealised fair value gains / (losses) on investment securities	-	-	8,926	(9,281)	(355)
Deficit for the year	(268,752)	(557,426)	-	-	(826,178)
At 31 December 2017	(1,615,371)	651,931	21,338	(22,286)	(964,388)
At 1 January 2016	(1,425,425)	1,060,272	(35,792)	(37,293)	(438,238)
Realised fair value gains on investment securities	-	-	15,271	13,632	28,903
Unrealised fair value gains / (losses) on investment securities	-	-	33,354	(9,380)	23,974
Surplus for the year	78,806	149,085	-	-	227,891
At 31 December 2016	(1,346,619)	1,209,357	12,833	(33,041)	(157,470)

The attached explanatory notes 1 to 40 form part of these consolidated financial statements.

Consolidated Statement Of Cash Flows

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

	31 December 2017	31 December 2016
OPERATING ACTIVITIES		
Net profit for the period	53,371	403,291
(Deficit) / surplus from participants' operations	(826,178)	227,891
Adjustments for:		
Investment income	(316,958)	(262,744)
Gains on sale of available for sale investments	(50,897)	(65,169)
Impairment loss on available for sale investments	401,614	470,868
Gains on disposal of property and equipment	-	(5,253)
Depreciation	252,177	210,975
Provision for impairment of takaful and retakaful receivables	220,612	(78,043)
Write offs of takaful and retakaful receivables	-	41,762
Movement in unearned contributions	380,555	(110,923)
Movement in unearned commissions	89,589	204,805
Movement in transfer to family takaful technical reserve	606,451	171,254
Operating profit before changes in operating assets and liabilities	810,336	1,208,714
Changes in operating assets and liabilities:		
Takaful and retakaful receivables	(1,090,853)	(791,253)
Other receivables and prepayments	87,373	(284,614)
Retakaful share of outstanding claims	1,607,493	(210,100)
Gross outstanding claims	(951,567)	(1,110,264)
Takaful and retakaful payables	(1,397,402)	2,721,381
Other liabilities and provisions	(289,794)	494,777
Employees' terminal benefits	59,517	32,351
Net cashflows (used in) / from operating activities	(1,164,897)	2,060,992
INVESTING ACTIVITIES		
Investment income received	367,855	327,913
Purchase of property and equipment	(62,707)	(131,949)
Proceeds from sale of property and equipment	42	5,253
Purchase of available for sale investments	(2,535,813)	(1,136,434)
Proceeds from the sale of available for sale investments	1,322,403	1,197,173
Bank deposits with maturities of more than three months	(1,402,547)	475,990
Net cashflows (used in) / investing activities	(2,310,767)	737,946
FINANCING ACTIVITY		
Increase in share capital of subsidiary - non controlling interest	-	48,000
Net cashflows from financing activity	-	48,000
NET (DECREASE) / INCREASE IN CASH AND BANK BALANCES	(3,475,664)	2,846,938
Cash and bank balances at the beginning of the year	6,792,575	3,945,637
CASH AND BANK BALANCES , END OF THE YEAR	3,316,911	6,792,575
COMPRISING:		
Cash and balance in current accounts	1,987,497	3,604,456
Bank deposits with maturity of three months or less	1,329,414	3,188,119
CASH AND CASH EQUIVALENTS	3,316,911	6,792,575
Bank deposits with maturity of more than three months	2,218,075	815,528
Cash and balances with banks as per statement of financial position	5,534,986	7,608,103

The attached explanatory notes 1 to 40 form part of these consolidated financial statements.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

1 ORGANISATION AND ACTIVITIES

Takaful International Company B.S.C. ("the Company"). The Company is a Bahraini public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 21100 obtained on 11 April 1989. The Company and its subsidiary (together the "Group") provide takaful and related products and services.

The activities of the Group are organised on the principles of Shari'a. The principal activity of the Group is to manage the General and Family takaful activities and investments by adopting wakala and mudarabha models respectively, on behalf of the participants in accordance with the Islamic Shari'a principles. The retakaful activities are organised on an underwriting year basis with the participants pooling their contributions to compensate for losses suffered in the pool on occurrence of a defined event.

The registered office of the Group is in the Kingdom of Bahrain. The full address is stated on page 2.

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 20 February 2018.

2 BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Central Bank of Bahrain and Financial Institutions Law 2006, the Insurance Regulations set out in Volume 3 and applicable provisions of Volume 6 of the Insurance Rulebook issued by the Central Bank of Bahrain and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001. For the matters which are not covered by AAOIFI standards, International Financial Reporting Standards ("IFRS") have been applied. The accounting policies have been consistently applied by the Group and are consistent with those of the previous year.

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

The preparation of consolidated financial statements in conformity with FAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Functional currency

The consolidated financial statements have been presented in Bahraini Dinars (BD) which is the functional currency of the Group except when otherwise indicated.

3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

3 BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The following is the subsidiary of the Group:

Name of the subsidiary	Country of incorporation	Effective ownership		Principal activity
		2017	2016	
Health 360 Ancillary Services Co W.L.L.	Bahrain	60%	60%	Third party administration

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the annual audited financial statements of the Group prepared as at, and for the year ended 31 December 2017:

Takaful operations

As an Islamic insurance provider, the Group issues contracts that are based on co-operative activity by risk sharing or financial risk, or both. The Group classifies all its contracts individually as either takaful contracts or investment contracts.

Takaful contracts are those contracts where the insurer accepts significant insurance risk from the participants by agreeing to compensate the participants if a specified uncertain future event adversely affects the participants. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Investment contracts are contracts where there is insignificant transfer of insurance risk from the participants to the Group. They are accounted for as financial instruments under IAS 39: "Financial Instruments: Recognition and Measurement" and revenue arising from such contracts is recognised in accordance with IAS 18 Revenue Recognition.

General takaful

Gross contributions

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods.

Unearned contributions are those proportions of contributions written in a year that relate to periods of risk after the consolidated statement of financial position date. The proportion attributable to subsequent periods is deferred as a provision for unearned contributions and is calculated as follows:

- By the 1/365th method' for all annual takaful contracts, except for marine cargo business; and
- at 25% of gross premiums and reinsurance cessions for marine cargo business. This approximation method is used because marine cargo policies cover variable periods shorter than one year, in order to spread the premiums earned over the tenure of the insurance policies.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Retakaful share

Retakaful share comprise the total contributions payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods.

Net commission

"The Group defers commission income and expense in order to spread the commission income and expense earned over the terms of the insurance contracts as follows:

- By the 1/365th method for all annual insurance contracts, except for marine cargo business; and
- By the 25% method for marine cargo business."

Retakaful commission income and commission paid are deferred on the same basis used in the calculation of unearned contributions.

Gross claims settled

Gross claims settled include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, less a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims recovered from retakaful and other parties are recognised when the related gross claims settled are recognised according to the terms of the relevant contracts.

General takaful reserves

i) Gross outstanding claims

Gross outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the consolidated statement of financial position date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the consolidated statement of financial position date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

ii) Unearned contributions

The provision for unearned contributions represents contributions received for risks that have not yet expired. The reserve is matched with the contributions earned and released.

iii) Liability adequacy test

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned contributions. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy.

Family takaful

Family takaful technical reserves represent the present value of future benefit obligations in respect of family takaful contracts in force at the consolidated statement of financial position date. The reserve consists of two types of funds namely protection takaful and savings takaful.

The protection takaful and savings takaful reserve is determined annually by the Group's appointed actuary. Reserves for individual family takaful contracts are calculated on a prospective method. The liabilities are valued using discounted cash flow (DCF) with a discount rate of 5% per annum (2016: 4.25% per annum).

Maturity and survival benefits are charged against the technical reserve when due. Encashment and surrenders are accounted for when paid or when cover ceases. Death and disability claims are accounted for when notified.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Family takaful (continued)

Gross contributions

Gross contributions are recognised in the consolidated statement of profit or loss on the due date of the contributions.

Retakaful share

Retakaful share comprise the total contributions payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods.

Net commission

Retakaful commission income and commission paid are recognised at the time retakaful contracts are written.

Gross claims settled

Claims settled are charged to the statement of profit or loss, in the year in which claims arise.

