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Takaful International Co. B.S.C.

A Bahraini Shareholding Company listed on the Bahrain Bourse

Rights Issue Circular (“Circular”)

Issued on 23rd April 2018

Issue of up to 22,500,000 Ordinary Shares of a Nominal Value of BHD 0.100 each, at an Offer Price of BHD 0.100 per share based on rights privileged subscription to existing Shareholders’ of Takaful International Co. B.S.C. with a right to purchase 36 Ordinary Shares for every 100 Ordinary Shares held at the Record Date.

Nominal Value per share	BHD 0.100	Offer Price per share	0.100
Share Premium per share	NIL	Share Premium as a % of Nominal Value	0%
Opening Date	29 th April 2018	Closing Date	13 th May 2018

Issue Manager



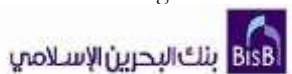
Grant Thornton Advisory W.L.L.

Issue Registrar



Bahrain Clear B.S.C. (c)

Receiving Bank



Bahrain Islamic Bank B.S.C.

Legal Advisor

Rashid A. Rahman Ebrahim – Attorneys and Legal Consultants

Auditors



Ernst and Young








This Rights Issue Circular is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional advisor.

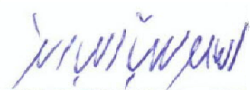


A copy of this Rights Issue Circular has been submitted and registered by the Central Bank of Bahrain (the "CBB"). Registration of this Rights Issue Circular by the CBB does not imply that the CBB Law, or any other legal or regulatory requirements, has been complied with. The CBB has not, in any way considered the merits of the Ordinary Shares being offered for investment.

Following completion of this Rights Issue Circular, the Bahrain Bourse ("Bahrain Bourse") shall be notified to list the Ordinary Shares being offered.

No Ordinary Share(s) shall be allotted or allocated on the basis of the Rights Issue Circular later than 3 months after the date of registration of the Rights Issue Circular by the CBB.

THE DIRECTORS OF TAKAFUL INTERNATIONAL CO. B.S.C., WHOSE NAMES APPEAR HEREIN, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THIS DOCUMENT.

Name of Directors	Position	Signature
Mr. Jamal Al Hazeem	Chairman	
Mr. Abdul Rahman Abdulla Mohammed	Vice Chairman	
Mr. Khalid Soud Al Hassan	Board Member	
Mr. Khalid Jamal Al Muzaire	Board Member	
Mr. Ebrahim Mohamed Sharif Alrayes	Board Member	
Mr. Ahmed Abdul Rahman Bucheeri	Board Member	
Mr. Abdulla Rabea Mohamed Rabea	Board Member	

Dr. Osama Taqi Al-Baharna	Board Member	
Mr. Rashed Ali Abdulrahim	Board Member	
Mr. Osama Kamel Kishk	Board Member	

Important Notice

This Rights Issue Circular is being delivered on behalf of Takaful International Co. B.S.C. ("Takaful" or the "Issuer" or the "Company") by Grant Thornton Advisory W.L.L. referred to in this Rights Issue Circular as "Issue Manager" or "Grant Thornton".

No person has been authorised to make any representation or give any information with respect to Takaful or the offering of its Ordinary Shares (the "Offering") except the information contained in this Rights Issue Circular. Any representation or information not contained in this Rights Issue Circular with respect to Takaful or the Offering must not be relied upon as having been authorised by the Directors of the Company or the Issue Manager.

This Rights Issue Circular does not constitute an offer to sell or a solicitation of an offer to buy the Ordinary Shares in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Rights Issue Circular includes details given in compliance with the CBB Law, rules and regulations. The Directors, whose names appear in this Rights Issue Circular, collectively and individually confirm, having made all reasonable enquires, that to the best of their knowledge and belief, the information contained in this Rights Issue Circular is accurate and complete and that there are no other facts or omissions which, if disclosed, would render any statement in this Rights Issue Circular materially misleading. Substantial portions of the market and industry information in the Rights Issue Circular are derived from the management analysis as well as external sources. The market and industry information contained in this Rights Issue Circular have not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

While the Company and its Directors have made all reasonable enquires as to the accuracy and completeness of the information contained in this Rights Issue Circular, such information is subject to change. In particular, the actual financial position of Takaful and the value of the Ordinary Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political, and other factors over which the Company and its Directors have no control. Neither the delivery of this Rights Issue Circular, nor any oral, written, or printed communication in relation to the Ordinary Shares offered is intended to be, or should be construed as or relied upon in any way, as a promise or representation as to future earnings, results or events.

The Issue Manager has conducted due diligence and made all reasonable enquiries to ensure the legality, accuracy and completeness of this Offering in accordance with the requirements of the Central Bank of Bahrain.

In addition to the Issue Manager, the Directors have appointed Rashid A.R. Ebrahim – Attorneys & Legal Consultants as the Legal Advisor to assist them in compiling the Rights Issue Circular in compliance with applicable laws and regulations. The Company has appointed Bahrain Islamic Bank B.S.C. as the Receiving Bank for this Offering.

None of the Directors, their respective officers, agents, employees, Issue Manager and other advisors assume any liability for any representation or warranty (expressed or implied) enclosed within, or omitted from this Rights Issue Circular or any other written or verbal information transmitted to the recipient (or any of their advisors) in the course of the recipient's assessment of any proposed investment.

Each applicant may, prior to the submission of its application form, ask questions of and seek clarifications from the Issue Manager concerning the Company and this Offering. Answers to such questions and clarification will be provided by the Issue Manager to the extent that the Issue Manager possesses or can acquire the requisite information without

unreasonable effort or expense. The contents of this Rights Issue Circular should not be treated as investment, tax, or legal advice by applicants. All applicants should make their own investigation and evaluation of the opportunity to invest in the Offering of Takaful, and should seek to consult with their own advisors concerning the evaluation of the risks of the investment and its suitability for their individual financial and risk preferences. Prior to making an investment decision, each recipient of this Rights Issue Circular is responsible for obtaining independent professional advice in relation to this Offering and for considering appropriateness of the information contained in this Rights Issue Circular with regard to individual objectives, financial situation and needs.

The Rights Issue Circular is not to be regarded as a recommendation on the part of the Company, the Directors or any of their advisors to participate in the Offering. Moreover, information provided in this Rights Issue Circular is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs.

The Offering is only being made to, and is only capable of acceptance by, applicants of nationalities fulfilling the subscription application requirements. The distribution of this Rights Issue Circular and the sale of Ordinary Shares in jurisdiction may be restricted by law and therefore persons into whose possession this Rights Issue Circular comes should inform themselves about, and observe all such restrictions. Any failure to comply with such restriction may constitute a violation of the securities law of that jurisdiction. This Rights Issue Circular does not constitute an offer to sell or issue or to solicit an offer to buy or for the supply of Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

Takaful, the Directors, the Issue Manager and other advisors require recipient of this Rights Issue Circular to inform themselves about and observe all such restrictions. The Company and the Directors reserve the right to terminate at any time, the further participation of any party in the Offering.

You are reminded that the Rights Issue Circular has been delivered to you on the basis that you are a person into whose possession the Rights Issue Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Rights Issue Circular to any other person.

Any material relating to the Offering does not constitute, and may not be used in connection with an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any manager or any affiliate or any manager is a licensed broker or dealer in that jurisdiction, any Offering shall be deemed to be made by the manager or such affiliates on behalf of the Company in such jurisdiction.

The Rights Issue Circular may be sent you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the managers or any persons who controls any such persons, or any of their respective Directors, officers, employees, agents or affiliates, accepts any liability or responsibility whatsoever in respect of any difference between the Rights Issue Circular distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Issue Registrar or the designated branch of the Receiving Bank.

Forward Looking Statements

The statements contained in this Rights Issue Circular that are not historical facts are “forward looking statements”. The word “plans”, “estimates”, “believes”, “expects”, “may”, “will”, “should”, “are expected”, “will be”, “anticipates”, or the negative or other variation of such terms of comparable terminology are intended to identify a number of these forward-looking statements.

These forward-looking statements reflect the current views of Takaful and its Directors with respect to the prospective events, and are not a guarantee of future performance. Many factors could cause the actual performance, achievements, or results of the Company to be significantly different from any prospective performance, achievements or results that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Rights Issue Circular (see section 11, “Investment Considerations and Risk Factors”, on page 61)

Should anyone or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Rights Issue Circular as anticipated, believed, estimated or expected. As a result of these and other risks, the forward looking events and circumstances discussed in this Rights Issue Circular might not occur in the way Takaful expects, or at all. Applicants should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Copies of this Rights Issue Circular may be obtained from the Issuer, the Issue Registrar or the designated branches of the Receiving Bank.

General Risk Statement

An investment in Ordinary Shares involves risks. Prospective investors should consider carefully, together with all other information contained in this Rights Issue Circular, the principal risk factors in section “Investment Considerations and Risk Factors” before deciding to invest in Ordinary Shares.

Prospective investors should not place undue reliance on any information contained in published news reports, in particular, any financial projections, valuations or other forward-looking information. Prospective investors should not only rely on the information included in this Rights Issue Circular and the documents referred to in it or available for inspection to make their investment decision.

Prospective investor should seek professional advice from their relevant advisors regarding their prospective investment in the context of their particular circumstances.

Applicant Identification and Anti-Money Laundering

Takaful, the Issue Manager and the Receiving bank reserve the absolute right to require further verification on the identity of each applicant, or that of the person or entity on whose behalf the applicant is applying for the purchase of Ordinary Shares.

Each applicant will provide satisfactory evidence of identity and, if so required, the source of its funds within a reasonable time period determined by Takaful. Pending the provision of such evidence, an application to subscribe for Ordinary Shares will be postponed.

An applicant may not need to provide documentation to the receiving bank or the Issue Manager if the applicant is an existing shareholder of Takaful and has already provided documentation.

If an applicant fails to provide satisfactory evidence within the time specified, or if an applicant provides evidence which is not to Issue Manager's satisfaction, the application may be rejected immediately, in which event any money received from the applicant will be returned to the applicant, without any addition and at the risk and expense of the applicant.

In respect of any Bahraini positional investors, the Issuer will comply with Bahrain Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and Various Ministerial Orders issued there under including, but not limited to, Ministerial Orders No. (7) of 2001 with respect to Institutions Obligation Concerning the Prohibition and Combating of Money Laundering, in addition to complying with Anti-Money Laundering and Combating Financial Crime Module of the CBB Rulebook Volume 6.

Takaful and the Receiving bank will also comply with international anti-money laundering requirements as existing from time-to-time. Under the above regulatory requirements Takaful may be obliged to report certain information to regulatory agencies.

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1. Definitions and Abbreviations

Particular	Description
AAOIFI	Accounting & Auditing Organisation for Islamic Financial Institutions
AGM	Annual General Meeting of Shareholders
Allotment Date	The date on which the Ordinary Shares being offered through this Rights Issue Circular will be allotted to applicants
Allotment Notice	A notice informing applicants of their respective allotment of Ordinary Shares applied through this Rights Issue Circular
Applicant(s)	A person applying for the Ordinary Shares through this Rights Issue Circular
Application Form	The form provided by the Issuer and available from the offices of the Issuer, the Issue Registrar and the designated branches of the Receiving Bank and to be used by applicants when applying for Ordinary Shares in this Offering
Authorities	Any one, or a combination of the following entities to which relevant notification must be made or from which relevant approval will be necessary in relation to this Offering: - the Capital Market Supervision Directorate – Central Bank of Bahrain, Insurance Supervision Directorate the Bahrain Bourse, Bahrain Bourse, the Ministry of Industry, Commerce and Tourism and any other relevant governmental body
Authorised Share Capital	As of date of this document, BHD 20,000,000 comprising of 200,000,000 Ordinary Shares of Nominal Value BHD 0.100 each as authorized to issue in accordance with the Memorandum and Articles of Association
Bahrain	Kingdom of Bahrain
Bahrain Bourse or BHB	The stock exchange of Bahrain, erstwhile Bahrain Stock Exchange
Bahrain Clear	The Bahrain Bourse's Central Depository clearance settlement system
Business Hours	The working hours in the business day during which the banks, other financial institutions and BHB are generally open for business in Bahrain.
BD or BHD	Bahraini Dinar, the lawful currency of the Kingdom of Bahrain
Bn	Billion
Board / Board of Directors / Directors	The Board of Directors of the Company
B.S.C.	Bahrain Shareholding Company
B.S.C.(c)	Bahrain Shareholding Company Closed
BKIC	Bahrain Kuwait Insurance Company B.S.C.
Business Day	Any day other than Friday, Saturday and official public holidays on which the Banks are generally open for business in Bahrain
CAGR	Compounded Annual Growth Rate
CBB	Central Bank of Bahrain
Closing Date	The date on which this Offering will close for subscription, which is close of Business Hours on 13 th May 2018 or such other date as may be decided by the Company, in consultation with CMSD
CMSD	Capital Market Supervision Directorate, the Central Bank of Bahrain
Company law	The Commercial Companies Law no. 21 of 2001 as amended
Director	A person holding office as a director at Takaful International Company B.S.C.
Distribution Date	The date on which applicants shall collect their Allotment Notice and the refund, if any from the Main Branch of the Receiving Bank
EGM	Extraordinary General Meeting of the Shareholders
FY	Fiscal Year
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GWC	Gross Written Contribution
Investor Number	A number granted to each applicant for trading in any shares listed on the Bahrain Bourse and such number shall be used for all future trading on that exchange regardless of the entity in which the applicant holds shares
Issue Manager	Grant Thornton Advisory W.L.L.

Issue Registrar	Bahrain Clear
Issued and Paid-up Share Capital	The Company's Issued and Paid-Up Share Capital amounting to BHD 6,250,000 comprising of 62,500,000 Ordinary Shares each at nominal value of BD 0.100 per share, as at the date of this Rights Issue Circular
Last Practicable Date	23 rd April 2018, being the last date prior to the publication of this Rights Issue Circular.
Legal Advisor	Rashid A.R Ebrahim – Attorneys & Legal Consultants
MAoA	Memorandum and Articles of Association of the Company, as amended from time to time
MENA	Middle East and North Africa
MOICT	Ministry of Industry, Commerce and Tourism, Bahrain
Mn	Million
Nominal Value	The Nominal Value of each Share of the Company, which is BHD 0.100 each
Offer Price/Issue Price	The price at which the Ordinary Shares are being offered through this Rights Issue Circular, which equals BHD 0.100 per share
Offering or Rights Offering	The Issuance of up to 22,500,000 new Ordinary Shares each with a Nominal Value of BHD 0.100 per share at an Offer Price of BHD 0.100 per share
OGM	Ordinary General Meeting of Shareholders
Opening Date	The date on which the Offering will open for subscription, which is opening Business Hours on 29 th April 2018
Ordinary Share Register	The register of holders of Ordinary Shares maintained by the registrar
Rights Issue Circular or Circular or Document	This document is prepared by the Issuer in relation to the Offering pursuant to the Offering of Securities Module, Volume 6 of the CBB Rulebook.
Record Date	The cut-off date as of which the Shareholders registered in the Company's Ordinary Share Register will be entitled to participate in this Offering, being 26 th April 2018 as at close of Business Hours
Receiving Bank	Bahrain Islamic Bank B.S.C. is designated as Receiving Bank in this Rights Issue Circular
Renunciation	Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Ordinary Shares being offered through this Rights Issue Circular is renounceable, which enables the Shareholders who do not wish to take up some or all of the Ordinary Shares being offered to renounce those Ordinary Shares in favour of others
Rights Shares	Up to 22,500,000 new Shares proposed to be allotted and issued by the Company pursuant to the Proposed Rights Offering
Shareholders	The registered holders of Ordinary Shares in the Company from time to time
Subscription amount	An amount equal to the number of Ordinary Shares applied for through the Application Form multiplied by the Offer Price/Issue Price All subscription amounts received shall be net of any bank or related charges. All charges such as wire transfer charges, subscription application processing fees, collection charges, foreign currency conversion charges, managers cheque charges, special clearing charges shall be borne by the applicant
Subscription Period	The period during which applicants may apply for Ordinary Shares offered through this Offering, commencing on the Opening Date and ending on the Closing Date
Subscription Terms and Conditions or Terms and Conditions	The terms and conditions pursuant to which applicants apply for the Ordinary Shares under the Offering including those terms and conditions which are set out in this Rights Issue Circular and those which are appended to the Application Form
Takaful or Issuer or The Company	Takaful International Co. B.S.C., incorporated in the Kingdom of Bahrain in 1989 under the commercial registration number 21100-1, and to which this Offering pertains.
US or USA	United States of America
USD	United States Dollar, the lawful current of the United States of America
VAT	Value Added Tax

2. Resolutions and Approvals

2.1. Board of Directors Recommendations to the EGM

Takaful's Board of Directors held its meeting in the main meeting room at the Company's premises on Wednesday 8th of November 2017 at 1:10 PM in relation to the following:

- The Board resolved to raise a recommendation to the General Assembly to approve the second option of increasing the Company's capital by BD 2,250,000,
- To send a letter signed by the Chairman of the Board addressed to the Chairman of Bahrain Kuwait Insurance Company's Board, informing him about the recommendation to be raised to the General Assembly in its Extraordinary meeting to increase the Company's capital by BD 2,250,000,
- To reply, in a letter signed by the Chairman, to the Central Bank of Bahrain's letter with the approval on the recommendation to increase capital by BD 2,250,000 reaching a total of BD 8,500,000.
- The recommendation was proposed to be raised for approval to the General Assembly in its Extraordinary Meeting expected to be held on 7th March 2018, after obtaining approvals of the official authorities.

2.2. Extra-Ordinary General Meeting Resolution

Takaful International Company's General Assembly held its Extraordinary meeting in Bahrain Bourse Premises – Bahrain Financial Harbor, Wednesday 21st of March 2018, 1:00 PM in relation to the following:

- Approval for the Board of Directors recommendation to increase the issued and paid-up capital from BD 6,250,000 representing (62,500,000 shares) to BD 8,500,000 representing (82,500,000 shares) by issuing 22,500,000 ordinary shares with a face value of BD 0.100 for each share to be registered in the register of shares with the date decided by the Board of Directors ("Record date") and approval of granting current shareholders their priority rights of subscription with the Company, in line with the CBB rulebook volume 6 and articles 128 and 129 of Bahrain Commercial Companies Law, subject to the Central Bank of Bahrain's approval,
- Approved to waive any of the current shareholders with a shareholding of 30% or more from submitting a mandatory offer to the remaining shareholders as prescribed in CBB's Rulebook Volume 6 – Takeovers, Mergers and Acquisitions Module,
- To authorize the Board of Directors to set the terms and conditions related to the priority rights to subscription, including the issue price, issue fees – if any, the subscription period, record date, related timetables as well as determination of priority rights rate in subscription and the documents needed in this context,
- Approved to amend articles 8 and 9 of the Company's Memorandum of Association and article 9 of the Company's Articles of Association to reflect the changes referred to in point (1) above,
- To authorize the Chairman of the Board or a person acting on his behalf to sign on the amendment to the Memorandum and Articles of Association on behalf of the shareholders before the Notary Public in order to enforce the abovementioned changes to share capital.

2.3. Board of Directors Resolution

Further, the Board of Directors through their declaration signed on 27th March, 2018, approved the following in relation to the Offering:

- Issue of up to 22,500,000 Ordinary Shares with Nominal Value of BHD 0.100 each through this Rights Issue Circular at an Issue Price of BHD 0.100 each,
- The Record Date set at 26th April 2018,
- Each Shareholder as at the Record Date shall be eligible 36 Ordinary Share for every 100 Ordinary Share (i.e. ratio 36:100) held as at the Record Date,
- Subscription Period to be from 29th April 2018 to 13th May 2018 for this Offering.

2.4. CBB – Capital Market Supervision Directorate

The Issuer has obtained a no objection letter from the CMSD dated 23rd April 2018 stating it has no objection to the use of the Rights Issue Circular for the purpose of the Offering.