Claims recovered from retakaful and other parties are recognised when the related gross claims settled are recognised according to the terms of the relevant contracts

Family takaful reserves

i) Gross outstanding claims

Provision for outstanding claims is based on estimates of the loss, which will eventually be payable on each unpaid claims, established by the management in the light of the currently available information and past experiences and modified for changes reflected in current creditors, increased exposure, rising claims costs and the severity and frequency of recent claims as appropriate. Outstanding claim provisions are not discounted for time value of money.

ii) Unearned contributions

The provision for unearned contributions represents contributions received for risks that have not yet expired. The reserve is matched with the contributions earned and released.

iii) Liability adequacy test

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned contributions. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate the deficiency is recognised in the consolidated statement of profit or loss by setting up a provision for liability adequacy.

Qard Hassan

This is a loan granted by the shareholders to the policyholders for the purpose of meeting the minimum required margin of solvency mentioned in the takaful Regulations set out in Volume 3 of the takaful Rule Book issued by the Central Bank of Bahrain or to cover any cash deficit in the participants fund(s). The loan is profit free and has no fixed repayment terms. Qard Hassan is tested annually for impairment.

Surplus/deficit in participants' fund

If the surplus in the participants' fund at the end of a three year period is sufficiently large, a percentage of the surplus is distributed between participants that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions are approved by the Group's Shari'a Supervisory Board. Any remaining surplus after the distribution remains in the participants' fund.

A cash deficiency in participants' fund is made good by a qard hassan from the shareholders' fund. This qard is to be repaid from future surpluses arising from takaful operations on a priority basis. This qard is tested for impairment and the portion of the qard that is considered impaired is charged to the statement of profit or loss.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Surplus/deficit in participants' fund (continued)

On liquidation of the fund, the accumulated surplus in the participants' fund, if any, after meeting all obligations (including repayment of the outstanding amount of qard hassan), will be dealt with after consulting with the Group's Shari'a Supervisory Board. In case of an accumulated deficit, any qard hassan outstanding at the time of liquidation will not be repayable by the participants' fund and the shareholders' fund will forego such outstanding amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and short-term deposits with original maturities of three months or less.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

Available for sale investments

The Group classifies its investments into available-for-sale category. The Group determines the classification of its financial assets on initial recognition.

Financial assets are recognised initially at fair value, including directly attributable transaction costs.

Available for sale investments (continued)

Available-for-sale financial assets are non-derivative financial assets designated as available-for-sale. These investments are initially recorded at fair value. After initial measurement these are remeasured at fair value. Fair value gains and losses are reported as a separate component in other comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the statement of profit or loss. Dividend income on available for sale investments are included under investment income in the consolidated statement of profit or loss.

Takaful and retakaful receivables

Takaful receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of takaful receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of profit or loss.

Retakaful contracts are contracts entered into by the Group with reinsurers for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group is compensated for losses on takaful contracts issued. Assets, liabilities and income and expense arising from ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its policyholders. The benefits to which the Group is entitled to under its retakaful contracts held are recognised as retakaful assets. These assets consists of balances due from retakaful companies on settlement of claims and other receivables such as profit commissions and retakaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful companies are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract.

Policy acquisition costs

Policy acquisition costs which include commission, brokerage and other variable underwriting costs directly associated with acquiring business are amortised over the period of the policy. Acquisition costs that relate to periods of risk that extend beyond the end of the financial year are reported as deferred acquisition costs.

Property and equipment

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The assets' residual values and useful lives and method are reviewed and adjusted if appropriate at each financial year end.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of profit or loss as an expense.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognised.

Following are the useful lives of classes of property and equipment:

Buildings on freehold lands	25 years
Furniture, fixtures and equipments	3-10years
Vehicles	4 years

Receivables from takaful funds

Receivables from takaful funds represent the amount of wakala, management and other fees recoverable from the General takaful and Family takaful funds of the Group.

Foreign currency transactions

The consolidated financial statements are presented in Bahraini Dinars which is the functional currency of the Group. The Group's Qatar branch, however uses the Qatari Riyal as its functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of profit or loss, except for differences relating to items where gains or losses are recognised directly in equity, in which case the gain or loss is recognised in equity.

Dividends on share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the reporting period.

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statements of profit or loss and comprehensive income and within equity, separately from the parent's shareholders' equity.

Revenue recognition

Investment income

Income from investment in murabaha deposits is recognised on a time proportion basis using the effective profit rate method.

Rental income

Rental income is recognised on an accrual basis.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Dividends are recognised as income when the Group's right to receive the payment is established.

Wakala fee

The Group manages the general and family takaful operations on behalf of the participants for a wakala fee which is recognised on an accrual basis. Wakala fee is recognised as an expense in the participants' statement of profit or loss and as an income in the shareholders' statement of profit or loss.

Mudarib share

The investments of the participants are also managed by the Group for a mudarib share in the investment income on the basis of mudarabha model. Mudarib share is recognised as expense in the statement of participants' statement of profit or loss and as income in the shareholders' statement of profit or loss.

Retakaful commissions

Commissions receivable on outward retakaful contracts are deferred and amortised over the term of the expected premiums payable.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation.

Fair value of financial instruments

The Group measures financial instruments such as available for sale investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset for its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted available-for-sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

Impairment of financial assets

The Group assesses at each consolidated statement of financial position date whether a financial asset or group of financial assets is impaired.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income is transferred from other comprehensive income to the statement of profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the consolidated statement of profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated statement of profit or loss.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Employees' terminal benefits

The Group provides end of service benefits to its expatriate employees in accordance with the relevant regulations. The entitlement to these benefits is based upon the employees' final salaries and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment based on the notional amount payable if all employees had left at the consolidated statement of financial position date.

With respect to its national employees, the Group makes contributions to the Social Insurance Organisation calculated as a percentage of the employees' salaries in accordance with the relevant regulations. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Financial liabilities

The financial liabilities of the Group consist of retakaful and takaful payables and other liabilities and provisions. These financial liabilities are initially recognised at fair value and are subsequently remeasured at amortised cost using the effective profit rate method.

Retakaful and takaful payables

Retakaful balances payable are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

Liability adequacy tests are performed at each consolidated statement of financial position date to ensure the adequacy of the takaful liabilities using current best estimates of future contractual cash flows under takaful contracts. Any deficiency is immediately charged to the consolidated statement of profit or loss by establishing a provision for losses arising from liability adequacy tests.

Payables and accruals

Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the provider or not.

Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable purposes.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with FAS issued by AAOIFI requires the Group's management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The most significant uses of judgements and estimates are as follows:

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Group will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the consolidated statement of financial position date, for which the insured event has occurred prior to the consolidated statement of financial position date.

All insurance contracts are subject to a liability adequacy test, as is explained in the accounting policy for general and family takaful reserves above.

Impairment losses on available-for-sale securities

The Group determines that available-for-sale unquoted equity securities and managed funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Group treats 'significant' as 30% and 'prolonged' as one year. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgement, the Group evaluates, amongst other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance and operating and financing cash flows.

Impairment losses on takaful and retakaful receivables

The Group assesses takaful and retakaful receivables that are individually significant and takaful and retakaful receivables included in a group of financial assets with similar credit risk characteristics for impairment. Takaful and retakaful receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgement. In making this judgement, the Group evaluates credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Refer note 30.

Family takaful reserves

Family takaful reserves represent the present value of future obligations in respect of contracts in force at the reporting date, computed based on internal calculation which is reviewed and assessed by an external actuary.

6 STATUTORY DEPOSITS

Statutory deposits are maintained under the regulations of the Central Bank of Bahrain and Financial Institutions Law, 2006. Such deposits, which depend on the nature of the takaful business and the number of branches, can not be withdrawn except with the approval of the Central Bank of Bahrain. A sum of BD 125,000 (2016: BD 125,000) has been deposited with Bahrain Islamic Bank B.S.C. in the name of the Group and for the order of Central Bank of Bahrain.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

7 CASH AND BALANCES WITH BANKS

	31 December 2017			
	Shareholders	General takaful	Family takaful	Total
Cash in hand	1,119	3,887	-	5,006
Balances with banks current accounts	927,104	934,257	121,130	1,982,491
Bank deposits with maturity of three months or less	151,000	835,649	342,765	1,329,414
	1,079,223	1,773,793	463,895	3,316,911
Bank deposits with maturity of more than three months	176,473	1,309,601	732,001	2,218,075
Cash and balances with banks	1,255,696	3,083,394	1,195,896	5,534,986

	31 December 2016			
	Shareholders	General takaful	Family takaful	Total
Cash in hand	929	2,364	-	3,293
Balances with banks current accounts	593,320	2,490,378	517,465	3,601,163
Bank deposits with maturity of three months or less	345,443	2,315,934	526,742	3,188,119
	939,692	4,808,676	1,044,207	6,792,575
Bank deposits with maturity of more than three months	174,540	522,767	118,221	815,528
Cash and balances with banks	1,114,232	5,331,443	1,162,428	7,608,103

Call account balances and deposits earn effective profit rates ranging between 1.9% and 6% per annum (2016: between 1.15% and 6% per annum).

The savings account balances with banks earn effective profit rates ranging between 0.10% and 0.25% per annum (2016: between 0.10% and 0.25% per annum).

The current account balances with banks are non-profit bearing.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Bahraini Dinars)

8 AVAILABLE FOR SALE INVESTMENTS

	31 December 2017				31 December 2016			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Opening balance	2,428,308	773,056	1,485,205	4,686,569	2,420,460	958,361	1,735,654	5,114,475
Additions during the year	1,312,474	583,974	639,365	2,535,813	1,060,934	-	75,500	1,136,434
Disposals during the year	(798,890)	(87,338)	(436,175)	(1,322,403)	(872,110)	(52,595)	(272,469)	(1,197,174)
Realised fair value gains/(losses) on sale of available-for-sale investments	31,283	(421)	20,036	50,898	36,266	15,271	13,632	65,169
Impairment loss for the year	(121,213)	(207,763)	(72,638)	(401,614)	(231,801)	(181,335)	(57,732)	(470,868)
Unrealised fair value gains/(losses) recognised in investment fair value reserve	55,479	8,926	(9,281)	55,124	14,559	33,354	(9,380)	38,533
Closing balance	2,907,441	1,070,434	1,626,512	5,604,387	2,428,308	773,056	1,485,205	4,686,569

Analysis of available-for-sale investments

	31 December 2017				31 December 2016			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Shares listed on stock exchanges	670,743	216,604	-	887,347	313,296	56,063	-	369,359
Quoted managed funds	426,144	21,003	29,920	477,067	329,845	18,643	73,920	422,408
Unquoted managed funds	323,297	229,259	219,794	772,350	390,460	470,348	230,872	1,091,680
Unquoted equity investments	200,268	-	-	200,268	204,556	-	-	204,556
Quoted Sukuks	1,286,989	603,568	1,376,798	3,267,355	1,190,151	228,002	1,180,413	2,598,566
Closing balance	2,907,441	1,070,434	1,626,512	5,604,387	2,428,308	773,056	1,485,205	4,686,569

During the year, the Group has performed an impairment test of its available-for-sale investments and concluded that certain of those investments are impaired. Accordingly, the impairment loss of BD 401,614 (2016: BD 470,868) has been charged to the consolidated statement of profit or loss.

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9 TAKAFUL AND RETAKAFUL RECEIVABLES

	31 December 2017			31 December 2016		
	General takaful	Family takaful	Total	General Takaful	Family takaful	Total
Due from takaful companies	3,283,303	-	3,283,303	2,702,120	-	2,702,120
Due from retakaful companies	1,845,872	58,656	1,904,528	868,202	124,178	992,380
Due from takaful participants	3,018,873	179,779	3,198,652	3,311,132	184,729	3,495,861
Due from broker and other receivables	2,120,109	66,542	2,186,651	2,185,011	146,460	2,331,471
Allowance for impairment	(663,797)	(20,270)	(684,067)	(488,103)	(14,903)	(503,006)
Closing balance	9,604,360	284,707	9,889,067	8,578,362	440,464	9,018,826

Takaful and retakaful receivable consist of balances due from retakaful and takaful companies domiciled mainly in the Middle East.

At 31 December 2017, in the opinion of the Company's management, a provision of BD 684,067 is required towards impairment of takaful and retakaful receivables (2016: BD 503,006). The movement in the provision for impaired takaful and retakaful receivables is as follows:

	31 December 2017	31 December 2016
At 1 January	503,006	622,811
Charge / (reversal) during the year	220,612	(78,043)
Written-off for the year	(39,551)	(41,762)
	684,067	503,006

As at 31 December, the ageing of unimpaired takaful and retakaful receivables is as follows:

Age in days	General takaful				Family takaful			
	Current		Overdue and not impaired		Current		Overdue and not impaired	
	2017	2016	2017	2016	2017	2016	2017	2016
0 to 120 days	5,105,959	3,736,694	-	-	222,827	351,168	-	-
121 to 180 days	-	-	675,835	1,842,815	-	-	1,340	24,384
181 to 365 days	-	-	1,941,712	2,070,809	-	-	13,009	52,353
More than 365 days	-	-	1,880,854	928,044	-	-	47,531	12,559
	5,105,959	3,736,694	4,498,401	4,841,668	222,827	351,168	61,880	89,296

The net takaful and retakaful receivable are expected to be fully recoverable. It is not the practice of the Group to obtain collateral over takaful and retakaful receivables.

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10 OUTSTANDING CLAIMS

	2017			2016		
	Retakaful			Retakaful		
	Gross	share	Net	Gross	share	Net
At 1 January						
Reported claims	9,393,618	(7,728,726)	1,664,892	7,512,470	(5,077,024)	2,435,446
IBNR and IBNER claims	2,344,878	(1,173,266)	1,171,612	5,336,290	(3,614,868)	1,721,422
	11,738,496	(8,901,992)	2,836,504	12,848,760	(8,691,892)	4,156,868
Claims incurred during the year	16,234,954	(6,653,660)	9,581,294	19,061,806	(8,916,811)	10,144,995
Claims paid during the year	(17,186,521)	8,261,153	(8,925,368)	(20,172,070)	8,706,711	(11,465,359)
	10,786,929	(7,294,499)	3,492,430	11,738,496	(8,901,992)	2,836,504
At 31 December						
Reported claims	9,246,606	(6,693,266)	2,553,340	9,393,618	(7,728,726)	1,664,892
IBNR and IBNER claims	1,540,323	(601,233)	939,090	2,344,878	(1,173,266)	1,171,612
	10,786,929	(7,294,499)	3,492,430	11,738,496	(8,901,992)	2,836,504

All dues from retakaful companies in connection with outstanding claims are unimpaired and are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over dues from retakaful companies in connection with outstanding claims.

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11 CLAIMS DEVELOPMENT

Each year the Group estimates the ultimate value of claims for the year. A comparison of this estimate with the actual liability for each year provides a measure of the Group's ability to accurately estimate claims.