2.5. Ministry of Industry, Commerce and Tourism

The MOICT has been notified of the results of the EGM as required by Article 125 of the Bahrain Commercial Companies Law.

2.6. Bahrain Bourse

The Bahrain Bourse has been notified of the results of the EGM and furnished with a copy of this Rights Issue Circular. Following completion of this Offering, an application will be made to the Bahrain Bourse to list the Ordinary Shares being offered through this Rights Issue Circular.

3. Summary of Offering

Following is the summary of the principal terms of the Offering as extracted from the remaining sections of this Rights Issue Circular. The following summary is qualified in its entirety by the detailed information included elsewhere in the Rights Issue Circular and should be read in conjunction with the full text of this Rights Issue Circular. Applicants are strongly recommended to review the sections of this Rights Issue Circular containing the terms and conditions of this Offering and the risk factors.

3.1. Issuer

Takaful International Co. B.S.C., incorporated in the Kingdom of Bahrain with the MOICT in 1989 under the commercial registration number 21100-1 and to which this Offering pertains. The Company is licensed and regulated by the CBB and is engaged in takaful activities. The Ordinary Shares of the company are listed on Bahrain Bourse under the ticker "TAKAFUL".

3.2. Type of this Offering

Issuance of Ordinary Shares to all the existing Shareholders whose names appear in the Ordinary Shares Register as on the Record Date.

3.3. Offering or Rights Offer

The Issuance of up to 22,500,000 new Ordinary Shares each with a Nominal Value of BHD 0.100 per share to existing Shareholders of the Company as on the Record Date. Existing Shareholders have the right to purchase 36 Ordinary Shares for 100 Ordinary Shares held as on the Record Date. Fractional Ordinary Shares will not be issued. However, the rights of Shareholders who hold Ordinary Shares other than in multiples of 100 will be rounded to the nearest integer, provided that (i) the total number of Ordinary Shares so allotted to each Shareholder shall not exceed the number of Ordinary Shares for which the application was made by such Shareholder and (ii) the total number of Ordinary Shares so allotted shall not exceed the number of Ordinary Shares available for subscription.

3.4. Authorised Share Capital

As at the last practicable date of this Rights Issue Circular, the Company had an Authorised Share Capital of BHD 20,000,000 comprising of 200,000,000 Ordinary Shares of BHD 0.100 each as authorised to issue in accordance with the Memorandum and Articles of Association.

3.5. Issued and Paid-Up Share Capital Prior to this Offering

As at the last practicable date of this Rights Issue Circular, the Company has Issued and Paid-Up Share Capital amounting to BHD 6,250,000 comprising of 62,500,000 Ordinary Shares each at a Nominal Value of BHD 0.100 per share.

3.6. Issued and Paid-Up Share Capital Post this Offering

Upon full subscription under this Offering, the Issued and Paid-Up Share Capital of the Company will be 85,000,000 Ordinary Shares each at a Nominal Value of BHD 0.100 per share amounting to BHD 8,500,000.

3.7. Nominal Value

BHD 0.100 per share

3.8. Offer Price/Issue Price

BHD 0.100 per share

3.9. Subscription Currency

Bahraini Dinar or BHD or BD

3.10. Eligible Investor(s)

All existing Shareholders registered in the Company's Ordinary Share Register at the Record Date

3.11. Record Date

The cut-off date as of which Shareholders registered in the Company's Ordinary Share Register will be entitled to participate in this Offering, being 26th April 2018.

3.12. Renunciation

The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Ordinary Shares being offered through this Rights Issue Circular is renounceable, which enables the Shareholders who do not wish to take up some or all of the Ordinary Shares being offered through this Rights Issue Circular to renounce those in favor of either existing Shareholders or prospective new Shareholders.

3.13. Opening Date

The date on which the Offering will open for subscription, which is 29th April 2018.

3.14. Closing Date

The date on which this Offering will close for subscription, which is closing of Banking Business Hours on 13th May 2018 or such other date as may be decided by the Issuer subject to prior written approval of the CMSD.

3.15. Subscription Period

The period during which Applicants may apply for the Ordinary Shares available through this Offering will be the period commencing on the opening date and ending on the closing date.

3.16. Subscription Results and Allotment Basis Announcement Date

The Issuer shall publish the subscription results of the Rights Offering and the basis of the allotment in a local newspaper on 15th May 2018 post compilation of all the valid Applications.

3.17. Application Form

The form provided by the Issuer and available from the office of the Issuer, Issue Registrar and the designated branches of the Receiving Bank and to be used by applicants when applying for the Ordinary Shares offered through this Offering.

3.18. Method of Payment of Subscription Amount

Applicants to the Offering should submit to the Receiving Bank a duly signed and completed application form together with the amount of subscription. The subscription currency is Bahraini Dinars. All payments should be made to the order of **"TAKAFUL INTERNATIONAL CO"**. The Receiving Bank shall receive the subscription funds from subscribers in one of the following modes:

- By wire transfer in BHD from an account of the applicant maintained with a bank other than the Receiving Bank,
- By transferring BHD from an account held by the applicant with the Receiving Bank,
- By manager's Cheque in BHD

No other modes of payment shall be accepted.

Applicants will receive a receipt from the Receiving Bank. No interest shall be payable to applicants in respect of subscription funds collected by the Receiving Bank in the subscription account. All transfers shall be net of any bank charges. All such charges, such as wire transfers charge, manager cheque charges, subscription application processing fees, collector charges, foreign currency conversion charges, and special clearing charges shall be borne by the applicant.

3.19. Issue Manager

The Company has appointed Grant Thornton Advisory W.L.L. as Issue Manager to advise them on this Offering and manage the process.

3.20. Issue Registrar

The Company has appointed Bahrain Clear as the Issue Registrar for this Offering.

3.21. Receiving Bank

The Company has appointed Bahrain Islamic Bank B.S.C. as the Receiving Bank for this offering.

Address: Diplomatic Area, Building 722, Road 1708, Block 317, Manama, Kingdom of Bahrain

Tel: 17645111, Fax: 17535808

3.22. Legal Advisor

The Company has appointed Rashid A. Rahman Ebrahim – Attorneys and Legal Consultants as the Legal Consultants for this offering.

Address: 2nd Floor, Building 168, Road 1703, Block 317, Diplomatic Area, P.O. Box 5071, Manama, Kingdom of Bahrain

3.23. Basis of Allotment

The applicants shall first be allotted to the extent of their entitlement or the number of Ordinary Shares applied for whichever is lower. The remaining Ordinary Shares, if any, will be allotted to applicants who have applied for Ordinary Shares in excess of their original entitlement. Such unsubscribed Shares shall be allotted amongst such Shareholders pro-rata to their holding as on Record Date.

In the event the Ordinary Shares offered through this Offering are not fully subscribed, the major Shareholders of the Company, i.e. BKIC have expressed their non-binding support to subscribe for the remaining unsubscribed Ordinary Share up to a maximum of BHD 2,250,000 at Offer Price.

3.24. Distribution and Refunds

On the Distribution Date, the applicants shall collect their Allotment Notice from the Main Branch of the Receiving Bank. Any refunds shall be for the excess Subscription Amounts as paid by the applicant and for which Ordinary Shares were not allotted. The refunds shall be made in Bahraini Dinar only. All refunds distributed by the Receiving Bank will be made after deduction of bank charges and other similar deductions and will not include profit accrued on such funds, if any.

3.25. Dividend Policy

The shares that are subject this Offering will be treated at par and shall rank pari passu with all other ordinary shares of the Company, including the right to receive future dividends when declared.

The shareholders of newly offered shares are entitled, if declared, for pro-rata dividends after the date of allotment. The determination to pay dividends, on an on-going basis, and the amount thereof, will depend upon, among other things, the Company's earnings, financial condition and cash requirements, applicable requirements on the payment of dividends under Bahrain Law and the CBB rules and regulations and such other factors as the Board of Directors; and the Company's shareholders may deem relevant.

3.26. Voting Rights

Each Shareholder will be entitled to attend and vote at the General Assembly of the Company. For a discussion of the Shareholder's voting rights, see the section 13, titled 'Shareholders Rights' in this Rights Issue Circular.

3.27. Ranking of Ordinary Shares

The Ordinary Shares issued through this Offering will rank pari passu with all other Ordinary Shares of Takaful including in respect to entitlement of dividend.

3.28. Listing of Ordinary Shares offered through this Rights Issue Circular

Following completion of this Offering, an application will be made to the Bahrain Bourse to list the Ordinary Share being offered through this Rights Issue Circular.

3.29. Principal Risk Factors

There can be no assurance that Takaful will continue to pay dividends. The Company's business could be exposed to certain risks that are beyond the control of the Board of Directors or the Management which could potentially affect its operating and financial performance. For details on risks affecting the Company, please see section 11, titled 'Investment Considerations and Risk Factors'.

3.30. Reasons for the Offer & Use of Proceeds

The proceeds from the Offering will be used for improving and maintaining the Company's capital adequacy in the future. In addition, the proceeds will also be used for augmenting the capital base of the Company.

For further details, please refer to the section 14, titled "Reasons for the Offer & Use of Proceeds" in this Rights Issue Circular.

4. Offering Statistics and Timelines – Rights Offer

4.1. Total Amount of Offering

BHD 2,250,000

4.2. Offer Price

BHD 0.100 per share

4.3. Number of Ordinary Shares being offered through this Rights Issue Circular

22,500,000 new Ordinary Shares each with a Nominal Value of BHD 0.100 per share

4.4. Timelines and Summary of Application Procedure

Description	Date
Invitation Announcement Date	24 th April 2018
Record Date	26 th April 2018
Opening Date	29 th April 2018
Closing Date	13 th May 2018
Subscription results and allotment basis announcement date	15 th May 2018
CBB approval on allotment	16 th May 2018
Allotment Date	17 th May 2018
Distribution Date	22 nd May 2018
Notification of listing to BHB	23 rd May 2018
Commencement of Rights Shares trading on BHB	24 th May 2018

4.5. Subscription Period

Applicants may apply for Ordinary Shares offered through this Offering during the Subscription Period, commencing on the Opening Date and ending on the Closing Date or such other date as may be decided by the Issuer subject to prior written approval of the CMSD. Any such extension of the Subscription Period will be announced by publication in local newspaper.

4.6. Submission of Application Form

Application Forms shall be obtained from the Issuer, the Issue Registrar and the designated branches of the Receiving Bank. Application Forms should be completed in full in Arabic or English and in accordance with instruction contained in this Rights Issue Circular. Each applicant is required to submit the Application Form to the designated branches of Receiving Bank on or before the Closing Date accompanied by relevant copies of documents as stated in this Rights Issue Circular.

4.7. Method of payment of Subscription Amount

Applicants should submit to the Receiving Bank a duly signed and completed Application Form together with cleared funds in the amount of subscription. The subscription currency is BHD.

Remittance shall be made to the designated bank account with the Receiving Bank in one of the following modes:

- By wire transfer in BHD from an account maintained with another bank other than the Receiving Bank,
- By transferring BHD from an account with the Receiving Bank,
- By Manager's Cheque in BHD.

No other modes of payment shall be accepted.

Applicants are responsible for ensuring that the Subscription Amounts are remitted to the designated account with the Receiving Bank on or before the Closing Date. Applicants transferring money into the designated account should present a copy of the wire transfer order along with the Application Form.

4.8. Entitlement to this Offering and Renunciation Rights

This Offer is open to all Shareholders registered in the Company's Ordinary Share Register on the Record Date. Each Shareholder shall be entitled to purchase approximately 36 Ordinary Share for every 100 Ordinary Shares held as at the Record Date. Shareholders may however make an application for the Ordinary Shares in excess of or lower than their entitlement. Fractional Ordinary Shares will not be issued. However, the rights of Shareholders who hold Ordinary Shares other than in multiples of 100 will be rounded to the nearest integer, provided that (i) the total number of Ordinary Shares so allotted to each Shareholder shall not exceed the number of Ordinary Shares for which the application was made by such Shareholder and (ii) the total number of Ordinary Shares so allotted shall not exceed the number of Ordinary Shares available for subscription.

The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Ordinary Shares being offered through this Rights Issue Circular is renounceable, which enables the Shareholders who do not wish to take up some or all of the Ordinary Shares being offered through this Rights Issue Circular to renounce those Ordinary Shares in favour of others. Such renunciation shall however be made during the Subscription Period only.

4.9. Distribution and Refund

On the Distribution Date, the applicants shall collect their Allotment Notice and the refund cheques, if any, from the Receiving Banks's Main Branch. Such refunds shall be for the excess Subscription Amounts paid by Applicants in respect to Ordinary Shares they applied for and were not allotted. The refunds shall be made in Bahraini Dinars.

All refunds distributed by the Receiving Bank will be made after the deduction of bank charges and other similar deductions and will not include any interest/profit derived from such funds.

Please refer to section 13, titles 'Offering' and 'Application Procedure' for further details.

5. Takaful

5.1. Background

Takaful International Company, established in 1989, is the first Islamic insurance company in the Kingdom of Bahrain and one of the pioneering takaful companies in the Middle East. The Company provides sharia compliant takaful coverage and services to individuals/corporations.

The main office of the Company is situated at:

Takaful International Co. B.S.C.

Main Center – Seef District

Building No. 680, Road 2811,

Seef District 428

P.O. Box 3230, Manama

Kingdom of Bahrain

Tel: (+973) 17 565 656

Fax: (+973) 17 582 688

Email: takaful@takafulweb.com

Website: www.takaful.bh

The Company is registered with the Ministry of Industry, Commerce and Tourism under the commercial registration number 21100-1 obtained in 1989. The Company's Ordinary Shares are listed on the Bahrain Bourse.

Vision

“To make a positive difference in the takaful industry by being recognized as the pioneering innovative provider of quality, Sharia’a compliant insurance solutions”

Mission

“Our mission is to continue being 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 principles and values”

Historical Milestones

Year	Milestone
1989	Established as “Bahrain Islamic Insurance Co.” with paid-up capital of BHD 1,000,000
1997	Listed on Bahrain Bourse
1998	Increased paid-up capital to BHD 4,000,000 and re-launched the company as “Takaful International Co.”
2000	Increased authorized capital to BHD 20,000,000 and paid-up capital to BHD 5,000,000 The first company globally to implement the full takaful model introduced by Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI)
2001	Became the first takaful operator to provide family takaful products
2009	Increased the paid-up capital of the company to BHD 6,250,000
2011	Opened Qatar branch as a licensee of Qatar Financial Center
2013	Established Health 360 (health care TPA) in partnership with Paramount Group
2015	Bahrain Kuwait Insurance Co. B.S.C. (“BKIC”) acquired 41% stake of Takaful International Co.
2017	BoD resolution to close down Qatar Branch BKIC acquired additional stake of 22.75% with a total shareholding of 63% BKIC made an unconditional mandatory offer to acquire the remaining 36% not owned by

	BKIC. The offer increased BKIC's stake to 67.28%
2018	Plan to increase the paid-up capital of the Company to BHD 8,500,000 BKIC increased in shareholding to 69.06%

5.2. License and Principal Activities

Takaful International Company B.S.C. is a Bahraini public shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain in accordance with the provisions of the Bahrain Commercial Companies Law and operates under commercial registration number 21100 obtained on 11th April 1989. Takaful is licensed by the CBB as a locally incorporated takaful company. The Company's ordinary shares are listed on the Bahrain Bourse. For further details on the CBB regulation that generally apply to Sharia Compliant insurance companies, please refer to CBB rule Book Volume 3 which is available on www.cbb.gov.bh.

The Company provides takaful and related products and services. The activities of the Company is organized on the principles of Shari'a. The principal activity of the Company 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.

5.3. Capitalisation

The following table summarizes capitalization of the Company as of 31st December 2017. The Company does not have any outstanding long term and/or short term loans as of 31st December 2017.

Particulars	31-Dec-17	31-Dec-16
Capitalization		
Statutory deposit	125,000	125,000
Cash and cash equivalents	5,534,986	7,608,103
Available for-sale-investments	5,604,387	4,686,569
Share capital	6,250,000	6,250,000
Reserves:		
Statutory reserve	522,041	519,727
General reserve	200,000	200,000
Retained earnings/(Accumulated losses)	(658,387)	(679,213)
Investments fair value reserve	62,271	(43,751)
Equity attributable to shareholders of the parent	6,375,925	6,246,763
Non-controlling interests	100,817	70,586
Total equity	6,476,742	6,317,349

Takaful has an authorized capital of BHD 20,000,000 comprising of 200,000,000 Ordinary Shares of BHD 0.100 per share. The Company's issued and paid up capital as at 31st December 2017 amounted to BHD 6,250,000 comprising of 62,500,000 Ordinary Shares at a nominal value of BHD 0.100 per share.

5.4. Subsidiaries

Health 360 Ancillary Services W.L.L.:

Health 360 Ancillary Services W.L.L. is a limited liability company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 85004-1 obtained on 7th April 2013. Takaful owns 60% of Health 360 Ancillary Services W.L.L. and the financials have been consolidated in the financial statements.

The company is regulated by the requirements of the CBB Rulebook Volume 5 of the Central Bank of Bahrain and is engaged in providing insurance ancillary services.

The registered office of the Company is in the Meral Building, 5th Floor Office 51, Building No: 2572, Road No: 2833, Block No: 428, Seef District, Kingdom of Bahrain.

5.5. Business Highlights

The principal activity of the Company is to manage the general and family takaful activities and invest by adopting wakala and mudarabha models respectively. The Company's takaful business is organized into five main business segments which are as follows:

Motor and General takaful	Motor, general accidents, engineering and aviation
Fire	Fire and allied perils
Marine and Aviation	Marine cargo and marine hull
Health care	Health care expenses cover
Family takaful	Savings, education, protection, general takaful and group credit

5.5.1. Motor and General takaful

The Company provides a range of products and services that include third party, third party fire and theft and comprehensive motor plans under motor takaful. General takaful includes engineering and general accident coverage. Under engineering takaful the Company provides a complete coverage to contractors relating to risks associated with erection, machinery breakdown, business interruption, and computers. Under general accident and liability, the Company provides products and services that include bankers blanket bond, which covers risks such as loss of property due to theft, burglary, damage, destruction or misplacement. Other major products and services offered under general accident include professional indemnity, money coverage, group personal accident, fidelity guarantee and public liability.

5.5.2. Fire

Products and services offered under fire takaful include coverage against losses caused by fire, lightning, explosions, earthquake, storm, flood, impact by road vehicles, bursting or overflowing of tanks apparatus or pipes or such other perils in addition to burglary, involving entry into or exit from premises by forcible and violent means including damage to the property consequent upon such theft or any attempt there on.

5.5.3. Marine and Aviation

Marine takaful provides coverage under marine cargo and marine hull policies. Marine cargo provides protection to the cargo carried against the insured marine perils to the importers, exporters of goods and other financial institutions directly or indirectly involved in import and export goods. Marine hull indemnifies the owner of the hull, pleasure craft, and yachts including third party liability in the event of an accident.

5.5.4. Health care

Under the health care the Company offers two products under Group (Sehatak) takaful and Group family takaful. Group (Sehatak) plans provide financial protection in case of suffering from illness or accidents, which includes in-patient treatment, outpatient treatment, dental treatment and maternity. Group family takaful has been designed for commercial organizations and companies providing coverage to their employees and workers with protection in case of death, disablement due to sickness or accident along with other benefits.

5.5.5. Family takaful

The Company offers various options which include Osra Tak, education plan, savings plan, travel plan and Hajj & Omrah under family takaful services. Osra-Tak is designed to provide financial protection plans in case of death or disability of the policyholder. Education plan provides financial support for children's college and higher education. Saving plans are designed to help in planning for future financial obligations. Along with these plans the Company offers additional plans providing protection while travelling for business purpose or leisure and pilgrimage.