Gross claims

Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
At the end of										
Accident year	9,575,111	9,927,779	10,890,272	13,485,208	16,550,364	15,917,496	14,094,971	19,515,026	16,136,710	
One year later	10,095,653	10,224,165	11,245,228	14,816,064	18,447,720	17,900,095	15,591,013	20,963,383	-	
Two years later	9,924,844	10,265,279	13,100,524	14,823,818	19,086,330	18,439,226	16,041,885	-	-	
Three years later	9,958,823	10,216,625	13,126,988	15,058,614	19,178,569	18,649,132	-	-	-	
Four years later	9,891,919	10,198,724	13,182,709	15,104,752	19,231,824	-	-	-	-	
Five years later	9,920,866	10,209,611	13,185,142	15,144,603	-	-	-	-	-	
Six years later	9,955,205	10,208,925	13,205,119	-	-	-	-	-	-	
Seven years later	9,947,781	10,200,935	-	-	-	-	-	-	-	
Eight years later	9,901,150	-	-	-	-	-	-	-	-	
Current estimate of										
cumulative claims incurred	9,901,150	10,200,935	13,205,119	15,144,603	19,231,824	18,649,132	16,041,885	20,963,383	16,136,710	139,474,741
Cumulative payments to date	(9,840,881)	(10,168,651)	(13,112,014)	(15,063,794)	(18,924,581)	(18,073,483)	(14,762,19)	(19,383,201)	(9,369,340)	(128,698,564)
Liability recognised in the statement of financial position										
	60,269	32,284	93,105	80,809	307,243	575,649	1,279,266	1,580,182	6,767,370	10,776,177
Liability in respect of years prior to 2009										
										10,752
Total reserve included in the consolidated statement of financial position										
										10,786,929

Net outstanding claims

Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
At the end of										
Accident year	3,535,036	3,978,257	4,444,499	5,754,752	6,818,700	7,970,234	7,693,114	10,018,918	9,288,622	
One year later	3,713,004	4,140,704	4,683,185	6,473,312	7,724,473	8,681,002	8,550,400	10,531,698	-	
Two years later	3,710,574	4,136,406	4,963,481	6,528,240	8,149,743	9,042,943	8,754,271	-	-	
Three years later	3,699,408	4,078,162	4,991,449	6,725,210	8,178,844	9,164,187	-	-	-	
Four years later	3,590,895	4,062,819	5,020,737	6,710,731	8,284,188	-	-	-	-	
Five years later	3,665,476	4,073,531	5,013,136	6,827,707	-	-	-	-	-	
Six years later	3,627,952	4,069,295	5,066,907	-	-	-	-	-	-	
Seven years later	3,639,355	4,140,977	-	-	-	-	-	-	-	
Eight years later	3,722,278	-	-	-	-	-	-	-	-	
Current estimate of										
cumulative claims incurred	3,722,278	4,140,977	5,066,907	6,827,707	8,284,188	9,164,187	8,754,271	10,531,698	9,288,622	65,780,835
Cumulative payments to date	(3,713,594)	(4,129,037)	(5,049,634)	(6,808,433)	(8,252,476)	(9,094,011)	(8,580,868)	(9,927,734)	(6,737,597)	(62,293,384)
Liability recognised in the statement of financial position										
	8,684	11,940	17,273	19,274	31,712	70,176	173,403	603,964	2,551,025	3,487,451
Liability in respect of years prior to 2009										
										4,979
Total reserve included in the consolidated statement of financial position										
										3,492,430

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12 UNEARNED CONTRIBUTIONS AND DEFERRED RETAKAFUL CONTRUBUTIONS

	2017			2016		
	Gross	Retakaful	Net	Gross	Retakaful	Net
		share			share	
At 1 January	8,688,463	(3,030,352)	5,658,111	7,929,198	(2,160,164)	5,769,034
Contributions written	19,653,999	(6,192,507)	13,461,492	22,157,750	(7,265,669)	14,892,081
Contributions earned	(20,146,718)	7,065,781	(13,080,937)	(21,398,485)	6,395,481	(15,003,004)
At 31 December	8,195,744	(2,157,078)	6,038,666	8,688,463	(3,030,352)	5,658,111

13 DEFERRED POLICY ACQUISITION COSTS

	2017	2016
At 1 January	706,739	769,705
Acquisition costs during the year	971,918	1,574,050
Amortisation for the year	(1,214,255)	(1,637,016)
At 31 December	464,402	706,739

14 UNEARNED RETAKAFUL COMMISSIONS

	2017	2016
At 1 January	485,316	343,477
Retakaful commissions received	867,672	1,087,342
Retakaful commissions earned	(1,020,420)	(945,503)
At 31 December	332,568	485,316

15 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2017				31 December 2016			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Staff related receivables	4,429	-	-	4,429	16,355	-	-	16,355
Accrued Incomes	32,422	48,837	27,352	108,611	23,690	33,591	10,936	68,217
Prepaid Expenses	41,645	-	-	41,645	64,306	-	-	64,306
Tender Deposits	-	36,668	-	36,668	-	50,788	-	50,788
Other Receivables	84,446	85,888	-	170,334	228,791	20,603	-	249,394
At 31 December	162,942	171,393	27,352	361,687	333,142	104,982	10,936	449,060

Other receivables are unimpaired and expected, on the basis of past experience, to be fully recoverable within 12 months from the consolidated statement of financial position date.

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16 PROPERTY AND EQUIPMENT

	Freehold land	Buildings on freehold land	Furniture and fixtures	Office equipment	Motor vehicles	Capital work-in-progress"	Total
Cost							
At 31 December 2015	1,071,868	1,255,201	892,747	1,347,165	105,280	24,119	4,696,380
Additions	-	-	2,009	122,059	32,000	-	156,068
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	(14,000)	(24,119)	(38,119)
At 31 December 2016	1,071,868	1,255,201	894,756	1,469,224	123,280	-	4,814,329
Additions	-	-	675	62,032	-	-	62,707
Disposals	-	-	(14,806)	(225)	(10,712)	-	(25,743)
At 31 December 2017	1,071,868	1,255,201	880,625	1,531,031	112,568	-	4,851,293
Accumulated depreciation							
At 31 December 2015	-	387,615	715,546	1,174,509	67,159	-	2,344,829
Charge for the year	-	41,931	72,501	71,215	25,328	-	210,975
Disposals for the year	-	-	-	-	(14,000)	-	(14,000)
At 31 December 2016	-	429,546	788,047	1,245,724	78,487	-	2,541,804
Charge for the year	-	50,180	67,944	114,071	19,982	-	252,177
Disposals for the year	-	-	(14,806)	(183)	(10,712)	-	(25,701)
At 31 December 2017	-	479,726	841,185	1,359,612	87,757	-	2,768,280
Net book amount							
At 31 December 2017	1,071,868	775,475	39,440	171,419	24,811	-	2,083,013
At 31 December 2016	1,071,868	825,655	106,709	223,500	44,793	-	2,272,525

Capital work-in-progress primarily represents amounts incurred towards construction of new facilities and which are yet to be completed.

Properties owned by the Company

Name of the property	Address	Description	Existing Use	Nature	Terms of tenant's lease	Age of the property
Takaful International Co. BSC - Head office	Building No.680, Road No.2811, Seef District, 428, Kingdom of Bahrain	6 storey commercial tower measuring 3,626 square meters	Operational purpose	Freehold	Not applicable	12 Years
Takaful International Co. BSC Salmabad Branch	Building No. 2164, Road No.437, Salmabad 704, Kingdom of Bahrain	2 storey building measuring 550 square meters	Operational purpose	Freehold	Not applicable	15 Years

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17 RECEIVABLE FROM TAKAFUL FUNDS

Receivable from takaful funds includes amounts due from General takaful and Family takaful policyholders on account of wakala fees, mudarib fees and inter-entity balances.

18 RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company and its Parent, and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions.

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

	31 December 2017	
	Key management personnel	Shareholders
Gross contributions	2,968	360,008

	31 December 2016	
	Key management personnel	Shareholders
Gross contributions	8,248	1,084,793

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

	31 December 2017	
	Key management personnel	Shareholders
Statutory deposit	-	-
Cash and cash equivalents	-	-
Available-for-sale investments	-	80,918
Takaful and retakaful balances receivable	-	342,619
Amounts due from related parties	-	444

	31 December 2016	
	Key management personnel	Shareholders
Statutory deposit	-	125,000
Cash and cash equivalents	-	478,128
Available-for-sale investments	-	140,304
Takaful and retakaful balances receivable	4,235	58,506
Amounts due from related parties	-	654

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18 RELATED PARTIES (continued)

Compensation of key management personnel

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

	31 December 2017	
	2017	2016
Salaries and benefits	425,340	425,340
Remuneration and attendance fees to Directors	71,679	65,343
Employees' end of service benefits	15,765	15,765
	512,784	506,448

19 EQUITY AND RESERVES

	31 December 2017	31 December 2016
Authorised share capital:		
Ordinary shares		
200,000,000 ordinary shares of 100 fils each (2016: 200,000,000 ordinary shares of 100 fils each)	20,000,000	20,000,000
Issued and fully paid-up capital:		
Ordinary shares		
62,500,000 ordinary shares of 100 fils each (2016: 62,500,000 ordinary shares of 100 fils each)	6,250,000	6,250,000

During the year the board of directors in their meeting held on 8 November 2017 have approved the recommendation to increase the paid capital of the Company by BD 2,250,000. The recommendation would be presented to the Company's shareholders for approval in the EGM to be held on 21st March 2018.