5.6. Strategy Going Forward

Corporate

- Strengthen the Company's available capital
 - Capital injection
 - Improve net surplus from operations and investments
 - Enhancing quality of long and short-term assets
 - Establish market standing through an independent credit rating process

Operational

- Reassess and improve profitability in all line of business
 - Reassess underwriting strategies
 - Introduce enhanced control measures and procedures for claims management
 - Create new and enhanced products catering for developing market needs
 - Diversification of product mix
 - Explore cross-industry partnerships

Investments

- Enhancement of return on investments through prudent asset allocation and dynamic portfolio construction process
- Focus on strengthening risk management practices to keep the investment portfolio at low risk level

Administrative

- Organisational restructuring in line with operational strategies
- Enhance economies of scale
- Maintain general and administrative costs at low level
- Revaluate cost centers and identify potential cost cutting activities

The Company has already started implementing this new strategy in 2018 and is expected to continue till the year 2020. The Company will continue working towards implementing this strategy by maintaining current operations that are executed through improved technologies and infrastructure. This will significantly add value in all the range of products that Takaful offer customers.

6. Corporate Governance

6.1. Introduction

The Company is fully committed to sound corporate governance. Takaful's Board of Directors have adopted high standards and values which set out the discipline expected of staff in their dealings with 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 practices. The direct responsibility of the Board of Directors is to endeavor to be in line with policies of regulatory authorities and statutory requirements.

Framework:

The corporate governance framework of the Company, includes a disclosure policy, code of conduct policy, code of ethics, whistle blower policy, remuneration policy, key person dealing policy and corporate governance policy.

Code of Business 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 the performance of their duties. It also covers conflicts of interest, disclosures and confidentiality of interest information.

Compliance:

Takaful has in place comprehensive policies and procedures to ensure full compliance with the relevant rules and regulations of the CBB.

Communications:

Takaful conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communications channels include an annual report, website, and regular announcements in the appropriate local media.

6.2. Board of Directors

The following are the Company's Director as of the date of this Rights Issue Circular:

Mr. Jamal Al Hazeem

Chairman of the Board of Directors

Mr. Al-Hazeem was the Chief Executive Office of BMI Bank from 2010 until 2014; the Chief Executive Officer of First Investment Bank from 2007 until 2008; the Chief Operations Officer of The International Investor from 2005 until 2008.

He is also the Chairman of Gulf African Bank, Kenya, Board Member and Chairman of Audit Committee of Nass Corporation, Bahrain, Board Member at KCPC, Kuwait, and Vice Chairman of GBCorp, Bahrain; and a Board Member of Procco Financial Services; in addition to chairing all Jeem Holding subsidiary companies. Mr. Al-Hazeem holds Certified Public Accountant (CPA) from the United States.

Mr. Abdulrahman Abdulla Mohammed

Vice Chairman of the Board of Directors

Mr. Mohammed has a long banking experience; he worked for National Bank of Bahrain for 33 years, and the last position held was the General Manager of the banking group. Prior to joining National Bank of Bahrain, Mr. Mohammed worked for one year for Chase Manhattan Bank as Senior Supervisor Financial & General Services. He

serves as a Board Member Al Baraka Islamic Bank B.S.C and TAIB Bank B.S.C. Mr. Mohammed is an MBA holder from University of Hull, United Kingdom.

Mr. Khaled Saud Al Hasan

Board Member

Mr. Al Hasan has extensive experience in the investment and insurance fields; he works for Gulf Insurance Group, and is a Board Member and Chief Executive Officer for the past fifteen years. Mr. Khaled Al Hasan is also a Board Member in different Insurance and Reinsurance Companies in the Arab Insurance Market. Mr. Al Hasan graduated from University of Kuwait B.Sc. in Economics and Political Science.

Mr. Khaled Jamal AlMuzire

Board Member

Mr. Al-Muzaire is currently serving as Deputy General Manager for RTC (Coca Cola Group Kuwait). During his career, Mr. Al-Muzaire was the Chief Executive Office and a Board Member for Ajwan Gulf Real Estate Company between 2014 and 2016. Prior to that, he worked for Ernst & Young as a Senior Auditor between 2009 and 2014. Mr. Al-Muzaire is a Certified Public Accountant registered at Kuwait.

Mr. Ebrahim Mohamed Alrayes

Board Member

Mr. Alrayes has over 33 years of expertise in the Insurance Industry. He is currently the Chief Executive Officer of Bahrain Kuwait Insurance Co. B.S.C and is the Vice Chairman of Bahrain Insurance Association. He is also a Board Member in different Insurance and Reinsurance Companies in the Arab Insurance Market. Mr. Alrayes holds a B. Com (Accounts) degree from Arab University of Beirut, Lebanon and a Certificate of Insurance Proficiency (COP) from Chartered Insurance Institute, UK.

Mr. Ahmed Abdulrahman Bucheeri

Board Member

Mr. Bucheeri is the Chief Investment Officer for Bahrain Kuwait Insurance Company since 2011. He has worked for Global Banking Corporation as Senior Manager between 2008 and 2011, and for SICO Investment Bank as Chief Broker between 2006 and 2008. He is also a Member of the Board and Chairman of the Audit Committee of Invita Claims Management Company, Bahrain. Mr. Bucheeri is Chartered Alternative Investments Analyst and a member of CAIA USA.

Mr. Abdulla Rabea Mohamed Rabia

Board Member

Mr. Rabia has more than 37 years of substantial experience in insurance sector, out of which 29 years in Kuwait market. He worked for Bayne Adjusters & Surveyors, Bahrain for five years, Arab Insurance Group (ARIG) for four years, and as currently the Deputy CEO of Bahrain Kuwait Insurance Company, Kuwait Office. Mr. Rabia attended several training programs, seminars, and conferences related to insurance and management.

Dr. Osama Taqi AlBaharna

Board Member

Dr. Albaharna holds a Doctorate (Ph.D.) in Computer Engineering from Imperial College in the UK and Masters and Bachelor Degrees in Computer Engineering from McGill University in Canada. He has wide experience over 30 years in project management, consultation, strategic planning and managerial work. Dr. Albaharna is a IT and e-Commerce

consultant and has worked as Project Manager on many strategic IT projects. He is currently the Managing Director & Senior Technical Consultant of Continental Group. He is also a Board Member of United Insurance Company.

Mr. Rashed Ali Abdulrahim

Board Member

Mr. Abdulrahim holds Association of Chartered Certified Accountants (ACCA) from the United Kingdom. He has wide experience over 40 years in Banking & Finance sectors in the Kingdom of Bahrain and the Kingdom of Saudi Arabia.

Mr. Osama Kamel Kishk

Board Member

Mr. Kishk is currently serving as the Chief Financial Officer in Gulf Insurance Group Kuwait. Mr. Kishk holds a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), in addition to MBA from Maastricht College of Management. Mr. Kishk has over 20 years of experience in Insurance, financial services and banking in Egypt and Kuwait.

6.3. Shari'a Supervisory Board Member Profiles

Shaikh Dr. Abdullatif Mahmood Al Mahmood

Chairman

Dr. Abdul Latif Mahmood Al Mahmood is a member of the Supreme Council for Islamic Affairs of the Kingdom of Bahrain and an expert of the International Islamic Jurisprudence Authority. Dr. Al Mahmood sits on several Shari'a Advisory Boards. Besides serving as an advisor, Dr. Al Mahmood is an active participant of educational, economic, intellectual, social, and cultural conferences and seminars. Dr. Al Mahmood was previously the head of Arabic Language and Islamic Studies Department at the University of Bahrain from 2001 to 2005, and also an Assistant Professor for Islamic Studies since 1985.

He received his graduate degree from Al-Azhar University and a doctorate degree from Zaytuna University.

Dr. Shaikh Abdulsattar Abughuda

Deputy Chairman

Dr. Abughuddah holds a Ph.D. in Shari'a from Al-Azhar University, Cairo, Egypt. He is a Member of the Islamic Fiqh Academy, which evolved from the Organisation of Islamic Conference in Jeddah, Kingdom of Saudi Arabia. He previously held the positions which include Expert and Reporter for the Islamic Fiqh Encyclopedia, Ministry of Awqaf & Islamic Affairs, State of Kuwait. He is a Member of the Shari'ah Supervisory Board of several Islamic financial institutions, and a Member of the Standards Board and Shari'ah Council of the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI). He is the author of several specialist books in Fiqh & Fatwa of modern Muamalat and publications on different Islamic subjects, and a regular speaker at Islamic conferences and forums.

Shaikh Mohsin Al Asfoor

Board Member

Shaikh Al Asfoor is the Shari'a High Court Under-secretary of Bahrain. He is the Chairman of Science Research Pool Organisation and has over 100 manuscripts covering different Islamic aspects. Shaikh Al Asfoor is a member of several Sharia'a Committees of financial institutions in Bahrain.

6.4. Executive Management

The Company's key management team comprises of the following:

Mr. Younis J. Al-Sayed

Chief Executive

Mr. Younis J. Al Sayed is a leading pioneer in the insurance and reinsurance sector with a rich experience that exceeds thirty 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.

Mr. Essam M. Al-Ansari

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 more than twenty 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 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.

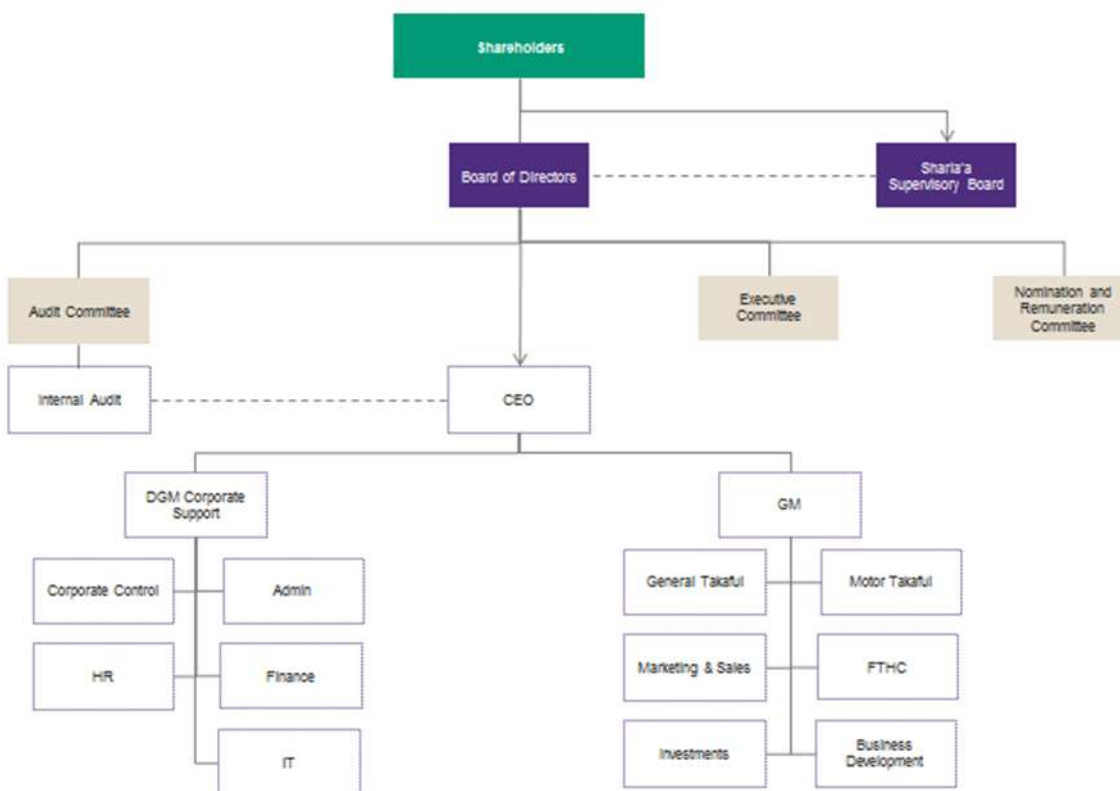
Mr. Abdulaziz A. Al-Othman

Deputy General Manager

Mr. A.Aziz Al Othman is a certified Accountant since 2002 and holds a Master's degree in Business Administration from the University of Hull, 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 twenty 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 is 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 analyzing strategies and business planning, insurance statistical and financial statement, and has attended a number of seminars and workshops related to accounting and insurance.

6.5. Organizational structure



6.6. The Board Role and Responsibilities

The Board represents the shareholder's interest in perpetuating a successful business and optimizing long term financial returns. The Board is responsible for establishing the Company's policies and strategy and for regularly monitoring the effectiveness of executive management in carrying out those policies and strategies.

Board and Committee Performance Evaluations

- Under the Chairman, the Board annually conducts a self-evaluation of its performance, the performance of each Committee and each individual Director, which will address its composition, responsibility, structure, processes and effectiveness in accomplishing its remits and responsibilities;
- This evaluation consists of:
 - Assessing how the Board operates;
 - Evaluating the performance of each Committee in light of its specific purposes and responsibilities, which includes reviews of the self-evaluations undertaken by each Committee;
 - An individual review of each Director's work, attendance at Board and Committee meetings, involvement in discussions and decision making, qualification under corporate governance rules, and all other relevant laws, rules and regulations regarding directors;
 - A review of the Board's current composition against its desired composition with a view towards maintaining an appropriate balance of skills and experience and a view towards planned and progressive refreshing of the Board;

- Consideration of any changes in a Director's responsibilities that may have occurred since the Director was first appointed to the Board;
- An assessment of whether the corporate governance processes it has implemented have successfully achieved their objectives; and
- Any other factors deemed appropriate for review.
- The Chairman acts on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of the Board and, where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors;
- The results of the Board and Committee evaluations are summarized and presented to the Board;
- While the evaluation is a responsibility of the entire Board, it should be organized and assisted by an internal Board Committee and, when appropriate, with the help of external experts;
- The Board reports to the shareholders, at each annual shareholder meeting, that the evaluations of the Board and Board Committee's performance have been performed;

Oversight, Performance Evaluation, and Succession Planning of Executive Management

- The Board reviews the performance of the Company's executive management and, as appropriate, shall review the respective conclusions with regard to their compensation;
- The Chairman provides counsel and oversight on the selection, evaluation, development and compensation of executive management and officers of the Company;
- At least annually, the Board reviews and concurs in a succession plan addressing the policies and principles for selecting a successor to the Chief Executive Officer, both in emergencies and in the normal course of business. The succession plan includes an assessment of the experience, performance, skills, and planned career paths for possible successors to the Chief Executive Officer; and
- Executive management evaluates, nominates and prepares a succession plan for their areas of responsibility which is reviewed by the Chairman of the Board. Each plan includes policies regarding succession in the event of an emergency.

Strategic Business Plans, Budgeting, Strategic Matters and Compliance with the Statutory and Internal Policies

- As part of its overall responsibilities to serve the long term interests of the Company's shareholder, the Board:
 - Reviews and approves, at least annually, the Company's strategic plans, management structure and responsibilities, and systems and controls framework (including its policies and procedures);
 - Adopts the strategic guidelines for the Company as proposed by the Executive Committee or, where appropriate, on its own initiative;
 - Reviews and discusses reports by executive management on the performance of the Company, its plans and products; and
 - Assesses major risks facing the Company by reviewing and approving strategies for addressing such risks.
- The Board shall carry out an annual strategy review process by:
 - Assessing the adequacy of capital to support the business risks of the Company;
 - Setting performance objectives; and
 - Reviewing the performance of executive management.
- The strategies set by the Board is communicated internally;
- The Board ensures that processes are in place for maintaining the integrity and reputation of the Company including:
 - The integrity of the financial statements
 - Compliance with the laws, rules, regulations, accounting and auditing principles, and internal policies governing the business of the Company
 - The integrity of the information given to the investors and the public
 - The integrity of the Company's relationship with its shareholders

Risk Recognition and Assessment

- The Board is responsible for reviewing the level of risk, maintaining a clear mapping of the risks faced by the Company, ensuring that appropriate systems of risk-management and control have been put in place, evaluating and taking decisions on possible options for mitigating risks;
- The Board develops and communicates comprehensive policies outlining all aspects of the Company's risk management framework, with the allocation of sufficient staff resources to effectively implement the policy;
- The Board ensures that the Company has comprehensive management reporting programmes through which the Board and senior management regularly receives information on the Company's risk exposures from business units, the Risk Management function and Internal Audit.

Operational Responsibilities

- Reviewing, on a regular basis, who has authority to enter the Company into contractual obligations. The Board sets a materiality threshold, so that contractual obligations above this set threshold are regularly reported to the Board. In setting the materiality threshold, the Board will consider the financial impact the contractual obligations may have in relation to its capital;

Conflicts of Interest and Code of Conduct

- Establishing policies and procedures to address its members' potential conflicts of interest including matters such as related party transactions, the misuse of assets belonging to the Company, and the use of privileged information for personal advantage (insider trading);
- Establishing and disseminating to all employees and appointed representatives of the Company a corporate code of conduct and ensuring that policies and procedures are in place to ensure customer confidentiality is maintained; and
- Overseeing the process of disclosure to all stakeholders and ensuring that the communications are fair, transparent, comprehensive and timely.

Access to Executive Management

- Directors have full access to any member of executive management for the purpose of understanding issues facing the Company; and
- Any meeting or contact that a non-executive Director wishes to initiate with any member(s) of executive management shall be arranged through the CEO.

Corporate Governance

- Corporate governance establishes how the shareholders, the Board and management interact in determining the direction and performance of the Company. Good governance holds management accountable to the Board and the Board accountable to the owners and other stakeholders.
- The Board provides central leadership to the Company, establish its objectives and develop the strategies that direct the ongoing activities of the Company to achieve these objectives. Directors determine the future of the Company; protect its assets and reputation. They consider how their decisions relate to "stakeholders" and the regulatory framework. Directors apply skills and care in exercising their duties to the Company and are subject to fiduciary duties. Directors are accountable to the shareholders of the Company for the Company's performance and can be removed from office by them.

6.7. Code of Conduct for Employees and Directors

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 the performance of their duties. It also covers conflicts of interest, disclosures and confidentiality of interest information.

6.8. The Corporate Governance Code

The Company is fully committed to sound corporate governance. Takaful's Board of Directors have adopted high standards and values which set out the discipline expected of staff in their dealings with 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 practices. The direct responsibility of the Board of Directors is to endeavor to be in line with policies of regulatory authorities and statutory requirements.

6.9. Major Shareholders – Owning 5% or more

#	Shareholder's Name	%	No. of Shares
1	Bahrain Kuwait Insurance Company B.S.C.	69.06%	43,160,787
2	Al Amana Alama State of Kuwait	8.40%	5,250,000
3	International Investment Group	6.39%	3,991,187

The Company has only one class of shares. All Shares listed in the above table are Ordinary Shares and carry voting rights equal to Shares offered through this Offering.

6.10. Shareholding by Directors and Management

The following table summarizes number of Ordinary Shares and shareholding stake owned by the Board of Directors as of the last practicable date (23rd April 2018).

#	Name of Director/ Management	Position	Number of Ordinary Shares	Shareholding Percentage
1	Mr. Jamal Al Hazeem	Chairman of BOD	0	0%
2	Mr. Abdulrahman Abdulla Mohammed	Vice Chairman of BOD	0	0%
3	Mr. Khaled Saud Al Hasan	Director	0	0%
4	Mr. Khaled Jamal AlMuzire	Director	0	0%
5	Mr. Ebrahim Mohamed Alrayes	Director	0	0%
6	Mr. Ahmed Abdulrahman Bucheeri	Director	0	0%
7	Mr. Abdulla Rabea Mohamed Rabia	Director	0	0%
8	Dr. Osama Taqi Al-Baharna	Director	0	0%
9	Mr. Rashed Ali Abdulrahim	Director	0	0%
10	Mr. Osama Kamel Kishk	Director	0	0%
11	Dr. Shaikh Abdullatif M. Al Mahmood	Sharia'a Supervisory Board Chairman	98,867	0.16%
12	Dr. Shaikh Abdulsattar Abughuda	Sharia'a Deputy Chairman	0	0%
13	Shaikh Mohsin Al Asfoor	Sharia Director	0	0%
14	Mr. Younis J. Al-Sayed	Chief Executive Officer	0	0%
15	Mr. Essam M. Al-Ansari	General Manager	0	0%
16	Mr. Abdulaziz A. Al-Othman	Deputy General Manager	0	0%

6.11. Board Committees

The Board has formulated the following Committees to assist in its responsibilities.

Committee	Committee Members
Executive Committee	<ul style="list-style-type: none"> - Khalid Al Hasan, Chairman - Ahmed Bucheeri, Member - Abdul Rahman Abdulla, Member
Audit Committee	<ul style="list-style-type: none"> - Khalid Al Muzaire, Chairman - Ebrahim Alrayes, Member
Nomination and Remuneration Committee	<ul style="list-style-type: none"> - Khalid Al Muzaire, Chairman - Abdulla Rabia, Member

6.12. Compensation

Current Term Expiry:

Director's Name	Term Start	Term Expiry
Mr. Jamal Ali Al-Hazeem	21 March 2018	21 March 2021
Mr. Abdulrahman Abdulla Mohammed	21 March 2018	21 March 2021
Mr. Khaled Saud Al Hasan	21 March 2018	21 March 2021
Mr. Ebrahim Mohamed Sharif AlRayes	21 March 2018	21 March 2021
Mr. Ahmed Abdulrahman Bucheeri	21 March 2018	21 March 2021
Mr. Khalid Jamal Al-Muzaire	21 March 2018	21 March 2021
Mr. Abdulla Rabea Mohammed Rabia	21 March 2018	21 March 2021
Dr. Osama Taqi Al-Baharna	21 March 2018	21 March 2021
Mr. Rashed Ali Abdulrahim	21 March 2018	21 March 2021
Mr. Osama Kamel Kishk	21 March 2018	21 March 2021

Summary of Committees Terms of Reference:

1. Executive Committee:

- Review of strategy and performance review of new investments proposals, credit proposals, and exit strategies.
- The committee meets on a quarterly basis or more frequently as necessary

2. Audit Committee:

- Oversight of integrity and reporting of the Company's quarterly and annual financial statements
- Review of risk, provision and impairment
- Compliance with legal and regulatory requirements
- The committee meets at least four times a year.

3. Nomination and Remuneration Committee:

- Oversight of the compensation and remuneration policy
- Oversight of recruitment & promotion of key personnel and Board members
- The committee meets at least two times a year.

6.13. Employees

Compensation:

- Nomination & Remuneration Committee reviews the Company's remuneration policies for the Board and senior management. The Board remuneration is recommended by this committee based on their attendance and performance. Remuneration for senior management is also reviewed and recommended by this committee to the Board.
- The cumulative compensation including sitting fee and remuneration paid in the last two years for Board members was BHD 65,343 in 2016 and BHD 71,679 in 2017.
- The Company's compensation packages include but are not limited to: salaries, fringe benefits such as non-salary perquisites and bonuses. The Company has a pre-set hierarchical grading system and utilizes key performance indicators to assess the periodic performance of all of its employees. The Company also conducts periodic evaluations as well as self-evaluations for all of its employees in order to keep their interests aligned with the Company's Shareholders.
- The total compensation (including the employer's contributions to the Social Insurance Organization of Bahrain and other applicable governmental charges and levies) paid to all employees was BHD 2,211,897 for the year ended 31st December 2016 and BHD 2,094,600 for the year ended 31st December 2017.
- Furthermore, the cumulative amount which the Company has set aside or accrued to provide for retirement, pension or similar benefits, such as leaving indemnities, as at 31 December 2017 was BHD 305,185.
- The total compensation paid to the three most senior executive managers of the Company for the year ended 31 December 2017 (including the employer's contributions to the Social Insurance Organization of Bahrain and other applicable governmental charges and levies) is BHD 425,340.

Number of employees:

Year	2017	2016	2015
Number of employees	102	113	113

Breakdown of employees by nationality:

2017			2016			2015		
Country	Bahraini	Non-Bahraini	Country	Bahraini	Non-Bahraini	Country	Bahraini	Non-Bahraini
Bahrain	70	30	Bahrain	80	26	Bahrain	83	24
Qatar	0	2	Qatar	1	6	Qatar	0	6

Breakdown by department:

Department	Bahraini	Non Bahraini	Total
Executive management	6	2	8
Administration	6	4	10
Finance	3	4	7
Investment	1	1	2
Human Resources	2	0	2
Information Technology	3	2	5
Corporate Control	3	0	3
Family takaful and Healthcare	7	3	10
General takaful	7	14	21
Business Development	3	0	3
Motors and Centers	29	0	29

Qatar Branch	0	2	2
Total	70	32	102

6.14. External Auditors

- The Company has an auditor appointed from those licensed to practice auditing by the Ordinary General Assembly, which determines their fees and term of appointment.
- The Company ensures that the auditor has the required skill, resources and experience to carry out the audit properly, and is independent.
- The Company gets CBB's approval on external auditor's appointment.
- The Auditors exercises their powers and perform their duties and related procedures in accordance with the provisions of Articles (217 – 222) of the Commercial Companies Law for the year 2001 and subsequent revisions.
- The audit partner responsible for the Company's audit does not undertake that function more than five years in succession.
- In its meeting held on 23rd March 2016, the General Assembly decided to change the auditors of the Company from BDO Jawad Habib, to Ernest & Young for Rotation purposes. CBB approval was granted on 7th April 2016.

Current Auditor (2017-2018)	Previous Auditor (2015)
Ernst & Young 10 th Floor East Tower, Bahrain World Trade Center P.O. Box 140 Manama Kingdom of Bahrain	BDO 17 th Floor Diplomatic Commercial Office Tower P.O. Box 787 Manama Kingdom of Bahrain

6.15. Legal and other Advisors

Issue Manager	Grant Thornton Advisory W.L.L. 12 th Floor, Al Nakheel Tower P.O.Box 11175, Seef District, Kingdom of Bahrain
Legal Advisor	Rashid A. R. Ebrahim 2 nd Floor Building 168, Road 1703, Block 317 Diplomatic Area P.O. Box 5071 Manama Kingdom of Bahrain
Principal Bankers	Bahrain Islamic Bank Al Salam Bank Kuwait Finance House Bank of Bahrain and Kuwait Ahli United Bank
Listing	Bahrain Bourse P.O. Box 3203 Manama, Kingdom of Bahrain
Actuary	ΣICG Actuaries and Management Consultants Ltd. 70, Omirou, Nea Smyrni, 17121, Athens, Greece
Issue Registrar	Bahrain Clear P.O. Box 3203 Manama, Kingdom of Bahrain

7. Major Shareholders, Related Parties Transactions and Conflict of Interest

7.1. Major Shareholders

The Company has only one class of Ordinary Shares. Each Shareholder holding one Share shall have the right to attend the general assembly. A Shareholder may delegate by way of a written proxy to another shareholder, other than a member of the Board of Directors or any employee of the Company, the right to attend the general assembly on his / her behalf. The votes in the ordinary general meeting as well as the Extra-Ordinary General Meeting shall be counted on the basis of one vote for every Share. In 2017, BKIC purchased 22.75% from Bahrain Islamic Bank B.S.C. increasing its shareholding to 63.68%. During the same period, BKIC made an unconditional mandatory offer to acquire the remaining 36%. The offer increased BKIC's stake to 67.28%. For further details refer to section 13, titled 'Shareholder Rights'. Details of shareholders' holding more than 5% equity stake as at the record date of Annual General Meeting (AGM) for last three years is provided below:

Name of Shareholder	Position	April 23, 2018		Year end of 2017		Year end of 2016		Year end of 2015	
		No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Shares	% of Shares
Bahrain Kuwait Insurance Company B.S.C.	Bahrain	43,160,787	69.06%	42,048,287	67.28%	25,582,845	40.93%	25,582,845	40.93%
Bahrain Islamic Bank B.S.C.	Bahrain	0	0%	0	0%	14,220,486	22.75%	14,220,486	22.75%
Al Amana Alama State of Kuwait	Kuwait	5,250,000	8.4%	5,250,000	8.4%	5,250,000	8.4%	5,250,000	8.4%
International Investment Group	Kuwait	3,991,187	6.39%	3,991,187	6.39%	3,991,187	6.39%	3,991,187	6.39%

Distribution schedule of shareholding as on 23rd April 2018 by stake is provided below:

Category	No. of Shares	No. of Shareholders	% of outstanding shares
Less than 1%	6,195,820	196	9.91%
1% up to less than 5%	3,902,206	2	6.24%
5% up to less than 10%	9,241,187	2	14.79%
10% up to less than 20%	0	0	0%
20% up to less than 50%	0	0	0%
50% and above	43,160,787	1	69.06%
Total	62,500,000	201	100%

7.2. Related Party Transactions

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:

Particulars	Management personnel	Shareholders
	(In BHD)	(In BHD)
Gross contributions (2017)	2,968	360,008
Gross contributions (2016)	8,248	1,084,793

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

As of 31st December 2017

Particulars	Management personnel	Shareholders
	(In BHD)	(In BHD)
Statutory reserve	-	-
Cash and cash equivalents	-	-
Available-for-sale investments	-	80,918
Takaful and retakaful balances receivable	-	342,619
Amounts due to related parties	-	444

As of 31st December 2016

Particulars	Management personnel	Shareholders
	(In BHD)	(In BHD)
Statutory reserve	-	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 to related parties	-	654

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

Compensation of key management personnel

Particulars	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
Total	512,784	506,448

7.3. Insider Trading

No trading of the Company's shares was undertaken by its Directors or senior management during the financial year 2017.

7.4. Conflict of Interest

Name of the entity	Bahrain Kuwait Insurance Company B.S.C.
Name of Directors	Ebrahim Alrayes Khalid Al Hassan Abdulla Rabia Ahmed Bucheeri
Nature and extent of interest	69.06%

While BKIC, a majority shareholder, operates in the same business and deals in similar products and services, the Company's Board and the team through its corporate governance practices ensure that the company operates independently with all transactions conducted under normal terms and conditions, thereby generating value to and for its shareholders.

8. Key Financial Information

8.1. Introduction

The financial statements 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 and loss, changes in shareholder’s equity, changes in participants’ fund and cash flows for the year then ended and summary of significant accounting policies and other explanatory information are prepared in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) and the requirements of the Bahrain Commercial Companies Law, decree number 21 of 2001.

For each financial year, the Company is required to prepare and publish its financial statements within a period not exceeding 60 days from the financial year end thereof. The Company is also required to publish quarterly financial statements within a period of 45 days from the quarter end.

8.2. Summary Historical Financial Data

The financial data summarized below is derived from the audited financial statements for the years ended 31st December, 2013, 2014, 2015, 2016 and 2017, respectively. The financial statements are prepared in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions Standards and presented in Bahraini Dinar, the principal currency of operations and reporting currency of the Company. Certain prior period figures have been regrouped to conform to the current presentation of the balance sheet and income statement.

For a better understanding of the financial position and performance during the historical period covered below, the summarized historical financial data should be read in conjunction with the audited financial statements.

8.3. Auditors' Report Summary Financial Statements



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INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL INTERNATIONAL COMPANY B.S.C.

Opinion

The summary financial statements, which comprise:

- the **statements of financial position** as at 31 December 2017 (audited, consolidated), 31 December 2016 (audited, consolidated), 31 December 2015 (audited, restated, consolidated), 31 December 2014 (audited, restated, consolidated) and 31 December 2013 (audited, unconsolidated),
- the **statements of profit or loss** for the years ended 31 December 2017 (audited, consolidated), 31 December 2016 (audited, consolidated), 31 December 2015 (audited, consolidated, restated), 31 December 2014 (audited, unconsolidated) and 31 December 2013 (audited, unconsolidated),
- the **statements of changes in shareholders' equity** for the years ended 31 December 2017 (audited, consolidated), 31 December 2016 (audited, consolidated), 31 December 2015 (audited, consolidated, restated), 31 December 2014 (audited, unconsolidated) and 31 December 2013 (audited, unconsolidated),
- the **statements of changes in participants' fund** for the year ended 31 December 2017 (audited), 31 December 2016 (audited), 31 December 2015 (audited), 31 December 2014 (audited) and 31 December 2013 (audited),
- the **statements of cash flows** for the years ended 31 December 2017 (audited, consolidated), 31 December 2016 (audited, consolidated), 31 December 2015 (audited, consolidated, restated), 31 December 2014 (audited, unconsolidated) and 31 December 2013 (audited, unconsolidated),

are derived from the audited consolidated financial statements of Takaful International B.S.C. (the "Company") and its subsidiary (together the "Group") for the years ended 31 December 2017 and 31 December 2016 and the audited financial statements of the Company for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 respectively (together 'the audited financial statements' for 'the Periods').

In our opinion, subject to the provisions laid down in the other information paragraph below, the accompanying summary financial statements are consistent with the basis described in Note 3. We do not express an opinion or any other form of assurance on the financial information extracted from the financial statements for the years ended 2013, 2014 or 2015.



**INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL
STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL INTERNATIONAL
COMPANY B.S.C.
(continued)**

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by Financial Accounting Standards issued by AACIFI. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's reports thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our reports (or other auditor's reports) on those audited financial statements.

The Audited Financial Statements and our reports thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016 only in our reports dated 20 February 2018 and 20 February 2017 respectively.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of the summary financial statements in accordance with Financial Accounting Standards issued by AACIFI.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements for the Periods are consistent, in all material respects, with the audited financial statements for the Periods, based on our procedures, which were conducted in accordance with the International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Other information

The financial statements for the years ended 31 December 2015, 2014 and 2013 were audited by Other Auditors. The Other Auditors expressed an unmodified audit opinion on the audited financial statements of the Company for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 which were dated 23 February 2016, 23 February 2015 and 23 February 2014, respectively.



**INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL
STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL INTERNATIONAL
COMPANY B.S.C.**
(continued)

Other information (continued)

However, the unconsolidated financial statements for the year ended 31 December 2015, were restated during our audit of the Group for the year ended 31 December 2016. As stated in Note 1 (i) to the summary financial statements, until 31 December 2015, the Company prepared its financial statements on an unconsolidated basis.

The consolidated statement of financial position as at 31 December 2015 and 31 December 2014 and the consolidated statement of profit or loss, changes in shareholders' equity and cashflows for the year ended 31 December 2015 were restated in the consolidated financial statements for the year ended 31 December 2016. This restatement has been reflected in the summary financial statements, and therefore certain balances as detailed in Note 1 (i) have been restated and do not correspond to the previously audited financial statements of the Company for the years ended 31 December 2015 and 31 December 2014 which were audited by other auditors.

We audited the adjustments described in Note 1 (i) that were applied to restate the 31 December 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013, 2014, or 2015 financial statements of the Company other than with respect to the adjustments and accordingly we did not express an opinion or any other form of assurance on the 2013, 2014 or 2015 financial statements taken as a whole. In addition, the information included in the statements of profit or loss, changes in shareholders' equity, changes in participants' fund and cash flows for the years ended 31 December 2014 and 31 December 2013 are presented in the summary financial statements on an unconsolidated basis and were derived from the audited financial statements of the Company for the years ended 31 December 2014 and 31 December 2013 respectively which were audited by other auditors.

18 April 2018
Manama, Kingdom of Bahrain

Consolidated statement of financial position (Expressed in Bahraini Dinars)

Takaful International Company B.S.C.
STATEMENT* OF FINANCIAL POSITION
At 31 December 2017, 2016, 2015, 2014 and 2013

	Audited 31 December 2017 BD	Audited 31 December 2016 BD	Restated** Audited 31 December 2015 BD	Restated** Audited 31 December 2014 BD	Not restated Audited 31 December 2013 BD
ASSETS					
Statutory deposits	125,000	125,000	125,000	125,000	125,000
Cash and balances with banks	5,634,986	7,606,103	5,237,134	3,379,263	3,246,145
Available for sale investments	5,504,387	4,686,569	5,114,475	5,130,432	5,342,687
Investment in equity-accounted joint venture	-	-	-	-	52,045
Takaful and retakaful receivables	9,889,667	9,018,826	8,151,292	10,846,515	10,701,045
Retakaful share of outstanding claims	7,294,499	8,801,882	8,881,852	8,926,724	6,340,578
Deferred retakaful contribution	2,167,678	3,030,352	2,160,164	3,741,314	3,616,781
Deferred acquisition costs	484,402	706,739	789,705	796,605	894,662
Retakaful share of family takaful technical reserves	383,892	1,707,505	1,825,386	1,454,661	-
Property and equipment	2,083,013	2,272,525	2,351,851	1,877,687	2,164,304
Other receivables and prepayments	261,687	448,090	164,445	188,848	933,471
Receivable from takaful funds	916,586	983,532	33,439	707,076	1,431,510
TOTAL ASSETS	34,814,696	38,490,203	34,484,516	37,274,425	34,758,100
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES					
Shareholders' equity					
Share capital	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000
Statutory reserve	522,041	519,727	480,066	480,066	480,066
General reserve	200,000	200,000	200,000	200,000	200,000
Accumulated losses	(688,387)	(679,213)	(1,036,158)	(280,787)	875,418
Investments fair value reserve	82,271	(43,751)	(147,453)	(427,046)	(306,407)
Equity attributable to shareholders of the parent	6,376,925	6,246,763	5,746,454	6,222,233	7,500,075
Non-controlling interests	100,817	70,596	15,902	14,058	-
Total equity	6,476,742	6,317,349	5,762,356	6,236,291	7,500,075
(Deficit) surplus in participants' fund	(963,446)	(137,262)	(365,153)	578,197	1,437,458
Liabilities					
Gross outstanding claims	10,786,929	11,738,496	12,848,760	12,311,941	8,633,130
Unearned contributions	8,196,744	8,686,403	7,928,196	8,222,100	8,013,162
Unearned commissions	332,668	485,316	343,477	736,956	755,821
Family takaful technical reserves	2,083,704	2,780,666	2,527,506	2,270,828	843,474
Takaful and retakaful payables	5,427,410	6,624,812	4,103,431	4,834,718	4,000,155
Other liabilities and provisions	1,273,188	1,582,983	1,068,186	1,189,131	1,886,771
Employees' terminal benefits	366,186	245,060	213,317	184,167	157,513
Payable to shareholders	916,586	983,532	33,439	707,076	1,431,510
Total liabilities	29,391,294	33,310,116	29,067,313	30,459,937	25,820,566
TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES	34,814,696	38,490,203	34,484,516	37,274,425	34,758,100

* 31 December 2017, 31 December 2016, 31 December 2015 and 31 December 2014 are shown on a consolidated basis.

** Please refer to Note 1.

Consolidated statement of income (Expressed in Bahraini Dinars)

Takaful International Company B.S.C.