Additional information on shareholding pattern

i) The names and nationalities and number of shares held by the major shareholders individually holding 5% and more of the issued and fully paid-up share capital as at 31 December 2017 and 2016 respectively is as follows:

Name of the shareholders	Nationality	31 December 2017	
		Number of shares	Percentage of shareholding interest
Bahrain Kuwait Insurance Company	Bahraini	42,048,287	67.28%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	8.40%
International Investment Group	Kuwaiti	3,991,187	6.39%
Name of the shareholders	Nationality	31 December 2016	
		Number of shares	Percentage of shareholding interest
Bahrain Kuwait Insurance Company	Bahraini	25,582,845	40.93%
Bahrain Islamic Bank B.S.C.	Bahraini	14,220,486	22.75%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	8.40%
International Investment Group	Kuwaiti	3,991,187	6.39%

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19 EQUITY AND RESERVES (continued)

ii) The Group has only one class of equity shares and the holders of the shares have equal voting rights.

iii) The distribution pattern of equity shares, setting out the number of shareholders and percentages in the following categories is as follows:

	31 December 2017		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	196	6,195,820	9.91%
1% up to less than 5%	3	5,014,706	8.02%
5% up to less than 10%	2	9,241,187	14.79%
10% up to less than 50%	1	42,048,287	67.28%
	202	62,500,000	100.00%

	31 December 2016		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	224	8,440,776	13.51%
1% up to less than 5%	3	5,014,706	8.02%
5% up to less than 10%	2	9,241,187	14.79%
10% up to less than 50%	2	39,803,331	63.69%
	231	62,500,000	100.00%

Statutory reserve

As required by the Bahrain Commercial Companies Law and the Insurance Regulations contained in Volume 3 of the Central Bank of Bahrain Rulebook, 10% of the profit for the year is to be transferred to a statutory reserve until such time as the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following approval of the Central Bank of Bahrain. During the year ended 31 December 2017, the Group transferred an amount of BD 2,314 (2016: BD 39,661) to the statutory reserve.

General reserve

Appropriations to the general reserve are made as proposed by the Board of Directors and approved by the shareholders. The reserve represents retained earnings and is available for distribution subject to approval of the Central Bank of Bahrain.

Dividends

There is no dividend payable to shareholders for the year ended 31 December 2017 [2016: Nil].

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20 OTHER LIABILITIES AND PROVISIONS

	31 December 2017				31 December 2016			
	Share-holders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Staff related accruals	166,573	-	-	166,573	229,971	-	-	229,971
Unclaimed share of profits	104,570	7,588	-	112,158	110,125	7,590	-	117,715
Accruals & other payables	404,741	587,730	1,967	994,438	472,607	740,704	1,966	1,215,277
	675,884	595,318	1,967	1,273,169	812,703	748,294	1,966	1,562,963

21 GROSS CONTRIBUTIONS

	31 December 2017			31 December 2016		
	General takaful	Family takaful	Total	General takaful	Family takaful	Total
Led by the company - net of refunds	17,266,306	1,584,184	18,850,490	19,069,813	1,867,284	20,937,097
Led by other insurance companies - Company's share	803,509	-	803,509	1,220,653	-	1,220,653
	18,069,815	1,584,184	19,653,999	20,290,466	1,867,284	22,157,750

22 MANAGEMENT, GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION

	31 December 2017	31 December 2016
Employee related costs	2,094,600	2,211,897
Depreciation	252,177	210,975
Other operating expenses	789,575	757,220
	3,136,352	3,180,092

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23 EMPLOYEES' TERMINAL BENEFITS

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2017 amounted to BD 131,320 (2016: BD 141,369).

The movement in leaving indemnity liability applicable to employees is as follows:

	31 December 2017	31 December 2016
Opening balance	245,668	213,317
Accruals for the year	126,985	42,115
Payments during the year	(67,468)	(9,764)
Closing balance	305,185	245,668
Total number of staff employed by the Group	102	133

24 WAKALA FEE AND MUDARIB SHARE

The shareholders manage the general and family takaful operations for the participants' and charge 20% (2016: 23%) and 25% (2016: 35%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 19.5% (2016: 21.3%) and 25% (2016: 25%) of the general takaful and family takaful investment income earned by the participants' investment funds, respectively. The maximum chargeable wakala fee and mudarib share, as approved by the Shari'a Supervisory Board, are 35% (2016: 35%) and 25% (2016: 25%) respectively.

25 INVESTMENT INCOME

	Year ended 31 December 2017				Year ended 31 December 2016			
	Share-holders	General takaful	Family takaful	Total	Share-holders	General takaful	Family takaful	Total
Deposit income	17,255	70,860	21,651	109,766	11,532	49,752	28,611	89,895
Profit on investment securities	70,091	26,305	73,630	170,026	75,269	(13,265)	97,115	159,119
Dividend income	8,680	7,297	3,486	19,463	10,609	1,518	1,603	13,730
Realised fair value (losses)/gains on sale of investment securities	46,246	26,053	(3,699)	68,600	36,266	15,271	13,632	65,169
	142,272	130,515	95,068	367,855	133,676	53,276	140,961	327,913

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26 OTHER INCOME - NET

	Year ended 31 December 2017	Year ended 31 December 2016
Other income		
TPA fees and other income (subsidiary)	363,756	268,230
Rental income	29,700	27,100
Profit on sale of equipment	2,091	5,253
Foreign exchange gain	-	3,681
	395,547	304,264
Other expense		
Investment expense	(6,509)	(11,819)
	389,038	292,445

27 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued during the year.

	Year ended 31 December 2017	Year ended 31 December 2016
Net profit / (loss)	23,140	396,607
Weighted average number of ordinary shares issued	62,500,000	62,500,000
Earnings per share	0.37 Fils	6.35 Fils

The Group does not have any potentially dilutive ordinary shares, hence the diluted earnings per share and earnings per share are identical.

Other information

Proposed cash dividend per share	-	-
Net asset value per share	102 Fils	100 Fils
Share price per Bahrain Bourse at 31 December	100 Fils	100 Fils
Price to earning ratio at 31 December	270 Times	16 Times
Total market capitalisation at 31 December (BD - thousand)	6,250	6,250

28 SEGMENTAL UNDERWRITING RESULTS

Business segments – primary reporting segment

For management purposes, the Group is organised into departments based on the classes of insured risks. The reportable operating segments of the Group are as follows:

Fire and general takaful offers insurance policies to cover various risks of fire, sabotage and terrorism, engineering and general accident.	Motor takaful offers insurance policies to cover risks of motor third party, motor comprehensive and extended warranty;	Marine and aviation takaful offers insurance policies to cover risks of marine cargo, marine hull and aviation
Medical takaful offers insurance policies to cover risks of medical contingencies and expenses.	Family takaful offers insurance policies to cover risks of group takaful and group credit, protection (decreasing term assurance/ level term assurance) and also for group savings, individual savings, education and cash back.	

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28 SEGMENTAL UNDERWRITING RESULTS (continued)

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents of segment revenues, measurement of segment profit for the year and their reconciliation to the Group's income and profit for the year.

Business segments – primary reporting segment

The Group's primary segment reporting format is business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group's primary business segments are divided into General Takaful (with further line of business) and Family Takaful.