STATEMENT* OF PROFIT OR LOSS

For the years ended 31 December 2017, 2016, 2015, 2014 and 2013

	Audited Year ended 31 December 2017 BD	Audited Year ended 31 December 2016 BD	Restated** Audited Year ended 31 December 2015 BD	Not restated Audited Year ended 31 December 2014 BD	Not restated Audited Year ended 31 December 2013 BD
Revenues					
Gross contributions	18,653,898	22,157,750	19,546,113	20,795,528	20,256,022
Retakaful share of gross contributions	(6,192,697)	(7,285,880)	(5,778,783)	(9,931,419)	(10,107,297)
Retained contributions	13,461,492	14,862,081	13,867,330	10,864,209	10,148,725
Unearned contributions adjustment - net	(386,856)	110,923	(1,259,253)	(130,342)	(573,550)
Net earned contributions	13,080,937	15,003,004	12,609,077	10,733,867	9,574,875
Net commission and other takaful income (expenses)	648,941	534,002	1,584,513	991,721	1,071,347
Total takaful revenue	13,820,878	15,537,006	14,163,890	11,695,588	10,646,222
Expenses					
Gross claims settled	(17,186,821)	(20,172,070)	(17,138,894)	(16,585,570)	(18,048,788)
Claims recovered from retakaful and other parties	8,261,153	8,705,711	8,239,915	8,000,102	11,081,182
Outstanding claims adjustments - net	(565,926)	1,320,364	(771,549)	(1,082,685)	(83,533)
Net claims incurred	(9,591,294)	(10,144,965)	(9,671,728)	(9,658,134)	(7,031,119)
Transfer to family takaful technical reserve	(556,451)	(171,254)	(111,999)	(26,381)	85,262
Provision for impaired takaful receivables	(229,812)	78,943	(1,392,758)	(100,000)	(128,766)
Total takaful expenses	(10,408,367)	(10,238,206)	(11,175,483)	(9,784,515)	(7,074,562)
Surplus from takaful operations before wakala fees	3,222,821	5,298,800	2,977,407	1,911,073	3,571,660
Wakala fees	(3,937,488)	(4,877,500)	(3,754,171)	(2,787,833)	(3,548,032)
Surplus (Deficit) from takaful operations after wakala fees	(714,666)	321,299	(776,764)	(876,760)	23,628
Wakala fees	3,937,488	4,877,500	3,754,171	2,787,833	3,548,032
Investment income	367,866	327,813	488,503	338,397	309,968
	4,205,348	5,305,433	4,242,674	3,126,230	3,857,601
Management, general and administrative expenses and depreciation	(3,136,362)	(3,180,062)	(3,355,660)	(3,444,643)	(3,330,676)
Amortisation of acquisition costs	(1,214,255)	(1,537,016)	(929,710)	-	-
Impairment loss on available-for-sale investments	(401,614)	(470,888)	(1,422,945)	(501,302)	(232,283)
Other income (expenses) - net	389,038	292,445	785,728	(5,499)	(17,846)
Net management, general and administrative expenses	(4,363,183)	(4,895,511)	(5,162,788)	(3,952,444)	(3,560,805)
Net profit (loss) and surplus (deficit) for the year	(772,807)	631,162	(1,696,878)	(1,702,974)	300,424

* 31 December 2017, 31 December 2016 and 31 December 2015 are shown on a consolidated basis.

** Please refer to Note 1.

Consolidated statement of shareholder's equity

Takaful International Company B.S.C.
STATEMENT* OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended 31 December 2017, 2016, 2015, 2014 and 2013

	Share capital	Statutory reserve	General reserve	(Accumulated losses)/ retained earnings	Investments fair value reserve	Equity attributable to shareholders of the Parent	Non-controlling interests	Total equity
	BD	BD	BD	BD	BD	BD	BD	BD
At 1 January 2017 (Audited)	6,250,000	519,727	200,000	(879,213)	(23,543)	6,268,971	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 (Audited)	6,250,000	622,041	200,000	(856,073)	63,219	6,376,373	100,817	6,477,190
Balance at 1 January 2016 as previously reported	6,250,000	480,065	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 (Audited/Restated)	6,250,000	480,065	200,000	(1,036,159)	(74,368)	5,819,539	15,902	5,835,441
Profit for the year	-	-	-	356,607	-	356,607	6,684	403,291
Other comprehensive income	-	-	-	-	50,825	50,825	-	50,825
Total comprehensive income for the year	-	-	-	356,607	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 (Audited)	6,250,000	519,727	200,000	(879,213)	(23,543)	6,268,971	70,586	6,337,557
Balance at 1 January 2015 as previously reported	6,250,000	480,065	200,000	(280,787)	(241,217)	6,408,062	-	6,408,062
Effect of change due to consolidation	-	-	-	-	-	-	14,058	14,058
At 1 January 2015 (Audited/Restated)	6,250,000	480,065	200,000	(280,787)	(241,217)	6,408,062	14,058	6,422,120
(Loss) profit for the year	-	-	-	(755,372)	-	(755,372)	1,844	(753,528)
Other comprehensive income	-	-	-	-	166,849	166,849	-	166,849
Total comprehensive (loss) income for the year (Restated)	-	-	-	(755,372)	166,849	(588,523)	1,844	(586,679)
At 31 December 2015 (Audited/Restated)	6,250,000	480,065	200,000	(1,036,159)	(74,368)	5,819,539	15,902	5,835,441

* 31 December 2017, 31 December 2016 and 31 December 2015 are shown on a consolidated basis.

Takaful International Company B.S.C.

STATEMENT* OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

For the years ended 31 December 2017, 2016, 2015, 2014 and 2013

	Share capital	Statutory reserve	General reserve	(Accumulated losses)/ retained earnings	Investments fair value reserve	Equity attributable to shareholders of the Parent	Non-controlling interests	Total equity
	BD	BD	BD	BD	BD	BD	BD	BD
At 1 January 2014 (Audited and not restated)	6,250,000	480,066	200,000	875,416	(266,832)	7,538,650	-	7,538,650
Loss for the year	-	-	-	(843,703)	-	(843,703)	-	(843,703)
Other comprehensive income	-	-	-	-	25,615	25,615	-	25,615
Total comprehensive (loss) income for the year	-	-	-	(843,703)	25,615	(818,088)	-	(818,088)
Dividends paid for 2013	-	-	-	(312,500)	-	(312,500)	-	(312,500)
At 31 December 2014 (Audited and not restated)	6,250,000	480,066	200,000	(280,787)	(241,217)	6,408,062	-	6,408,062
At 1 January 2013 (Audited and not restated)	6,250,000	456,932	200,000	667,215	(263,876)	7,310,271	-	7,310,271
Profit for the year	-	-	-	231,335	-	231,335	-	231,335
Other comprehensive income	-	-	-	-	(2,956)	(2,956)	-	(2,956)
Total comprehensive (loss) income for the year	-	-	-	231,335	(2,956)	228,379	-	228,379
Transfer to statutory reserve	-	23,134	-	(23,134)	-	-	-	-
At 31 December 2013 (Audited and not restated)	6,250,000	480,066	200,000	875,416	(266,832)	7,538,650	-	7,538,650

* 31 December 2017, 31 December 2016 and 31 December 2015 are shown on a consolidated basis.

Consolidated statement of changes in participants' fund

Takaful International Company B.S.C.
STATEMENT* OF CHANGES IN PARTICIPANTS' FUND
For the years ended 31 December 2017, 2016, 2015, 2014 and 2013

	General takaful BD	Family takaful BD	Investments fair value reserve			Total BD
			General takaful BD	Family takaful BD		
At 1 January 2017 (Audited)						
Fair value changes arising during the year	(1,348,619)	1,269,357	12,833	(33,041)		(157,470)
Recycled to statement of profit or loss on disposal/impairment	-	-	8,028	(9,281)		(355)
Deficit for the year	(208,752)	(857,426)	(421)	20,036		(10,615)
						(826,178)
At 31 December 2017 (Audited)	(1,615,371)	651,931	21,338	(22,286)		(964,388)
At 1 January 2016 (Audited)						
Realised fair value losses on available-for-sale investments	(1,425,425)	1,060,272	(35,792)	(37,283)		(438,238)
Unrealised fair value gains (losses) on available-for-sale investments	-	-	15,271	13,632		28,903
Surplus for the year	78,806	149,085	33,354	(9,360)		23,974
						227,891
At 31 December 2016 (Audited)	(1,346,619)	1,209,357	12,833	(33,041)		(157,470)
At 1 January 2015 (Audited)						
Realised fair value losses on available-for-sale investments	(340,141)	918,338	(192,271)	6,442		382,368
Unrealised fair value gains (losses) on available-for-sale investments	-	-	19,006	(4,300)		14,706
(Deficit) surplus for the year	(1,085,284)	141,534	137,473	(39,435)		98,038
						(943,390)
At 31 December 2015 (Audited)	(1,425,425)	1,060,272	(35,792)	(37,283)		(438,238)
At 1 January 2014 (Audited)						
Realised fair value losses (gains) on available-for-sale investments	624,237	813,231	(36,425)	(2,150)		1,398,893
Unrealised fair value losses (gains) on available-for-sale investments	-	-	7,791	(1,082)		6,709
(Deficit) surplus for the year	(964,378)	105,107	(183,637)	9,674		(899,271)
						392,368
At 31 December 2014 (Audited)	(340,141)	918,338	(192,271)	6,442		
At 1 January 2013 (Audited)						
Realised fair value losses (gains) on available-for-sale investments	616,440	751,939	833	(8,055)		1,381,157
Unrealised fair value losses (gains) on available-for-sale investments	-	-	-	-		-
Surplus for the year	7,787	61,282	(37,258)	5,905		(31,353)
						69,089
At 31 December 2013 (Audited)	624,237	813,231	(36,425)	(2,150)		1,398,893

Consolidated statement of cash flows

Takaful International Company B.S.C.

STATEMENT* OF CASH FLOWS

For the years ended 31 December 2017, 2016, 2015, 2014 and 2013

	Audited Year ended 2017 BD	Audited Year ended 2016 BD	Restated Audited Year ended 2015 BD	Not restated Audited Year ended 2014 BD	Not restated Audited Year ended 2013 BD
OPERATING ACTIVITIES					
Net profit (loss) for the year	53,371	403,251	(753,028)	(843,703)	231,336
(Deficit) surplus from participants' operations	(836,178)	227,891	(943,350)	(859,271)	69,089
Adjustments for:					
Investment income	(316,958)	(262,744)	(582,110)	(338,397)	(309,569)
Impairment loss on available-for-sale investments	491,614	470,868	1,422,946	501,302	232,283
Gains on disposal of property and equipment	-	(5,253)	(32,004)	-	(467)
Depreciation	252,177	210,975	276,328	296,737	300,906
Share of losses of equity accounted joint venture	-	-	-	30,057	37,955
Finance costs	-	-	25,483	-	-
(Gains) losses on sale of available-for-sale investments	(50,897)	(65,169)	83,607	28,732	36,301
Provision for impairment of general takaful balances receivable	220,612	(76,043)	1,392,756	150,080	-
Write offs for general takaful and rotakafal balances receivable	-	41,762	1,032,473	-	-
Movement in unearned contributions	380,555	(110,023)	1,285,248	84,355	620,291
Movement in unearned commissions	86,589	204,805	(370,579)	(18,908)	(131,661)
Movement in family takaful technical reserve	606,451	171,254	85,940	(27,307)	(113,720)
Operating profit before changes in operating assets and liabilities	610,336	1,268,714	2,636,210	(1,043,505)	972,705
Changes in operating assets and liabilities:					
Takaful and rotakafal receivables	(1,080,863)	(791,253)	229,894	(245,489)	(765,142)
Other receivables and prepayments	87,373	(284,614)	25,402	757,067	(297,245)
Rotakafal share of outstanding claims	1,697,493	(210,100)	234,832	(2,560,140)	(1,335,823)
Gross outstanding claims	(961,667)	(1,110,264)	536,619	3,678,011	1,399,358
Rotakafal and takaful balance payables	(1,387,402)	2,721,361	(731,257)	744,563	(598,296)
Other liabilities and provisions	(289,794)	404,777	(120,945)	(734,260)	187,625
Employees' leaving indemnity - net	59,617	32,351	26,130	25,173	25,064
Net cash (used in) from operating activities	(1,164,897)	2,060,962	3,140,155	597,127	(412,756)
INVESTING ACTIVITIES					
Investment income received	367,855	327,613	498,503	338,397	309,569
Purchase of property and equipment	(62,707)	(131,949)	(755,370)	(79,144)	(75,338)
Proceeds from sale of property and equipment	42	5,253	137,482	-	3,121
Purchase of available-for-sale investments	(2,535,613)	(1,136,434)	(3,043,201)	(4,447,110)	(1,601,407)
Proceeds from the sale of available-for-sale investments	1,322,403	1,187,174	1,915,665	4,006,690	2,343,913
Net expenditure on capital work-in-progress	-	-	-	(5,000)	(54,658)
Investment in equity-accounted joint venture	-	-	-	-	(90,000)
Net cash (used in) from investing activities	(908,220)	201,657	(1,256,781)	(187,165)	534,900
FINANCING ACTIVITIES					
Finance costs paid	-	-	(25,483)	-	-
Dividends paid	-	-	-	(312,500)	-
Increase in share capital of subsidiary - Non controlling interest	-	48,000	-	-	-
Net cash from financing activities	-	48,000	(25,483)	(312,500)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,073,117)	2,370,949	1,857,891	97,462	122,144
Cash and cash equivalents, beginning of the year	7,666,193	5,237,154	3,379,263	3,248,145	3,124,001
CASH AND CASH EQUIVALENTS, END OF THE YEAR	5,593,076	7,608,103	5,237,154	3,345,607	3,246,145

* 31 December 2017, 31 December 2016 and 31 December 2015 are shown on a consolidated basis.

Notes to financial statements

Takaful International Company B.S.C.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

1 COMPARATIVE INFORMATION - RESTATEMENTS

(i) Until 31 December 2015, the Company used to equity account for the joint-venture and accordingly prepared the financial statements on an unconsolidated basis. However, from 1 January 2016, management reassessed the control and concluded that it was appropriate to consolidate the entity which was previously classified as a joint-venture because the Company's investment in the equity-accounted joint-venture met the definition of a subsidiary rather than a joint-venture. The consolidation was done retrospectively and the prior year numbers were restated in the financial statements for the year ended 31 December 2016. Therefore the comparative information as at 31 December 2015 and 31 December 2014 included in the consolidated statement of financial position and for the year ended 31 December 2015 included in the consolidated statements of profit or loss, changes in shareholders' equity and cash flows were restated in the financial statements for the year ended 31 December 2016. The balances that were restated have been detailed below and therefore these balances do not correspond to the previously issued audited financial statements of the Company for those years. In addition, the comparative information included in the statements of profit or loss, changes in shareholders' equity and cash flows for the year ended 31 December 2014 have been presented in the summary financial statements on an unconsolidated basis and were derived from the issued audited financial statements of the Company for the year ended 31 December 2014.

The summarised effects of the above changes are as follows:

	31 December 2015		31 December 2014	
	(Restated)	(Previously reported)	(Restated)	(Previously reported)
	BD	BD	BD	BD
<i>Consolidated statement of financial position</i>				
Statutory deposit	125,000	125,000	125,000	125,000
Cash and cash equivalents	5,237,154	5,170,897	3,379,263	3,343,807
Available-for-sale investments	5,114,475	5,114,475	5,130,432	5,130,432
Investment in equity-accounted joint venture	-	24,003	-	21,088
Takaful and retakaful balances receivable	8,191,292	8,191,292	10,846,515	10,846,515
Due from retakaful companies				
in connection with outstanding claims	8,691,892	8,691,892	8,926,724	8,926,724
Deferred retakaful contribution	2,160,164	2,160,164	3,741,314	3,741,314
Deferred policy acquisition costs	769,705	769,705	795,605	795,605
Due from retakaful companies in connection with family takaful technical reserves	1,625,398	1,625,398	1,454,661	1,454,661
Property and equipment	2,351,551	2,331,839	1,977,987	1,953,711
Receivable from takaful funds	33,439	33,439	707,076	707,076
Other receivables and prepayments	163,861	162,265	188,886	174,542
Amounts due from related parties	585	585	962	962
Total assets	34,464,516	34,400,954	37,274,425	37,221,237
Gross outstanding claims	12,848,760	12,848,760	12,311,041	12,311,041
Unearned contributions reserve	7,929,198	7,929,198	8,222,100	8,222,100
Unearned retakaful commissions	343,477	343,477	739,956	739,956
Family takaful technical reserves	2,527,505	2,527,505	2,270,828	2,270,828
Retakaful/ takaful and other payables	4,103,431	4,100,496	4,834,718	4,834,718
Other liabilities and provisions	1,066,186	1,027,552	1,189,131	1,151,502
Employees' terminal benefits	213,317	209,226	164,167	162,586
Payable to shareholders	33,439	33,439	707,076	707,076
Total liabilities	29,067,313	29,019,653	30,459,937	30,420,807
Equity:				
- Equity attributable to shareholders of the parent	5,746,454	5,746,454	6,222,233	6,222,233
- Non-controlling interests	15,902	-	14,058	-
Total equity	5,762,356	5,746,454	6,236,291	6,222,233
(Deficit) surplus in participants' fund	(365,153)	(365,153)	576,197	576,197
Total shareholders' equity, liabilities and participants' funds	34,464,516	34,400,954	37,274,425	37,221,237
Net impact on total assets	63,562		53,188	

Takaful International Company B.S.C.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

1 COMPARATIVE INFORMATION - RESTATEMENTS (continued)

	31 December 2015	
	(Restated) BD	(Previously reported) BD
Consolidated statement of profit or loss		
Total takaful revenue	14,153,890	14,153,890
Total takaful expenses	(11,176,483)	(11,176,483)
Surplus from takaful operations before wakala fees	2,977,407	2,977,407
Wakala fees	(3,754,171)	(3,754,171)
Deficit from takaful operations after wakala fees	(776,764)	(776,754)
Wakala fees	3,754,171	3,754,171
Investment income	488,503	491,418
Management, general and administrative expenses and depreciation	(3,595,860)	(3,390,543)
Net acquisition cost	(929,710)	(929,710)
Impairment loss on available-for-sale investments	(1,422,946)	(1,422,946)
Other income	785,728	575,652
Net loss and deficit for the year	(1,696,878)	(1,698,722)

(ii) In the financial statements for the year ended 31 December 2017 certain prior year amounts were reclassified relating to the year ended 31 December 2016. Such reclassifications did not affect the previously reported profit for the year ended 31 December 2016. Until 31 December 2016, the Group used to classify ancillary fee income as part of other income. However, from 1 January 2017, management has reclassified ancillary fee income to gross contributions. Management believes this provides a more meaningful presentation and brings the Company in line with the Parent Company. The reclassification did not result in any changes to previously reported profit and retained earnings as disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2016.

The summarised effects of the above change are as follows:

	31 December 2016		31 December 2016	
	General Takaful		Total	
	(Previously reported) BD	(Previously reported) BD	(Previously reported) BD	(Previously reported) BD
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	(6,832,333)	(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	-	-	-	-

2 GENERAL INFORMATION

The registered office of the Group is Building 680, Road 2811, Seef District 428, Kingdom of Bahrain. A request for hardcopies can be made by writing to the 'Compliance' department or by downloading them from the website www.takafulweb.com

3 BASIS OF PREPARATION

These summary financial statements have been prepared by extracting the primary statements (which includes the statement of financial position, statement of profit or loss, statement of changes in shareholders' equity, statement of changes in participants' funds and statement of cash flows) for the years ended 31 December 2013 through to and including 31 December 2017 from the underlying signed or restated financial statements for these respective years. Certain classifications may have changed over the years. However, these classification changes are presentational only and have not had any impact on the previously reported profit or loss.

8.4. Financial statement highlights

Capitalization and indebtedness

The following table summarizes capitalization of the Company as of 31st December 2017. The Company does not have any outstanding long term and/or short term loans as of 31st December 2017.

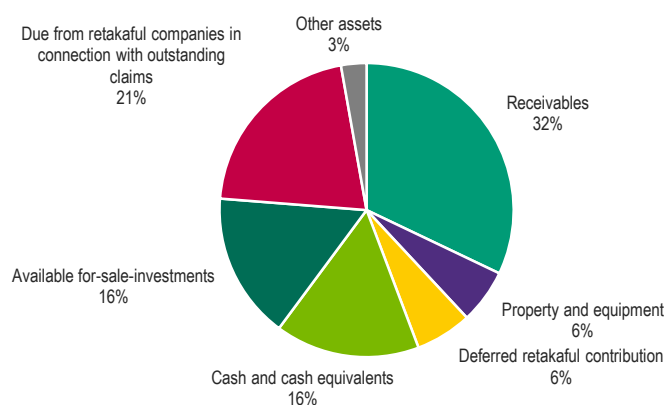
Particulars	31-Dec-17	31-Dec-16
Capitalization		
Statutory deposit	125,000	125,000
Cash and cash equivalents	5,534,986	7,608,103
Available for-sale-investments	5,604,387	4,686,569
Share capital	6,250,000	6,250,000
Reserves:		
Statutory reserve	522,041	519,727
General reserve	200,000	200,000
Retained earnings/(Accumulated losses)	(658,387)	(679,213)
Investments fair value reserve	62,271	(43,751)
Equity attributable to shareholders of the parent	6,375,925	6,246,763
Non-controlling interests	100,817	70,586
Total equity	6,476,742	6,317,349

Balance Sheet Analysis

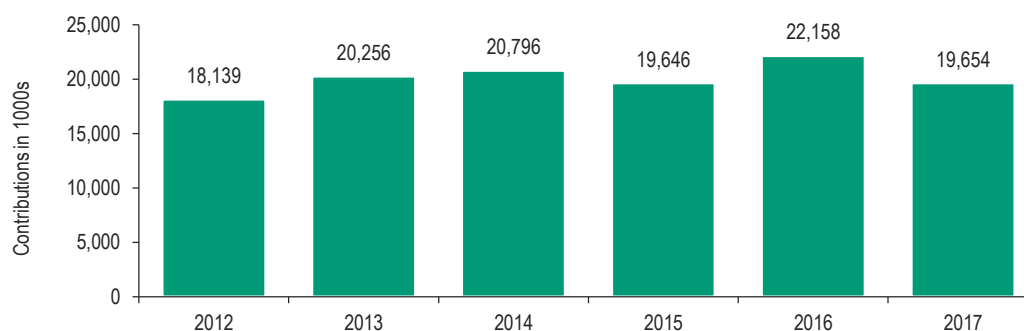
Composition of balance sheet, 31st December 2017

Total assets for Takaful increased from BHD 34,758,109 as of 31st December 2013 to BHD 34,814,596 as of 31st December 2017, representing a CAGR of 0.032%. Total trade and other receivables comprised 32% of total assets as of 31st December 2017.

Composition of the balance sheet as of 31st December 2017, was as follows:



Total Contribution



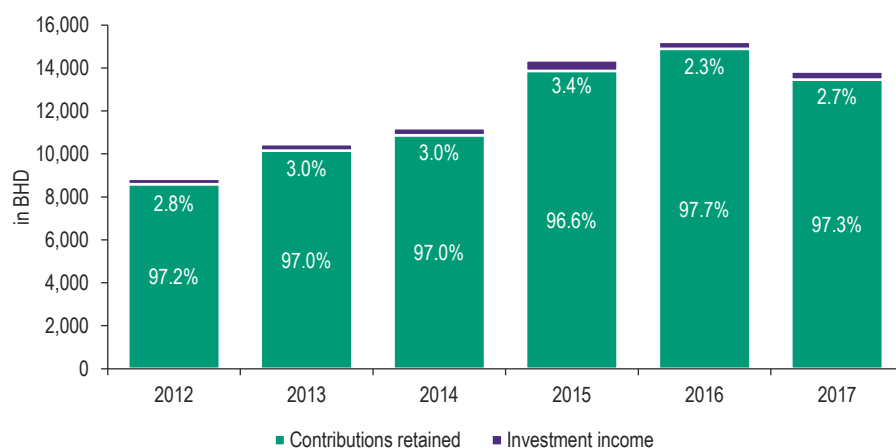
8.5. Operating results

The total contributions for the year ended 31st December 2017 amounted to BHD 19.6 million, a decline of 3% from the total contributions underwritten during the year ended 31st December 2013.

The Net Earned contribution amounted to BHD 13.08 million for the year ended 31st December 2017, a 27% increase as compared to 31st December 2013.

The Company registered total takaful revenue of BHD 14.1 million in 2017 as against BHD 10.6 million during 2013.

Income Breakup



The high incurred claim ratio in 2014 was on account of high drop in oil prices and delays in business and project commencement in the country which led to dramatic increase in claims ratio, leading to an operational loss of BHD 859,271.

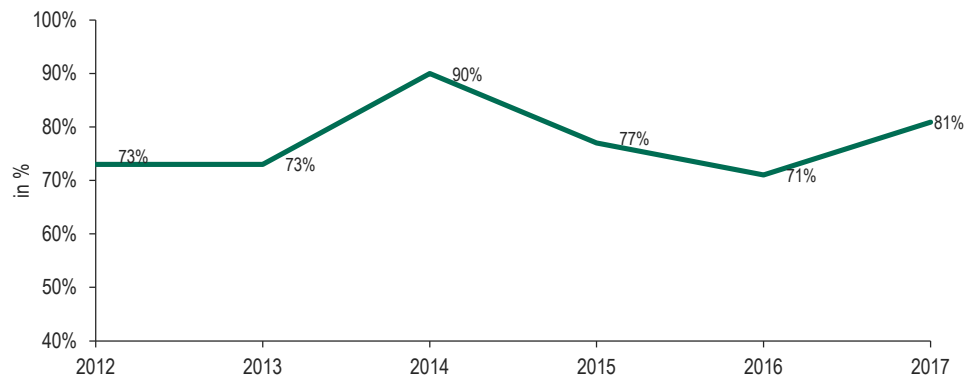
The company had also written down some of its strategic investments resulting in loss of shareholder's value to the tune of BHD 843,703 in 2014.

The Company has made a rebound in 2015 and 2016 by lowering its incurred claim ratio to 77% and then 71% respectively. However, in 2017 the Company has incurred a claim ratio of around 81%.

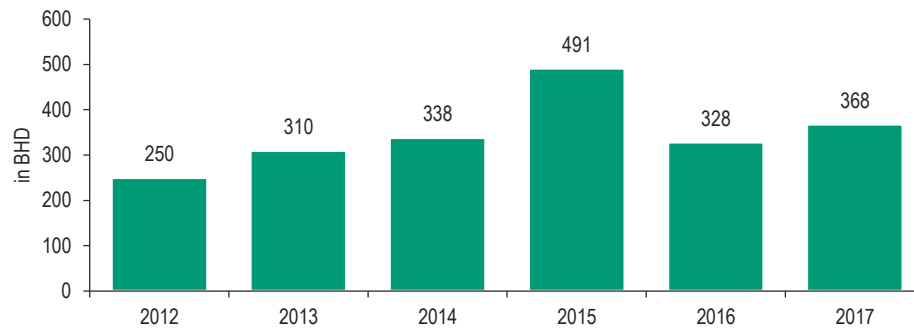
The Company was also successful in lowering the overall management, general and administrative expenses for the year 2016 which amounted to BHD 3.18 million as compared to BHD 3.59 million in 2015. As of 31st December 2017 the overall management, general and administrative expenses in 2017 amounts to BHD 3.14 million.

Gross contribution is the total business received by the Company during the year inclusive of the Retakaful issued (re-insurance ceded). Underwriting profit is contributions remaining after losses have been paid and administrative expenses (wakala) have been deducted. It does not include any investment income earned on held contributions.

Incurred claim ratio



Investment Income



8.6. Liquidity and Capital Resources

The Capital of the Company comprises of no debt obligations.

8.7. Dividend Policy

The Company has no fixed dividend policy.

The dividend is proposed by the Board of Directors. The proposed dividend only becomes payable once it has been approved by the shareholders' in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these financial statements.

The Company has paid dividends amounting to BHD 312,500 (i.e. 5 fils per share) during 2013. It has not paid any dividends during 2014, 2015 or 2016. There is no dividend payable to shareholders for the year ended 31st December 2017.

8.8. Litigation

As at 31st December 2017, the Company is directly engaged in the following legal cases:

- Civil case No. 17148/2017/4909, which Takaful filed against a third party for a total of BHD 210,000 related to performance bond claim.
- Civil case No. 2136/2017/4835, which Takaful filed against a third party for a total of BHD 111,053 related to performance bond claim.
- Civil case No. 2010/9876, which Takaful filed against a third party for a total of BHD 143,786 representing subrogation amount to be recovered.

All the above cases were filed by the Company and have arisen in the normal course of business of the Company.

The legal advisor confirmed that to the best of their knowledge as attorneys representing the Company before the Courts of Law in the Kingdom of Bahrain, that there are no major litigation filed by a third party except for other than those in the normal course of the business of the Company and which has a material impact on the current and future liability of the Company

9. The Offering

9.1. Introduction

Applicants must carefully read this Rights Issue Circular and the terms and conditions appended to the Application Form prior to submitting a completed Application Form and Subscription Amount to the Receiving Bank. A signed Application Form submitted to the Receiving Bank will represent a legally binding agreement between the Issuer and the applicant upon acceptance of that Application Form. The Ordinary Shares being offered through this Rights Issue Circular are new Ordinary Shares of the Company.

These new Ordinary Shares will rank pari-passu with existing Ordinary Shares of the Company's Issued and Paid-up Share Capital. Applicants may obtain both the Rights Issue Circular and the Application Form from the office of the Issuer, Issue Registrar and the designated branches of the Receiving Bank. The Shares offered through this Circular are available to existing Shareholders as of the Record Date for subscription under Rights Offering to existing Shareholders. The number of Ordinary Shares Issued and Paid-up prior to this Offer is 62,500,000 Ordinary Shares each at a Nominal Value of BHD 0.100 each.

9.2. Equity Offering

Through this Rights Issue Circular the Company is offering up to 22,500,000 new Ordinary Shares having Nominal Value of BHD 0.100 per share and having an Offer Price of BHD 0.100 per share. Upon full subscription under this Offering, the Issued and Paid up Share Capital of the Company will be 85,000,000 Ordinary Shares each at a Nominal Value of BHD 0.100 per Share amounting to BHD 8,500,000.

Existing Shareholders as on the Record Date through this Offering are entitled to subscribe for 22,500,000 Ordinary Shares. Pursuant to Article 129 of the Bahrain Commercial Companies Law, the existing shareholders of the Company as on the Record Date have a right to subscribe for more Ordinary Shares than they are entitled to by completing relevant section of the Application Form.

In the event the Ordinary Shares offered through this Offering are not fully subscribed, the major shareholder of the Company i.e. BKIC has expressed its non-binding support to subscribe for the remaining unsubscribed Ordinary Shares up to maximum of BHD 2,250,000 at the Offer Price.

9.3. Entitlement to this Offering

This Offer is open to all Shareholders registered in the Company's Ordinary Share Register at the Record Date. Each Shareholder shall be entitled to purchase 36 Ordinary Share for 100 Ordinary Shares held as at the Record Date. Shareholders may however make an application for the Ordinary Shares in excess of or lower than their entitlement. Fractional Ordinary Shares will not be issued. However, the rights of Shareholders who hold Ordinary Shares other than in multiples of 100 will be rounded to the nearest integer, provided that (i) the total number of Ordinary Shares so allotted to each Shareholder shall not exceed the number of Ordinary Shares for which the application was made by such Shareholder and (ii) the total number of Ordinary Shares so allotted shall not exceed the number of Ordinary Shares available for subscription.

9.4. Subscription Restriction and Renunciation Rights

The Ordinary Shares will be registered and indivisible. The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Ordinary Shares being offered through this Rights Issue Circular is renounceable, which enables the Shareholders who do not wish to take up some or all of the Ordinary Shares being offered through this Rights Offering Circular to renounce those Ordinary Shares in favor of others. Such renunciation shall however be made during the Subscription Period only.

9.5. Record Date

Only those Shareholders whose name appears in the Company's Ordinary Share Register on the Record Date, being 26th April 2018, shall be entitled to participate in this Offering.

9.6. Subscription Period

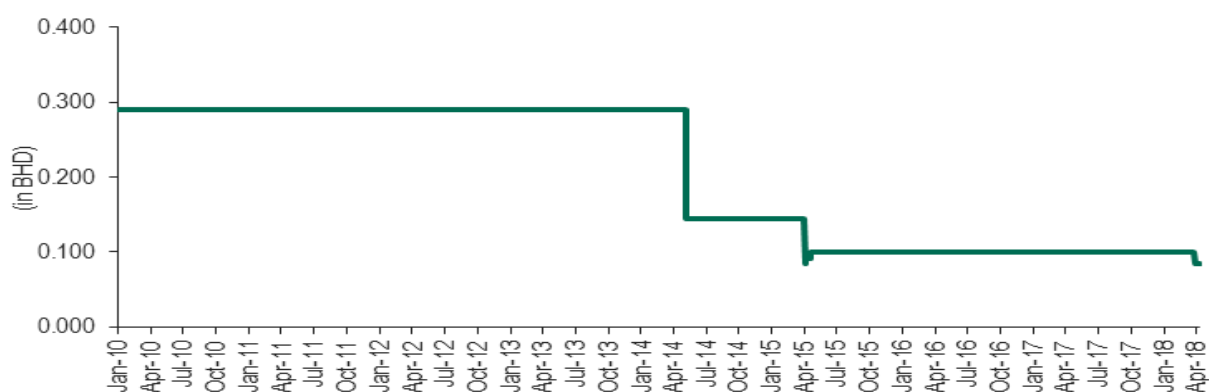
The Subscription Period commences on the Opening Date and closes at the Closing Date. Applicants may make an application for Ordinary Shares under this Offering during the Subscription Period at the designated branches of the Receiving Bank.

9.7. Offer Price

The Offer Price for the Ordinary Shares offered through this Offering is BHD 0.100 each, representing no share premium over the Nominal Value. The Offer Price is net of any bank or related charges. All charges such as wire transfer charges, subscription application processing fees, collection charges, foreign currency conversion charges, managers cheque charges, special clearing charges and any other charges shall be borne by the applicant.

9.8. Listing and Share Performance

The Company's Ordinary Shares are listed on the Bahrain Bourse since April 2000. The graph below shows the share price performance of the Company on the Bahrain Bourse in the last 7 years:



The Company's Relative Performance on the Bahrain Bourse

Price per Ordinary Share on the Bahrain Bourse as of 23rd April 2018: BHD 0.085;

The summary of high and low price is summarized in the table below:

Period	High Price	Low Price
Year to date 2018*	BHD 0.100	BHD 0.085
Financial Year 2017	BHD 0.100	BHD 0.100
Financial Year 2016	BHD 0.100	BHD 0.100
Financial Year 2015	BHD 0.145	BHD 0.084
Financial Year 2014	BHD 0.290	BHD 0.145
Financial Year 2013	BHD 0.290	BHD 0.290
Financial Year 2012	BHD 0.290	BHD 0.290

Note: * The data for Year to date 2018 is from 01st Jan 2018 till 23rd April 2018

Source: Bahrain Bourse

The price of Ordinary share of Takaful has remained constant in the past two years. The share price of Takaful has

dipped in April 2018. Takaful's share price performance on the Bahrain Bourse is as follows.

Price per Ordinary share on the Bahrain Bourse (as of 23rd April 2018): BHD 0.085

The summary of high and low price is summarized in the table below (all prices expressed in BHD):

Period	High Price	Low Price	Closing Price for the first trading day
Last 7 months			
Month of April 2018**	0.085	0.085	0.085
Month of March 2018	0.100	0.100	0.100
Month of February 2018	0.100	0.100	0.100
Month of January 2018	0.100	0.100	0.100
Month of December 2017	0.100	0.100	0.100
Month of November 2017	0.100	0.100	0.100
Month of October 2017	0.100	0.100	0.100

Period	High Price	Low Price
Last 5 quarters		
Q1 of 2018	0.100	0.100
Q4 of 2017	0.100	0.100
Q3 of 2017	0.100	0.100
Q2 of 2017	0.100	0.100
Q1 of 2017	0.100	0.100
Last 3 Financial Years		
Year Ended 31 Dec 2017	0.100	0.100
Year Ended 31 Dec 2016	0.100	0.100
Year Ended 31 Dec 2015	0.145	0.084

Note: **The data for the "Month of April 2018" are till 23rd April 2018.

9.9. Application Form

Application to subscribe for the Ordinary Shares will only be accepted if made in the prescribed Application Form. Copies of the Rights Issue Circular and the Application Form are available at the Issuer, the Issue Registrar and the designated branches of the Receiving Bank.

9.10. Issue Manager

Grant Thornton has been appointed as the Issue Manager for this Offering. The Issue Manager has assisted the Company in preparing this Rights Issue Circular and the Application Form, facilitated in obtaining regulatory approvals, coordinated the subscription functions and managed the tasks and contributions of other parties involved in this Offering.

9.11. Legal Advisor

Rashid A. Rahman has been appointed as the Legal Advisor who has reviewed this Offering Circular to ensure compliance with the applicable laws and regulations in the Kingdom of Bahrain.

9.12. Issue Registrar

In connection with this Offer, the Company has entered into an Issue Registrar agreement with Bahrain Clear to act as the Issue Registrar. The Issue Registrar is mandated by the Company to manage the allotment process and refund process and update the Shareholders' Ordinary Share Register post this Offering.

9.13. Expenses and Costs

Out of the total proceeds of this Offering, the Company will pay fees, expenses and costs associated with the Offering. These include, among others Issue Manager's fees, Issue Registrar's fees, legal fees relating to the Offering, registration costs, printing and other advertisement expenses, and any other incidental expenses associated with the Offering. Such expenses are not expected to exceed approximately 2% of the gross proceeds from this Offering.

9.14. Dilution of Shareholders' Interest consequent to this Offering

In the event, Existing Shareholders as on the Record Date, who are entitled to subscribe to Ordinary Shares through this Offering, do not subscribe to their entitlement, either in full or in part, the equity stake of such Shareholders will be diluted. As 36 ordinary shares are being offered for every 100 ordinary shares, the maximum dilution in the event that a shareholder does not subscribe to this offer is 30%.

10. BKIC commitment and potential dilution

The letter dated, April 12, 2018 by Mr. Murad Ali Murad, Chairman, Bahrain Kuwait Insurance Co. B.S.C., to the Mr. Jamal Al Hazeem, Chairman, Takaful International Co. B.S.C, states that the Board of Directors of BKIC confirm to undertake fully for the upcoming capital increase of TIC, should other shareholders forego their preemptive rights or abstain from subscribing in the Rights Issue.

The table below provides the current shareholding of BKIC.

Particulars	Number of Shares	Shareholding (in %)
BKIC	43,160,787	69.06%
Other	19,339,213	30.94%
Total	62,500,000	100.00%

In case all the Shareholders participate in this Offering and subscribe to the full extent of their respective entitlement under this Offering, the shareholding percentage of each shareholders in Takaful would remain unchanged compared to their shareholding percentage immediately prior to this Offering. In case any shareholder(s) forego their entitlement under this Offering or abstains from subscribing to this Rights Offering, their shareholding percentage in Takaful would reduce compared to their shareholding percentage immediately prior to the Offering.

The Table below shows the minimum and maximum scenarios for the shareholding of BKIC post this Rights Offering. The minimum scenario would occur if all the Shareholders including BKIC subscribe to the Ordinary Shares being offered under this Rights Offering to the full extent of their respective entitlements. The maximum shareholding scenario for BKIC would occur if all the other Shareholders except for BKIC forego their respective entitlements to subscribe to this Offering and BKIC subscribes to the entire 22,500,000 Ordinary Shares under this Rights Offering.