An analysis of the gross participant's contributions, net contributions retained and net results for its main classes of general and family takaful is as follows:

	For the year ended 31 December 2017						
	Fire & General	Medical	Motor	Marine & Aviation	Total General Takaful	Family Takaful	Total
Gross contributions	5,104,153	5,455,318	7,054,880	455,464	18,069,815	1,584,184	19,653,999
Retakaful share of gross contributions	(4,446,914)	(175,186)	(442,773)	(374,306)	(5,439,179)	(753,328)	(6,192,507)
Retained contributions	657,239	5,280,132	6,612,107	81,158	12,630,636	830,856	13,461,492
Movement in unearned contributions	95,005	(631,991)	85,881	1,676	(449,429)	68,874	(380,555)
Net earned contributions	752,244	4,648,141	6,697,988	82,834	12,181,207	899,730	13,080,937
Net earned commission income	931,759	-	-	72,907	1,004,666	15,754	1,020,420
Other takaful income	1,460	2,390	212	535	4,597	5,569	10,166
Segment Revenue	1,685,463	4,650,531	6,698,200	156,276	13,190,470	921,053	14,111,523
Net claims incurred	(519,338)	(3,559,314)	(5,032,143)	(4,270)	(9,115,065)	(466,229)	(9,581,294)
Other Takaful Expenses	(3,361)	(367,425)	(106,810)	-	(477,596)	(3,049)	(480,645)
Transfer to family takaful technical reserve (Provision for)/ reversal of impaired takaful receivables	-	-	-	-	-	(606,451)	(606,451)
	(46,823)	(39,413)	(107,010)	(21,999)	(215,245)	(5,367)	(220,612)
Underwriting surplus before wakala fees	1,115,941	684,379	1,452,237	130,007	3,382,564	(160,043)	3,222,521
Wakala fees	(1,108,847)	(872,850)	(1,435,134)	(124,608)	(3,541,439)	(396,046)	(3,937,485)
Surplus/ (Deficit) from takaful operations after wakala fees	7,094	(188,471)	17,103	5,399	(158,875)	(556,089)	(714,964)
Investment Income					130,515	95,068	225,583
Mudarib Share					(32,629)	(23,767)	(56,396)
Impairment loss on investments					(207,763)	(72,638)	(280,401)
Net deficit					(268,752)	(557,426)	(826,178)

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(Expressed in Bahraini Dinars)

28 SEGMENTAL UNDERWRITING RESULTS (continued)

Business segments – primary reporting segment (continued)

	For the year ended 31 December 2016						
	Fire & General	Medical	Motor	Marine & Aviation	Total General Takaful	Family Takaful	Total
Gross contributions	6,586,052	4,670,086	8,511,398	522,930	20,290,466	1,867,284	22,157,750
Retakaful share of gross contributions	(5,588,011)	(45,080)	(563,151)	(436,091)	(6,632,333)	(633,336)	(7,265,669)
Retained contributions	998,041	4,625,006	7,948,247	86,839	13,658,133	1,233,948	14,892,081
Movement in unearned contributions	(90,403)	121,741	167,510	(2,958)	195,890	(84,967)	110,923
Net earned contributions	907,638	4,746,747	8,115,757	83,881	13,854,023	1,148,981	15,003,004
Net earned commission income	858,850	1,745	-	76,565	937,160	8,343	945,503
Other takaful income	1,251	2,308	1,577	1,604	6,740	7,510	14,250
Segment Revenue	1,767,739	4,750,800	8,117,334	162,050	14,797,923	1,164,834	15,962,757
Net claims incurred	(258,640)	(3,884,322)	(5,786,795)	6,906	(9,922,851)	(222,144)	(10,144,995)
Other Takaful Expenses	(744)	(268,809)	(140,476)	(19)	(410,048)	(15,703)	(425,751)
Transfer to family takaful technical reserve (Provision for)/ reversal of impaired takaful receivables	65,000	24,503	(10,372)	-	79,131	(1,088)	78,043
Underwriting surplus before wakala fees	1,573,355	622,172	2,179,691	168,937	4,544,155	754,645	5,298,800
Wakala fees	(1,430,966)	(787,794)	(1,985,692)	(119,519)	(4,323,971)	(653,549)	(4,977,520)
Surplus/ (Deficit) from takaful operations after wakala fees	142,389	(165,622)	193,999	49,418	220,184	101,096	321,280
Investment Income					53,276	140,961	194,237
Mudarib Share					(13,319)	(35,240)	(48,559)
Impairment loss on investments					(181,335)	(57,732)	(239,067)
Net surplus					78,806	149,085	227,891

	Fire & General	Medical	Motor	Marine & Aviation	Unallocated assets / Liabilities	Total	Family Takaful	Total
The following table presents disclosure of segment assets and liabilities:								
Identifiable assets and liabilities as on 31 December 2017								
Identifiable assets	6,947,358	1,525,804	4,788,018	250,608	9,046,369	22,558,157	4,341,360	26,899,517
Identifiable liabilities	8,575,042	2,627,114	7,713,258	298,038	4,938,738	24,152,190	3,711,715	27,863,905
Identifiable assets and liabilities as on 31 December 2016								
Identifiable assets	6,772,933	1,206,283	6,608,737	343,650	10,844,765	25,776,368	5,750,357	31,526,725
Identifiable liabilities	8,583,778	77,183	9,729,341	402,784	8,317,068	27,110,154	4,574,041	31,684,195

The activities of the Group are restricted to carrying out takaful, on the principles of Sharia. A significant portion of this is concentrated in the GCC countries which are subject to similar risks and rewards and hence geographical segmental information has not been presented.

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28 SEGMENTAL UNDERWRITING RESULTS (continued)

Geographical segments – secondary reporting segment

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Group's activities are to manage the General and Family takaful activities and investments by adopting wakala and mudarabha models respectively, on behalf of the participants in accordance with the Islamic Shari'a principles.

The geographical segment reporting of the Group as at 31 December 2017 and 2016 is as follows:

	Gross contributions by location		Non-current assets by location of assets	
	2017	2016	2017	2016
Kingdom of Bahrain	19,342,067	20,969,664	2,083,013	2,231,522
State of Qatar	311,932	1,188,086	-	41,003
	19,653,999	22,157,750	2,083,013	2,272,525

29 RISK MANAGEMENT

Financial instruments consist of financial assets and financial liabilities. The Group has no derivative financial instruments.

Financial assets and liabilities carried on the consolidated statement of financial position include statutory deposits, cash and cash equivalents, available-for-sale investments, retakaful and takaful receivables, retakaful and takaful payables, other liabilities and amounts payable to shareholders. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Risk management

The Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies. Whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

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

Takaful risk

The risk under a takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a takaful contract, this risk is random and therefore unpredictable. The principal risks that the Group faces under such contracts is the occurrence of the insured event and the severity of the reported claim. The Group's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

The Group principally issues the following types of takaful contracts: Medical, Motor and Fire and General Accident. Risks under these policies usually cover twelve months. For General Accident takaful contracts the most significant risks arise from accidents, climate changes, natural disasters and terrorist activities. These risks do not vary significantly in relation to the location of the risk insured type of risk insured or by industry.

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29 RISK MANAGEMENT (continued)

The primary risk control measure in respect of insurance risk is the transfer of the risks to third parties via retakaful. The retakaful business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of retakaful contracts are diversified so that the Group is not dependent on a single retakaful operator or a single retakaful contract.

Retakaful is used to manage insurance risk. Although the Group has retakaful arrangements, they do not, however, discharge the Group's liability as the primary takaful operator and thus a credit risk exposure remains with respect to retakaful ceded to the extent that any retakaful operator may be unable to meet its obligations under such retakaful arrangements. The Group minimises such credit risk by entering into retakaful arrangements with retakaful operators having good credit ratings, which are reviewed on a regular basis. The creditworthiness of retakaful operators is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. Reserve risks are controlled by constantly monitoring the provisions for claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

The Group does not have any single takaful contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or takaful contracts covering risks for single incidents that expose the Group to multiple takaful risks. The Group has adequately reinsured for takaful risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the statement of profit or loss (2016: same). The geographical and segmental concentration of takaful risk is set out in note 28.

Retakaful risk

Retakaful is used to manage takaful risk. Although the Group has retakaful arrangements, this does not, however, discharge the Group's liability as primary insurer. Thus a credit risk remains with respect to retakaful ceded if any retakaful Group is unable to meet its obligations to the Group under such retakaful arrangements as the Group remains liabilities for the gross claim. The Group minimises such credit risk by entering into retakaful arrangements with counter-parties having good credit ratings. The creditworthiness of retakaful companies is re-assessed annually by reviewing their financial strength and credit rating prior to finalisation of any contract. Solvency risks are controlled by regularly monitoring the provisions for claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates. The Group is exposed to market risk with respect to its Islamic investments. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international investment markets. In addition, the Group actively monitors the key factors that affect stock market movements, including analysis of the operational and financial performance of investments. The Group's other assets and liabilities, in the opinion of the management, are not sensitive to profit rate risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Bahraini Dinar, Qatari Riyal and US\$. As the Bahraini Dinar and the Qatari Riyal are pegged to the United States Dollar, the Group's exposure to currency risk is considered minimal by management. The table below summarises the Group's exposure to foreign currency exchange rate risk at the consolidated statement of financial position date by categorising monetary assets and liabilities by major currencies.

The net exposure to market risk at the reporting date is the carrying value of the financial assets classified as available-for-sale investments.

	31 December 2017				
	Bahraini Dinar	US Dollars	Qatari Riyals	Others	Total
Net exposure	1,165,030	3,667,469	118,595	653,293	5,604,387

	31 December 2016				
	Bahraini Dinar	US Dollars	Qatari Riyals	Others	Total
Net exposure	2,227,159	3,473,970	152,851	326,107	6,180,087

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29 RISK MANAGEMENT (continued)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risk with respect to its investments (quoted and unquoted shares, sukuks and managed funds).

The Group is exposed to market risk with respect to its investments in equities, managed funds and sukuks. The impact on investment fair value reserve and equity of a 1% increase/decrease in prices would be +/- of BD 56,044 (2016: +/- of BD 49,866).

The management has set up an investment policy to manage its investment portfolio. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international equity and bond markets. In addition, the Group actively monitors the key factors that affect stock market movements, including analysis of the operational and financial performance of investees.

A geographical analysis of the Group's available-for-sale investments is:

	31 December 2017	31 December 2016
Kingdom of Bahrain	1,949,714	2,498,846
Other GCC countries	2,989,449	1,177,080
Asia	475,706	936,723
Other countries	189,518	73,920
	5,604,387	4,686,569

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group adopts policies and procedures in order to maintain credit risk exposures within limits. These limits have been set on the basis of the types of exposures and the credit rating of the counter party and are regularly monitored by the management.

For all classes of financial assets held by the Group, other than those related to retakaful contracts as described in takaful risk above, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated statement of financial position.

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29 RISK MANAGEMENT (continued)

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated. Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below.

Financial assets	At 31 December 2017	
	Carrying value	Maximum exposure
Cash and bank balances	5,534,986	5,534,986
Takaful and retakaful balances receivable	9,889,067	9,889,067
Retakaful share of outstanding claims	7,294,499	7,294,499
Other receivables and prepayments	361,687	361,687
Statutory deposit	125,000	125,000
Total financial assets	23,205,239	23,205,239

Financial assets	At 31 December 2016	
	Carrying value	Maximum exposure
Cash and bank balances	7,608,103	7,608,103
Takaful and retakaful balances receivable	9,018,826	9,018,826
Retakaful share of outstanding claims	8,901,992	8,901,992
Other receivables and prepayments	449,060	449,060
Statutory deposit	125,000	125,000
Total financial assets	26,102,981	26,102,981

The Group seeks to limit its credit risk with respect to participants by setting credit limits and monitoring outstanding receivables.

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29 RISK MANAGEMENT (continued)

Liquidity risk

The table below summarises the maturity profile of the assets and liabilities of the Group based on remaining undiscounted contractual obligations. As the Group does not have any interest bearing liabilities, the totals in the table match the consolidated statement of financial position.

	31 December 2017			
	One year or less	More than one year	No term	Total
ASSETS				
Cash and bank balances	5,534,986	-	-	5,659,986
Investments	962,717	4,641,670	125,000	5,604,387
Takaful and retakaful balances receivable	7,960,682	1,928,385	-	9,889,067
Retakaful share of outstanding claims	7,294,499	-	-	7,294,499
Deferred retakaful contribution	2,157,078	-	-	2,157,078
Deferred acquisition costs	464,402	-	-	464,402
Retakaful share of family takaful technical reserves	383,892	-	-	383,892
Property and equipment	-	-	2,083,013	2,083,013
Other receivables and prepayments	361,687	-	-	361,687
Receivable from takaful funds	916,585	-	-	916,585
	26,036,528	6,570,055	2,208,013	34,814,596
LIABILITIES				
Gross outstanding claims	10,786,929	-	-	10,786,929
Unearned contributions	8,195,744	-	-	8,195,744
Unearned retakaful commissions	332,568	-	-	332,568
Family takaful technical reserves	2,063,704	-	-	2,063,704
Takaful and retakaful payables	5,427,410	-	-	5,427,410
Other liabilities and provisions	1,273,169	-	-	1,273,169
Employees' terminal benefits	-	305,185	-	305,185
Payable to shareholders	916,585	-	-	916,585
	28,996,109	305,185	-	29,301,294

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29 RISK MANAGEMENT (continued)

Liquidity risk (continued)

	31 December 2016			
	One year or less	More than one year	No term	Total
ASSETS				
Cash and bank balances	7,608,103	-	125,000	7,733,103
Investments	449,626	4,236,943	-	4,686,569
Takaful and retakaful balances receivable	8,068,760	950,066	-	9,018,826
Retakaful share of outstanding claims	8,901,992	-	-	8,901,992
Deferred retakaful contribution	3,030,352	-	-	3,030,352
Deferred acquisition costs	706,739	-	-	706,739
Retakaful share of family takaful technical reserves	1,707,505	-	-	1,707,505
Property and equipment	-	-	2,272,525	2,272,525
Other receivables and prepayments	449,060	-	-	449,060
Receivable from takaful funds	983,532	-	-	983,532
	31,905,669	5,187,009	2,397,525	39,490,203

	31 December 2016			
	One year or less	More than one year	No term	Total
LIABILITIES				
Gross outstanding claims	11,738,496	-	-	11,738,496
Unearned contributions	8,688,463	-	-	8,688,463
Unearned retakaful commissions	485,316	-	-	485,316
Family takaful technical reserves	2,780,866	-	-	2,780,866
Takaful and retakaful payables	6,824,812	-	-	6,824,812
Other liabilities and provisions	1,562,963	-	-	1,562,963
Employees' terminal benefits	-	245,668	-	245,668
Payable to shareholders	983,532	-	-	983,532
	33,064,448	245,668	-	33,310,116

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30 CAPITAL ADEQUACY AND SOLVENCY MARGIN REQUIREMENTS

Solvency margin requirements are determined in accordance with the regulatory requirements established by the Central Bank of Bahrain and are calculated with reference to a prescribed contributions and claims basis. Where these calculations resulting solvency margin requirements falling below the minimum fund size prescribed by regulations, such minimum fund size is considered as the required margin of solvency. The shareholders' available capital for the Company is BD 6,314,000 as of 31 December 2017 (2016: BD 5,846,000). As at 31 December 2017 the deficiency of capital amounted to BD (2,322,000) compared to BD (1,163,000) as at 31 December 2016, after considering the net admissible assets of General Participants and Family Takaful Funds to cover solvency margin BD 4,987,000 compared to BD 3,282,000 and the required solvency margin of BD 2,453,000 (2016: BD 2,465,000)

During the year ended 31 December 2017, the Group's Board of Directors submitted a letter to the Central Bank of Bahrain proposing additional capital injection. Further, the Board of Directors in their meeting held on 8 November 2017 have approved the recommendation to increase the paid capital of the Company by BD 2,250,000. The recommendation would be presented to the Company's shareholders for approval in the EGM to be held on 21st March 2018.

31 SHARI'A SUPERVISORY BOARD

The Group's business activities are subject to the supervision of a Shari'a supervisory Board consisting of three members appointed by the Annual General Meeting. The Shari'a Supervisory Board performs a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Islamic Shari'a rules and principles.

32 ZAKAH

Zakah of BD 109,045 at 1.75 fils per share (2016: BD 103,568 at 1.66 fils per share) is to be directly borne by the shareholders and, accordingly, the consolidated financial statements includes no provision for Zakah. The components used in the computation of Zakah are share capital, statutory reserve, general reserve and retained earnings, participants' equity and property and equipment. The basis of computation is approved by the Shari'a Supervisory Board and the amounts payable are notified to the shareholders.

33 EARNINGS PROHIBITED UNDER SHARI'A

There were no earnings retained during the year (2016: Nil) from transactions which are not permitted under Shari'a.