Particulars	Minimum		Maximum	
	Number of Shares	Shareholding (in %)	Number of Shares	Shareholding (in %)
BKIC	58,698,670	69.06%	65,660,787	77.25%
Other	26,301,330	30.94%	19,339,213	22.75%
Total	85,000,000	100.00%	85,000,000	100.00%

11. Investment Considerations and Risk Factors

Before making an investment decision regarding the Ordinary Shares, an Applicant should carefully consider the specific risk factors set out beneath, in addition to the additional information enclosed in this Rights Issue Circular. Such risks are not the merely ones confronted by the Company. Additional risks and uncertainties that are not presently known to the Issuer, or that the Company currently believes are immaterial, may also damage its business operations. Takaful's business, financial condition, results of procedures or the value of its investment could be materially adversely affected by any of these risks. In such case, the price of Ordinary Shares may decline and applicants may lose part or all of their investments.

The following list is intended as a summary of certain principal investment considerations and risk factors associated with this investment, but are only illustrative and not exhaustive and must be supplemented by the Applicant's own analysis of, among other things, such applicants' personal or corporate financial circumstances.

11.1. Inability to raise the required Equity through the Rights Offering

In the event the Ordinary Shares offered through this Offering are not fully subscribed, the major shareholders of the Company, i.e. BKIC, have expressed their non-binding support to subscribe for the remaining unsubscribed Ordinary Shares of up to maximum of BHD 2.25 million at Offer Price.

11.2. Investment return risk

There is no assurance that the Company will be able to generate returns for Shareholders or that the returns will commensurate with the risks of investing in the Company or the nature of the transactions described herein. It is possible that the price of the Ordinary Shares decline and Applicants could lose a portion or all of the capital they invested.

11.3. Competition Risk

The market in which the Company functions is highly competitive. Presently, there are many competitors in Bahrain. Operations of the Company, its subsidiaries and associates may be affected by competition.

11.4. Economic Conditions

Changes in the market, business and economic conditions, including, for example, profit rates, foreign exchange rates, oil prices, inflation rates, industry conditions, competition, technological development, tax laws and immeasurable other factors, can affect substantially and adversely the Company's performance.

11.5. Political, economic and regulatory considerations

The value of the Company's assets and its business may be affected by uncertainties such as social, political and economic uncertainties, changes in policies, taxation and other developments in the laws and regulations of Bahrain. Accordingly, changes in regulations imposed by the Bahrain Government, the Central Bank of Bahrain or any other authorities under whose jurisdictions the Company is operating could materially affect the returns made by the Company.

11.6. Risk relating to inactive or illiquid market for the Ordinary Shares

The Company's Ordinary Shares will be subject to public demand and supply, which could materially affect the share price of the Company. Although the Ordinary Shares are listed on the Bahrain Bourse, there is no guarantee that active trading in the Ordinary Shares will continue. If no active trading in the Ordinary Shares continues after the Offering, there could be a material adverse effect on the liquidity and market price of the shares.

11.7. Operational Risks

Operational risks is the risk of direct or indirect loss resulting from inadequate or failed processes, technology or human performance, or external events. Its impact can be in the form of a financial loss, loss of reputation or loss of competitive position.

11.8. Risks relating to loss of key personnel

The Company's success will depend, in part, on the continued service of its key executives and employees and its ability to continue to attract, retain and motivate qualified personnel. If one or more of the Company's key personnel are unable or unwilling to continue in their present positions, or if they joined a competitor or formed a competing company, the Company may not be able to replace them easily or quickly and its business may in consequence be significantly disrupted with adverse effect on its financial condition and results.

11.9. Shareholder payments

The determination to pay dividends on Ordinary Shares, on an on-going basis, and the amount thereof, will depend among other things, on the Company's earnings, profit retention for meeting Capital Adequacy and other regulatory ratios, funding requirements for the business growth, future growth of the Company, applicable requirements on the payment of dividends under Bahrain law and such other factors as the Board of Directors and the Company's Shareholders may deem relevant. There can be no assurance that the Company will pay dividends in the future.

11.10. Taxation

As on date of this Rights Issue Circular, corporate and personal income taxes are not levied in Bahrain on any person receiving or paying profit or dividend, whether resident or otherwise. However, the Company has not taken into consideration the impact of any future laws in Bahrain.

The foregoing does not purport to be a complete explanation and summary of all the risk factors involved in investing in the Company. It is strongly recommended that all potential investors seek independent advice from their own professional advisors.

12. Application Procedures

12.1. Application Forms

Application Forms can be obtained from the Issuer, the Issue Registrar or the designated branches of the Receiving Bank. Application Forms should be completed in full in Arabic or in English and in accordance with instructions contained therein. Each Applicant is required to submit the Application Form before the Closing Date accompanied by relevant copies of documents stated below along with their originals (for verification purposes only) or certified true copies. The Receiving Bank has the right to request and verify the validity of copies of the identification documents.

Application Form should be signed by the Applicant. In the case the Applicant is a minor, the legal guardian must sign the Application Form on behalf of the minor. Applicants are required to provide the 'Investor Number' in the Application Form.

For Applicants who have an Investor Number and a Securities Account with the Bahrain Bourse, documentary evidence should be included of those details. Copies or Printout are permissible.

For Applicants who DO NOT have an Investor Number and/or DO NOT have a Securities Account with Bahrain Bourse, the ORIGINAL share certificate(s) must be submitted.

Applicants experiencing difficulties producing the documents could contact the Bahrain Bourse for assistance.

Application by individuals:

Shareholders who are individuals over the age of 21 are eligible to subscribe to the Ordinary Shares offered through this Offering. Applicants under the age of 21 should make their application through their legal guardian.

Applicants must present the originals and submit copies of the following:

- Valid Passport of Applicant and/or Shareholder
- valid national identification card or personal identification card, and
- Valid Identification Card or any equivalent of the legal guardian signing on behalf of the minor.

Applicants must pay funds totalling an amount equivalent to the number of Ordinary Shares applied for multiplied by the Offer Price of BD 0.100 each. If the individual has an account with the Bahrain Bourse the individual shall specify the Investor Number in the relevant section of the Application Form.

Application by institutions:

Institutional Applicants must present and submit copies of the following:

- Valid Commercial Registration or Certificate of Incorporation,
- Resolution of the Board of Directors or equivalent authority of the institution approving the investment in the Offering (copy only),
- Valid national identification card of the person(s) signing on behalf of the institution,
- Valid passport of the person(s) signing on behalf of the institution
- A copy of the authorised signatory book of the institution validating the signature of the person(s) signing on behalf of the institution,

Applicants must pay funds in an amount equivalent to the number of Ordinary Shares applied for multiplied by the Offer Price of BD 0.100 each. If the institution has an account with the Bahrain Bourse the institution shall specify the Investor Number in the relevant section of the Application Form.

12.2. Receiving Bank

Bahrain Islamic Bank B.S.C. is acting as the Receiving Bank in Bahrain whose designated branches will receive the completed Application Forms, identification documents and the Subscription Amounts from applicants. The designated branches of the Receiving Bank are as follows:

Diplomatic Area Branch

Diplomatic Area, Building 722, Road 1708, Block 317, Bahrain. Tel: +973 17 51 51 51

Riffa Branch

Building 10, Abu Shahin Avenue, Block 921, Bukowarah, Riffa, Bahrain. Tel: +973 17 51 51 51

Budaiya Branch

Building 423, Road 7317, Abu Sayba 473 ,Northern Governorate, Bahrain. Tel: 973 17 51 51 51

Arad Branch

Commercial Building 1294, Road 4037, Arad 0240, Muharraq Governorate, Bahrain. Tel: +973 17 51 51 51

12.3. Mode of Payment

Applicants to the Offering should submit to the Receiving Bank a duly signed and completed Application Form together with the amount of subscription. The subscription currency is Bahraini Dinars. All payments should be made to the order of “**Takaful International Co**”.

Subscription funds shall be remitted to the designated bank account with the Receiving Bank in one of the following modes:

- By wire transfer in BHD from an account maintained with a bank other than the Receiving Bank,
- By transferring BHD from an account with the Receiving Bank,
- By Manager's Cheque in BHD.

No other modes of payment shall be accepted.

Applicants are responsible for ensuring that the Subscription Amounts are remitted to the designated account with the Receiving Bank on or before the Closing Date. Applicants transferring money into the designated account should present a copy of the wire transfer order along with the Application Form.

The transfer details are as follows:

Bank:	Bahrain Islamic Bank
Swift Code:	BIBBBHBM
Account Name:	TAKAFUL INTERNATIONAL CO
IBAN No:	BH18BIBB00100000218747
Account No:	100000218747
Currency:	BHD
Name of the applicant:	[Applicant Name] [Shareholder Number] [Investor Number]

All transfers shall be net of any bank charges. All such charges, such as wire transfers charge, manager cheque charges, subscription application processing fees, collector charges, foreign currency conversion charges, and special clearing charges shall be borne by the Applicant.

Applicants will receive a receipt of acknowledgement from the Receiving Bank on submission of their Application Form. No profit shall accrue or be payable to Applicants in respect of Subscription Amounts collected by the Receiving Bank regardless of whether such amounts are returned to the Applicant in whole or in part.

12.4. Rejection of Application

Application Forms made to subscribe for Ordinary Shares may be rejected in whole or in part at the sole discretion of the Issuer and the following factors may or may not be taken into account in making this decision:

- The Applicant was found to be ineligible to subscribe for the Ordinary Shares offered pursuant to this Rights Issue Circular; or

- Whether the Subscription Amount have been paid in full before the Closing Date; or
- Whether the Application Form is incomplete or inaccurate as to any detail or the required documents are not attached to the Application Form or are not provided within requested timeframes; or
- Where duplicate or multiple applications are made by a single Applicant, the Issuer at its sole discretion shall accept one of the Application Forms received or may reject all the Application Forms received.
- Applicants will be informed of any rejected applications on the Distribution of Refunds Date by the Issue Registrar.

12.5. Date of Allotment of Shares

Takaful will complete the allotment of the ordinary shares offered pursuant to this Offering on the Allotment Date which will be within 6 calendar days following the Closing date.

Ordinary shares offered pursuant to this Offering will be allocated to the Shareholders exercising their rights in full or any lesser number of ordinary shares. The remaining Ordinary Shares, if any, will be allotted to Applicants who have applied for Ordinary Shares in excess of their original entitlement.

In the event the Ordinary Shares offered through this Offering are not fully subscribed, the major Shareholders of the Company, i.e. BKIC have expressed their non-binding support to subscribe for the remaining unsubscribed Ordinary Share up to a maximum of BHD 2,250,000 at Offer Price.

12.6. Distribution and Refunds

By the Allotment Date, an amount equal to the Offer Price multiplied by the number of Shares for all Applications Forms that were received shall be transferred to the Issuer bank account, whether such Application Forms were accepted or not.

On the Distribution Date, the Applicants shall collect their Allotment Notice and the refund payments, if any, from the Main Branch of the Receiving Bank. Such refunds shall be for the excess Subscription Amounts paid by the Applicant(s) in respect of Ordinary Shares they applied for and were not allotted. The refunds shall be made in Bahraini Dinar only. All refunds distributed by the Receiving Bank will be made after deduction of bank charges and other similar deductions and will not include profit accrued on such funds, if any.

Receipt of the Allotment Notice is proof that the allotted Ordinary Shares have been deposited into his / her / their account with Bahrain Clear. The Allotment Notice must not be used to sell the allotted Ordinary Share of the Company before listing on the Bahrain Bourse.

The refunds of the excess subscription money and dispatch securities will take place within a maximum of 9 calendar days of the date of allotment.

12.7. Acknowledgements

By completing and delivering the Application Form, the Applicant understands and agrees as follows:

- The Applicant has carefully read and understood this Rights Issue Circular and shall be deemed to have the knowledge and understanding of all information there in;
- The Applicant is not relying on any information or representation in relation to this Rights Issue Circular or otherwise in relation to the Company other than the information and representation contained in this Rights Issue Circular;
- Any acceptance of the application of the Applicant shall not mean that the Applicant is a customer of the Company or the advisors or any other parties involved in this Offering for any purpose;
- The Company makes no representation as to the price of the Ordinary shares or profitability or as to the suitability of the Ordinary shares for the Applicant;
- The Applicant understands and agrees that this Rights Issue Circular is not intended to provide investment, tax, legal, or accounting advice;
- The Applicant confirms that he has reviewed the Rights Issue Circular and the subject investment, with such financial, business, legal and tax advisors as deemed appropriate, and has determined that the subject investment is suitable in light of the Applicant's financial condition and risk preference; and
- The transfers of the Ordinary shares may be made only to the extent permitted by Memorandum and Articles of Association of the Company and subject to obtain all requisite approvals.

12.8. Acceptance of Applications

By applying for this Offering, the Applicant hereby understands and agrees for the following:

- The Application Form represents an irrevocable offer to subscribe for the number of Ordinary Shares entered on it by the Applicant. The subscription for Ordinary Shares made in the Application Form, if accepted, will constitute a binding agreement between the Applicant and the Company concerning the subject matter of the Terms and Conditions in this Rights Issue Circular and the Memorandum and Articles of the Company;
- The Issuer reserves the right to reject in whole or part, or to scale down or limit, any application. All Subscription Amounts paid by an Applicant must be paid in cleared funds prior to the end of the Subscription Period. The Issuer may treat applications as a valid and obligatory even if not made in all respects in accordance with the prescribed instructions and this Rights Issue Circular;
- In order for the Issuer to agree to process the application, the Application Form once submitted cannot be subsequently amended or revoked;
- The Applicant is solely liable and responsible for the payment of any stamp duties, transfer and other similar taxes, fees or charges, if any, imposed in connection with the purchase or transfer of the Ordinary Shares;
- The Applicant understands and agrees that the Issue Registrar, on behalf of the Company, will acknowledge and confirm the purchase of the Ordinary Shares.

12.9. Capacity and compliance with laws

The Applicant declares, represents and warrants that the Applicant has the legal capacity and authority and is permitted by any applicable law to execute and deliver the Application Form. Where the Application Form is signed on behalf of another person (corporate or natural), the Applicant's signatory declares, represents and warrants that he/she has full authority and capacity to do so on behalf of such person or corporation, and that such person or corporation is also bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose the applicant's power of attorney or appropriate authority and provide a copy thereof duly certified by a legal firm licensed in Bahrain or the Company with the Application Form.

12.10. Continuing Obligations

Applicant will repeat these undertakings, representations and warranties to the Issuer, the Receiving Bank, the Issue Registrar, the Issue Manager and the Advisors on such future occasions as the Issuer and / or the Receiving Bank and / or the Issue Registrar and / or the Issue Manager and / or the Advisors may request and will provide on request such certificates, documents and other evidence as the Issuer and / or the Receiving Bank and / or the Issue Registrar and / or the Advisors may reasonably require to substantiate any information, undertakings, representations and warranties.

The Applicant will notify the Issuer immediately if the Applicant becomes aware that any of the information, undertakings, representations and warranties provided by the Applicant is no longer accurate, true or complete in any respect.

In the event that any of the information, representations, warranties or undertakings provided by the Applicant in the Application Form or otherwise in connection with the transaction(s) completed thereby was, is or becomes incomplete or untrue, the issuer at its absolute, entire and sole discretion may deem that the transaction(s) is void and require a retroactive redemption of all or part of the application's Ordinary shares at the Offer Price, without prejudice to any of the Issuer's rights and remedies available under contract, law or otherwise.

12.11. Anti-Money Laundering

The Applicant agrees and consents to the Company, the Receiving Bank and/or the Issue Registrar disclosing any information about the Applicant to the Company's advisors and/or to the relevant regulatory authorities.

The Applicant agrees and understands that due to anti-money laundering requirements applicable within their respective jurisdictions, the Issuer and / or the Receiving Bank and / or the Issue Registrar may require further identification of the Applicant(s) and source of funds or other information before applications for the Shares can be processed and the Applicant holds the Issuer, the Receiving Bank and/or the Issue Registrar to this Offering harmless and indemnified against any loss arising from the failure to process the Applicant's application for the Ordinary Shares, if such information as was required from the Applicant has not been provided within the allotted time to the satisfaction of the party requesting such information.

The Applicant agrees and understands that any funds to be returned may be retained pending clearance of the Applicant's remittance and the completion of any verification of identity and / or source of funds required by the Issuer

and / or the Receiving Bank and / or the Issue Registrar to this Offering or as may be required by the relevant authorities.

12.12. Indemnity

The Applicant indemnifies and holds harmless the Issuer, the Issue Manager, the Receiving Bank, the Issue Registrar (and their affiliates and Directors; officers and employees), against any and all losses, liabilities, claims, damages and expenses whatsoever and howsoever arising (including, but not limited to, any and all expenses including attorneys' fees) in investigating, preparing or defending against any legal procedures commenced or threatened based on:

- Any incomplete or false information, representation or warranty or other breach or default by the Applicant; or
- Any fraud or gross negligence by the Applicant; or
- Any judgement against the Applicant or investigation or other action for violation of any applicable securities law as may be commenced against the Applicant; or
- The Applicant's failure to provide source of funds information.

12.13. Multiple Applications

The Applicant represents and warrants that only one Application Form in relation to the Offering to be submitted by the applicant, or as appropriate, was submitted on the Applicant's behalf. The Issuer shall have the right to reject all Applications of any applicant in the event of duplicate or multiple applications. The Issuer will however accept duplicate or multiple applications in cases where there have been multiple applications on account of renunciation.

13. Additional Information

13.1. Share Capital

As at the last practicable date, the Company has an authorised capital of 200,000,000 shares of Nominal Value of BHD 0.100 per share amounting to BHD 20,000,000. The Issued and Paid up Capital of the Company as at 31st December 2017 was 62,500,000 Ordinary Shares of a Nominal Value of BHD 0.100 per share, amounting to BHD 6,250,000. The Issued and Paid up share capital of the Company has not changed during the last three years.

The shareholders of the Company, in the EGM held on 21st March 2018, approved an increase in share capital of 22,500,000 Ordinary Shares with a Nominal Value of BHD 0.100, amounting to BHD 2,250,000.

13.2. Ordinary Shares

The Ordinary Shares shall be nominal shares and may not be issued at less than their Nominal Value. A share shall be indivisible. If several persons hold a single share, they shall designate one person to act on their behalf in exercising the rights connected with the same. In such case, they shall be jointly responsible for the obligations resulting from the share ownership. The transfer of Ordinary Shares shall comply with the Memorandum and Articles of Association of the Company.

13.3. Shareholders' Rights

Each Ordinary Share shall give its holder equal rights in the Company's assets and dividends as well as the right to attend and vote at meetings of the General Assembly.

13.4. Shareholders' Assemblies

In accordance with the Bahrain Commercial Companies Law, a general assembly duly convened shall be deemed to be representative of all the Shareholders. Meetings of the General Assembly may be by way of ordinary or extraordinary meetings. The AGM must be held at least once a year during the six months following the end of the financial year. Other ordinary assemblies may be convened as and when essential. With exception for matters reserved for the EGM, the Ordinary General Meetings (OGM) shall handle all matters relating, but not limited, to:

- the election or termination of Board members, including determining the number of members;
- the determination of the Board members' remuneration;
- the approval of the Board of Directors report about the Company's business activities or financial position for the preceding year;
- the appointment of one or more auditors for the next financial year, in addition to deciding upon the auditor's fees, or delegation of the Board of Directors the appointment of such auditor and the determination of such auditor's fees;
- the discussion of the auditor's report about the Company's financial statements for the preceeding financial year;
- the approval of the profit and loss statement, balance sheet, distribution of net profit and the part of net profit to be paid in respect of the Company's shares. Resolutions at the OGM shall be issued by a simple majority of the represented shares. In case of a tie, the Chairman will have the casting vote.