34 CONTINGENT LIABILITIES

The Group is a defendant in a number of cases brought by takaful contract holders in respect of claims which the Group disputes. While it is not possible to predict the eventual outcome of such legal actions, the Directors' have made provisions which, in their opinion, are adequate to cover any resultant liabilities.

35 COMMITMENTS

a) Operating lease commitments

The minimum lease commitments under cancellable operating leases are as follows:

	31 December 2017	31 December 2016
Not later than 1 year	33,132	63,239

b) Other commitments

The commitments towards available-for-sale investments are as follows:

	31 December 2017	31 December 2016
Available-for-sale investments	6,387	6,387

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36 QARD AL HASSAN

In accordance with the capital adequacy requirements of the Central Bank of Bahrain' Insurance Rulebook, there is no Qard apportionment made through the Insurance Firm Return for the year ended 31 December 2017.

37 TOTAL COMPREHENSIVE INCOME

	31 December 2017				31 December 2016			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Net profit and surplus / (deficit) for the year	53,371	(268,752)	(557,426)	(772,807)	403,291	78,806	149,085	631,182
Other comprehensive income / (loss) to be reclassified to statement of profit or loss in subsequent years:								
Available-for-sale investments:								
Fair value changes arising during the year	55,479	8,926	(9,281)	55,124	14,559	33,354	(9,380)	38,533
Recycled to statement of profit or loss on disposal/impairment	31,283	(421)	20,036	50,898	36,266	15,271	13,632	65,169
Other comprehensive income for the year to be reclassified to statement of profit or loss in subsequent years	86,762	8,505	10,755	106,022	50,825	48,625	4,252	103,702
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	140,133	(260,247)	(546,671)	(666,785)	454,116	127,431	153,337	734,884
Attributable to:								
Shareholders of the parent	109,902	(260,247)	(546,671)	(697,016)	447,432	127,431	153,337	728,200
Non-controlling interests	30,231	-	-	30,231	6,684	-	-	6,684
	140,133	(260,247)	(546,671)	(666,785)	454,116	127,431	153,337	734,884

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38 FINANCIAL INSTRUMENTS

Set out below is an overview of the financial instruments held by the Company as at 31 December 2017 and 31 December 2016:

	31 December 2017		
	Available- for-sale	Receivables	Total
Statutory deposit	-	125,000	125,000
Cash and bank balances	-	5,534,986	5,534,986
Investments	5,604,387	-	5,604,387
Takaful and retakaful balances receivable	-	9,889,067	9,889,067
Retakaful share of outstanding claims	-	7,294,499	7,294,499
Retakaful share of family takaful technical reserves	-	383,892	383,892
Other receivables and prepayments	-	361,687	361,687
	5,604,387	23,589,131	29,193,518
			Financial Liabilities
Gross outstanding claims			10,786,929
Family takaful technical reserves			2,063,704
Takaful and retakaful payables			5,427,410
Other liabilities and provisions			1,273,169
Employees' terminal benefits			305,185
			19,856,397
			Financial Liabilities
	31 December 2016		
	Available- for-sale	Receivables	Total
Statutory deposit	-	125,000	125,000
Cash and bank balances	-	7,608,103	7,608,103
Investments	4,686,569	-	4,686,569
Takaful and retakaful balances receivable	-	9,018,826	9,018,826
Retakaful share of outstanding claims	-	8,901,992	8,901,992
Retakaful share of family takaful technical reserves	-	1,707,505	1,707,505
Other receivables and prepayments	-	449,060	449,060
	4,686,569	27,810,486	32,497,055
			Financial Liabilities
Gross outstanding claims			11,738,496
Family takaful technical reserves			2,780,866
Takaful and retakaful payables			6,824,812
Other liabilities and provisions			1,562,963
Employees' terminal benefits			245,668
			23,152,805
			Financial Liabilities

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38 FINANCIAL INSTRUMENTS (continued)

Valuation methods and assumptions

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

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models.

The fair values of the funds that are listed on active markets are determined by reference to their quoted bid prices. The fair values of unlisted funds are based on net asset values which are determined by the fund manager using the quoted market prices of the underlying assets, if available, or other acceptable methods such as a recent price paid by another investor or the market value of a comparable company.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2017			Total
	Level 1	Level 2	Level 3	
Available-for-sale investments				
Quoted equities				
Banking	1,457,487	-	-	1,457,487
Trade and commerce	977,921	-	-	977,921
Industrial	9,490	-	-	9,490
Communications	7,634	-	-	7,634
Consumer service	239,873	-	-	239,873
Real estate & construction	988,695	-	-	988,695
FMCG	33,683	-	-	33,683
Other sectors	197,394	651	-	198,045
Unquoted equity investments				
Insurance	-	80,268	-	80,268
Real estate & construction	-	213,994	-	213,994
Industrial	-	56,625	-	56,625
FMCG	-	187,353	-	187,353
Logistics & Shipping	-	55,334	-	55,334
Consumer service	-	214,441	-	214,441
Other managed funds				
Real estate & construction	326,976	-	-	326,976
Other sectors	556,568	-	-	556,568
	4,795,721	808,666	-	5,604,387

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38 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Quoted equities				
Banking	764,901	-	-	764,901
Trade and commerce	585,052	-	-	585,052
Industrial	6,400	-	-	6,400
Consumer service	175,285	-	-	175,285
Other sectors	1,435,643	646	-	1,436,289
Unquoted equity investments				
Insurance	-	80,268	-	80,268
Consumer service	-	1,186,561	-	1,186,561
Other managed funds				
Other sectors	451,813	-	-	451,813
	3,419,094	1,267,475	-	4,686,569

Date of valuation was 31 December 2017 for the current period and 31 December 2016 for the comparative periods respectively.

In case of available-for-investments, the impairment charge in the statement of profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through other comprehensive income) and, would not have an impact on the statement of profit or loss.

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value hierarchies, and no transfers into or out of Level 3 fair value hierarchy (2016 : No transfer)

Carrying amount and fair values of financial instruments not carried at fair value

The management assessed that the fair values of cash and bank balances, insurance receivables, reinsurers' share of insurance liabilities - reported claims, insurance liabilities - reported claims, payables to insurance and reinsurance companies, policyholders and other payables, approximate their carrying amounts largely due to short-term maturities of these instruments. These financial instruments are classified under level 2 of the fair value hierarchy.

39 CHANGE IN ACCOUNTING ESTIMATE

During 2017, management reassessed the method of calculating unearned revenue from 1/24th method to 1/365th method from 1 July 2017 onwards on the basis that underlying revenue agreements are entered into for a period of one year and amortising such revenues over the year is a more accurate method of recognising its revenues. This change in estimate of revenues was in effect from 1 January 2017 by amortising their revenues over one year period. This change in accounting estimate resulted in a decrease of BD 384,662 in the operating revenue for the year.

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39 CHANGE IN ACCOUNTING ESTIMATE (continued)

During 2017, management aligned the policy for depreciation for property, plant and equipment in line with the Group accounting policy. This change in accounting estimate resulted in an increase of BD 43,024 in the depreciation expense for the year.

40 COMPARATIVE INFORMATION

Till 31 December 2016, the Group used to classify ancillary fee income as part of other income. However, from 1 January 2017, the management has aligned the policy in line with the Group and reclassified ancillary fee income to gross contributions. Management believes this provides a more meaningful presentation. The reclassification did not result in any changes to previously reported profit and retained earnings for the year ended 31 December 2016.

The summarised effects of the above change are as follows:

	31 December 2016		31 December 2016	
	General Takafu		Total	
	(Previously reported)		(Previously reported)	
Consolidated statement of profit or loss				
Gross contributions	20,290,466	19,057,866	22,157,750	20,925,150
Retakaful share of gross contributions	(6,632,333)	(6,239,023)	(7,265,669)	(6,872,359)
Net earned commission income	937,160	937,160	945,503	945,503
Other takaful income	6,740	846,030	14,250	853,540
Other takaful expenses	(410,048)	(410,048)	(425,751)	(425,751)
	14,191,985	14,191,985	15,426,083	15,426,083
Net impact on profit	-	-	-	-