13.5. Extraordinary General Meetings

An EGM will not be valid unless attended by Shareholders representing at least two thirds of the Company's share capital. If such quorum is not reached a second meeting will be held within 15 days from the date of the first meeting. The second meeting will be valid if attended by Shareholders representing more than one third of the Company's share capital. If Such quorum is not reached, a third meeting will be held in 15 days from the date of the second meeting and will be valid if attended by Shareholders representing 25 per cent of the Company's share capital. An EGM will be held to decide upon the following:

- amendment of the Company's Memorandum and Articles of Association;
- increase and decrease of the Company's share capital;
- the Company's dissolution, changes in its status or mergers with another institution; and
- a change to the Company's registered office if outside the Kingdom of Bahrain or to its jurisdiction of incorporation. Resolutions at the EGM shall be issued by two thirds of the represented Shares except for

resolutions with regard to the increase or the decrease of share capital, the Company's dissolution or merger with another institution, in which case the resolution shall be passed by 75 per cent of the represented Shares in the meeting.

13.6. Voting Rights

Each Shareholder holding one share shall have the right to attend the General Assembly. A Shareholder may delegate, by way of a written proxy to another Shareholder, other than a member of the Board of Directors, the right to attend the general assembly on his / her behalf. The votes in the Ordinary General Meeting as well as the EGM shall be counted on the basis of one vote for every share.

13.7. Transfers

The Articles of Association do not contain any restriction relating to the transfer of the Ordinary Shares.

13.8. Pre-emptive Rights

If an increase of the issued share capital involves the issue of shares, the Company's existing Shareholders have priority to subscribe for such shares for the same percentage of new Shares as the percentage of existing shares owned by such Shareholder on the applicable Record Date of the issue. This pre-emptive right must be exercised by a Shareholder within 15 days of the invitation to existing Shareholders being published in a daily local newspaper. If a Shareholder requests more shares than their proportionate entitlement, they may receive additional new shares only after each shareholder exercises its priority right and has received its proportional entitlement. Any shares remaining thereafter will be privately placed in accordance with all applicable laws.

13.9. Winding up of the Company

All Ordinary Shares rank pari-passu as between themselves. In case of a liquidation of the Company, each Ordinary Share shall give the applicable Shareholder the right to receive a proportionate part of the funds available (if any) from the liquidation distribution (as determined in accordance with the Bahrain Companies Commercial Law). The shareholders in an EGM may approve (with 75 per cent of the Shares represented in the meeting) the Company's dissolution. In addition, the Company may be dissolved for any of the following reasons:

- expiry of the Company's legal period of establishment;
- the termination of the Company's business activities;
- termination by judgement of competent court in Bahrain; and
- merger with another company where such other company is surviving company or destruction of substantially or all of the Company's share capital.

13.10. Redemption

Other than in the case of the Shareholder that does not pay any installment when due in respect of their commitment towards Ordinary Shares, the Ordinary Shares in the Company's share capital are not subject to any mandatory redemption provisions.

13.11. Directors

As per AoA and MoA of Takaful, no minimum shareholding is applicable for a directors' qualification onto the board.

13.12. Material Contracts

The Company has entered into numerous contracts in the normal course of business.

13.13. Exchange Controls

There are no currency or exchange control restrictions currently in force under the laws of Bahrain and the free transfer of currency into and out of the Kingdom of Bahrain is permitted, subject to anti-money laundering regulations and international regulations in force from time to time.

13.14. Taxation

Except for certain taxes imposed on oil and gas companies and insurance against unemployment, Bahrain levies no taxes on income, capital gains, sales, estates, dividends, royalties or fees. Furthermore, no withholding taxes exist.

13.15. Dividends

The dividend policy of the Issuer is described in section 8.9 'Dividend Policy' of this Rights Issue Circular. The Company has no fixed dividend policy.

The Shares that are subject to offering will be treated at par and shall rank pari passu with all other Ordinary Shares of the Company, including the right to receive future dividends when declared.

The Shareholders of newly offered shares are entitled, if declared, for pro-rata dividends from the date of allotment. The determination to pay dividends, on an on-going basis, and the amount thereof, will depend upon, among other things, the Company's earnings, financial condition and cash requirements, applicable requirements on the payment of dividends under Bahrain Law and the CBB rules and regulations and such other factors as the Board of Directors; and the Company's shareholders may deem relevant.

13.16. Subsidiary Information

Health 360 Ancillary Services W.L.L.:

Health 360 Ancillary Services W.L.L. is a limited liability company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain operates under commercial registration number 85004-1 obtained on 7th April 2013.

The company is regulated by the requirements of the Rulebook Volume 5 of the Central Bank of Bahrain (CBB) and is engaged in providing insurance ancillary services.

The registered office of the Company is in Meral Building, 5th Floor Office 51, Building No: 2572, Road No: 2833, Block No: 428, Seef District, Kingdom of Bahrain.

Below are the audited financials for Health 360 Ancillary Services W.L.L. (2016):

Comprehensive income statement

Particulars	Units	2014	2015	2016
Revenue	BHD	117,480	179,013	252,814
Other Income	BHD	29,293	30,913	16,269
Gross Profit	BHD	146,773	209,926	269,083
Expenses				
General and Administrative expenses	BHD	(200,638)	(205,318)	(262,858)
Net Profit	BHD	(53,865)	4,608	6,225

Comprehensive statement of financial position

Particulars	Units	2014	2015	2016
ASSETS				
Non-current assets				
Plant and equipment	BHD	18,294	15,113	11,071
Intangible assets	BHD	5,982	4,599	3,176
Advances paid towards investment in an associate	BHD	-	-	120,000
Total non-current assets	BHD	24,276	19,712	134,247
Current assets				
Other receivables	BHD	25,840	19,054	169,753
Cash and bank balance	BHD	35,656	66,257	176,645
Total current assets	BHD	61,496	85,311	346,398
TOTAL ASSETS	BHD	85,772	105,023	480,645
EQUITY AND LIABILITIES				
Equity				
Share capital	BHD	150,000	150,000	150,000
Funds introduced by the shareholders	BHD	-	-	120,000
Statutory reserve	BHD	-	461	1,084
Accumulated losses	BHD	(114,854)	(110,707)	(105,105)
Total Equity	BHD	35,146	39,754	165,979
Non-current liabilities				
Non-current portion of deferred income	BHD	3,638	5,864	3,040
Employees' terminal benefits	BHD	1,500	4,091	7,770
Total non-current liabilities	BHD	5,138	9,955	10,810
Current liabilities				
Current portion of deferred income	BHD	835	2,935	2,935
Other payables	BHD	44,653	52,379	300,921
Total Current liabilities	BHD	45,488	55,314	303,856
Total Liabilities	BHD	50,626	65,269	314,666
TOTAL EQUITY AND LIABILITIES	BHD	85,772	105,023	480,645

Statement of cash flows

Particulars	Units	2014	2015	2016
OPERATING ACTIVITIES				
Net profit / (loss) for the year	BHD	(53,865)	4,608	6,225
Adjustments for:				
Depreciation	BHD	4,769	4,880	5,540
Amortisation of intangible assets	BHD	985	1,383	1,463
Changes in operating assets and liabilities				
Other receivables	BHD	(22,961)	6,786	(150,699)
Other payables	BHD	35,068	7,726	248,542
Employees' terminal benefits, net	BHD	1,188	2,591	3,679
Net cash provided by / (used in) operating activities	BHD	(34,816)	27,974	114,750
INVESTING ACTIVITIES				
Purchase of plant and equipment	BHD	(2,160)	(1,699)	(1,498)
Purchase of intangible assets	BHD	(5,787)	-	(40)
Advances paid towards investment in an associate	BHD	-	-	(120,000)
Net cash used in investing activities	BHD	(7,947)	(1,699)	(121,538)
FINANCING ACTIVITIES				
Net movement in deferred income	BHD	1,958	4,326	(2,824)
Capital introduced by the shareholders	BHD	-	-	120,000
Net cash provided by financing activities	BHD	1,958	4,326	117,176
Net increase / (decrease) in cash and cash equivalents	BHD	(40,805)	30,601	110,388
Cash and cash equivalents, beginning of the year	BHD	76,461	35,656	66,257
Cash and cash equivalents, end of the year	BHD	35,656	66,257	176,645

13.17. Material Information

The current Chief Executive Officer of Takaful, Mr. Younis Al Sayed is due to retire on April 30, 2018. The current General Manager, Mr. Essam Al Ansari will take over the role of Acting Chief Executive Officer of the Company, effective May 01, 2018.

14. Reasons for the Offering & Use of Proceeds

The proceeds from this Offering will be utilised for implementing the growth strategy of the Company and for augmenting the capital base of the Company and improving regulatory ratios. As per CBB regulations, the Company is required to enhance its capital base to meet required regulatory ratios, including the Company's net available capital and solvency margins.

The net cash inflow realized, after deducting the Rights Offering expenses, and other cash reserves available to the Company will be employed to further improve and maintain the Company's capital adequacy in the future.

The need for capital increase was triggered by the requirements to maintain capital adequacy and solvency margin according to the CBB guidelines and to enhance prudent retention capacity to increase underwriting profitability and contribute to the growth of the Company. According to its' business plan, the Company plans to stabilize its' growth in business operations during the next three years. To support the steady growth in operations, the Company started the plan to increase its share capital from BHD 6,250,000 to BHD 8,500,000 through issuance of shares.

The aim of the share capital increase is to meet the above mentioned capital needs. The proceeds of the capital injection would be used for the following:

- Enhance the performance and diversification of the investment portfolio to increase returns on Shareholders' investment.
- Careful selection of investments would enhance the Company's capital adequacy, based on the assets valuation according to CBB guidelines.
- Retention of higher liquid assets base to support the growth in underwriting operations.

15. Economic and Industry Overview

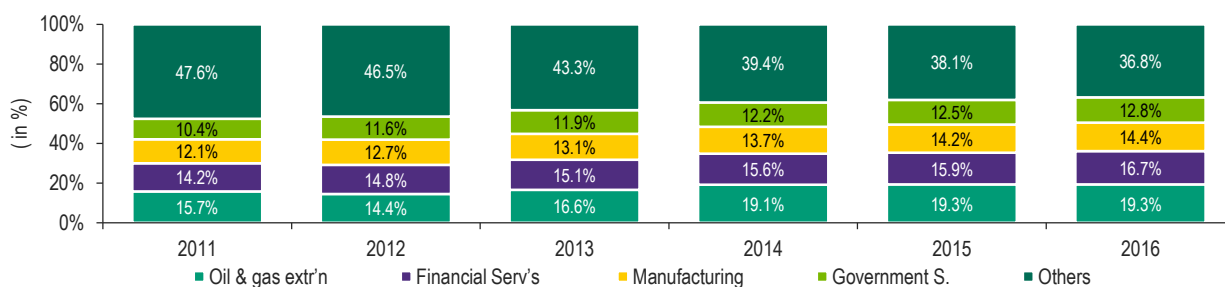
15.1. GCC Economic Outlook

Key trends

- The Motor and Health care lines of business remain the lowest profitable lines while Life, Fire and Engineering maintain higher profitability.
- Over the past few years in the GCC region, personal accident and health insurance have been the fastest growing segments. The main drivers behind this growth is legislation, in particular compulsory insurance requirements and population growth.
- Throughout the GCC and MENA region outstanding demand for takaful products continues to grow as more collaboration is achieved with the banking industry.
- Bahrain's distribution channels are still mainly dominated by brokers, followed by the now-increasing trend of agents, both individual and corporate, particularly in the non-life business. Both factors continue to increase the costs of sales and reducing the targeted profit margins on insurance products.
- Bancassurance and e-commerce are slowly but gradually growing in importance as insurers are partnering with banks to cross-sell life products as a security against loans and reduce costs.

15.2. Bahrain Economic Outlook

- Bahrain's GDP is expected to witness a stable growth in the next 5 years, 2016 – 2021 period, with a CAGR of 5.5% as compared to a CAGR of 4.2% witnessed from 2012 – 2016 period.
- In spite of the challenges faced by the economy on account of low oil prices and continuing fiscal consolidation efforts by the Government through spending cuts, subsidy reforms and revenue enhancement measures, the economy is expected to witness a nominal growth in GDP of around 5.5% over the next 5 year ending 2021.
- While the economy is expected to remain dependent on hydrocarbons in near to medium term period, the Bahrain's economic vision of 2030 outlines the long-term economic strategy of increase in non-oil based income and the need to improve productivity in the non-oil public and private sector.
- The aim is to ensure that every Bahraini household has at least twice as much disposable income – in real terms – by 2030 as compared to 2016.
- The oil and gas sector, which includes petrochemical and hydrocarbon, will continue to contribute significantly to the overall GDP of the economy over the years; albeit, less than other members of the Gulf Cooperation Council (GCC) due to the country's more modest reserves and efforts to diversify the economy.
- The manufacturing sector would continue to contribute around 14% of the overall share to the Gross Value Added and expected to grow in line with the overall growth of the economy.



15.3. Bahrain Insurance Sector

The insurance industry in Bahrain is projected to grow at an annual average of 7.3% from USD 0.74 billion in 2016 to USD 1.05 billion in 2021, according to Alpen Capital.

Growth in life insurance is likely to be aided by an anticipated rise in population and that in non-life will be driven by revenue diversification efforts, improving business activity and spending on healthcare. Further, a possible introduction of mandatory health insurance, which is under consideration, will give a boost to the sector.

Mandatory third-party motor insurance and a high composition of expatriates who purchase health care insurance to take care of the high healthcare cost validate the high composition of these business lines. Health care insurance is likely to get a boost in anticipation of regulatory changes to make health insurance mandatory for expatriates.

Takaful has a strong base in Bahrain, with a share of 22% in the country's total insurance Gross Written Premium (GWP) in 2016. Its contribution is mainly high at over 30% each in health care and motor business lines. Insurance premiums written by takaful providers grew at a CAGR of 6.6% in the five years to BHD 60.4 million (USD 164.4 million) ending 2016.

The country's insurance industry is home to 36 insurance firms, of which 25 are locally incorporated including six takaful providers and two each reinsurer and retakaful firms. Foreign insurance providers comprised eight conventional insurers and three reinsurers. The competition is intense, but the market is not concentrated, unlike its other counterparts. The top five players account for only 39.4% of the total GWP and no insurance provider has a market share of over 10%.

Opportunities

The insurance industry is likely to benefit from health care insurance once it has been made mandatory under law. While the exact impact had not been made clear as statistics are not publicly available, the ultimate profitability may vary from expectations as the cost of Healthcare consumption remains on the high level despite governmental efforts to regulate the private health care service providers. The following key investments in Bahrain may drive long-term industry growth include:

- The government plans to invest estimated BHD 5.7 billion (USD 15 billion) to improve rail infrastructure, expand the Saudi-Bahrain Causeway and expand the Bahrain International Airport under the Bahrain Economic Vision 2030 plan.
- The Ministry of Housing (MOH) is taking multiple steps to drive growth in the residential construction market. These include ensuring mortgage availability to all income groups, introducing low-interest financing for low-income groups and entering into several public-private partnerships (PPPs) to develop affordable housing.
- The government plans to invest estimated BHD 2.3 billion (USD 6 billion) to ramp up existing energy infrastructure, including the introduction of solar energy systems. Additionally, rising energy demand (at 7%–10% each year until 2020 according to World Bank projections) is expected to attract investment in energy infrastructure over the forecasted period.

Key Challenges

Bahrain's long-term foreign sovereign credit rating by all major rating agencies remain at its all-time low, with an outlook rating between stable to negative. Government rating has material effect on the rating of the government issued bonds or sukuk, which the company uses as one of the main investment vehicles available for Sharia'a compliance purposes. A decline in the rating of those investments would negatively affect the company's calculation of net available capital and solvency margins. The impending implementation of the VAT is expected to have effects on the insurance industry on two levels:

- Operational: consumer spending is expected to be further affected by the introduction of VAT; it is expected that spending patterns may shift towards long-term acquisition before the VAT is implemented to avoid the added costs.
- Administrative: the changes required by business providers to cater for the VAT include, but not limited to:
 - IT system modifications
 - Accounting changes
 - Training

Profitability remains a key concern for insurers. As investment income has not contributed significantly to shareholder returns, insurers have focused on technical profitability and cost reduction, which is a main challenge for an industry driven by price competition and increased costs of sales. While cost-cutting measures may bring short-term relief, sustained results can only be achieved by well-executed operational transformation strategy, backed by robust technology and a customer-centric approach.

SWOT Analysis

Strengths

- Strong market image as being the first takaful Company providing creative Islamic solutions in the local market for the past 28 years, giving the company a competitive and historical advantage through accumulated experience and stability
- Takaful market leader with a majority share of 32% of local market (CBB insurance review 2016)
- New major shareholder, which is the largest insurer in Bahrain
- A team of talented and professionals supported by experienced executive management in the insurance field and a diversified Board of Directors
- Strong relationship with local and international Reinsurers and insurance Brokers
- Sound Reinsurance panel and a good Reinsurance capacity to underwrite medium and large business
- One-point of sales concepts that offer the underwriting and claims services to personal and commercial lines.

Weaknesses

- Withdrawing the credit rating during 2014 due to uncertainty of the ownership and shareholding changes had adversely impacted the perception of the major clients, who depend on such criteria for selecting insurers
- Constrains on growth due to low capital availability
- Recoupable valuation deficit in the policyholders' fund
- Low investment returns due to limited investment funds available as a result of regulatory reserves and assets valuation restrictions as well as to the limited options of Sharia'a Compliant investments.

Opportunities

- Potential for alliances through the new major shareholder and their group companies (i.e. gig and BBK)
- The potential of a new legislation that would impose on different types of organizations obtaining specific insurance covers (e.g. D&O, health care malpractice)
- Requirement of compulsory health care cover for Bahrainis and expatriates is to be implemented soon creating new business
- Access to business opportunities from Islamic organizations that need insurance solutions to comply with Sharia'a requirements, giving the company a competitive advantage over other conventional companies.

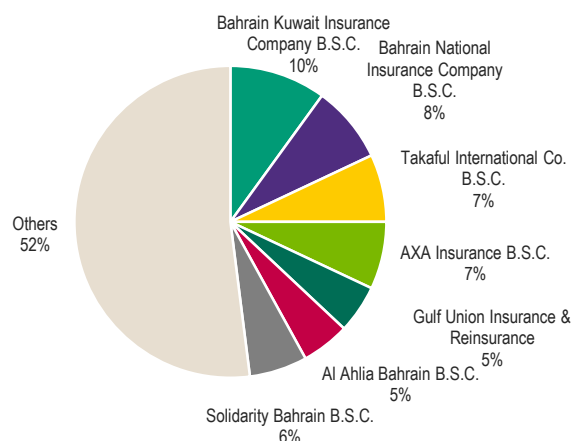
Threats

- Decrease in oil prices, causing decrease in both governmental and private sector spending and delaying major projects
- CBB's strict regulations of Capital Adequacy and Solvency Margin preventing flexibility and increase in growth rate
- Increase in competition in the market and in takaful business
- Inability to distribute policyholders' surplus due to stringent regulatory restrictions, despite of the actual surpluses recorded by the company. This threatens the takaful module credibility and renders one of the advantages of the takaful business futile
- Limited awareness of insurance products as well as the concepts of takaful in the local market specifically those products targeted towards personal-line customers.

Insurance Market Review

The below analysis, illustrating the company's market position in terms of Net Written Contributions is comparison to other companies, is based on the latest available data provided by the CBB. The regulator bases their analysis on the annual returns submitted by the companies, adjusted to reflect the business conducted in the local market only.

Overall, the local insurance market had not reported any growth in the GWC from the previous year, reaching only BHD 272 million (FY15: BHD 272 million), and Net Retained Contributions reaching BHD 176 million (FY15: BHD 175 million). The graph below illustrates the company's overall market share based on the reported GWC in the CBB report. The market shares of most companies remain unchanged, with BKIC having the single largest share of 10%, trailed by BNH at 8% and both Takaful and AXA at 7% each.



Main Competitors share

During the last decade, and with the economic target to open the market for new licensees, especially those from the international markets, the local industry had seen a rapid increase in the number of new entrants to the insurance market. This had severely influenced the competitive environment and differentiated between market players by the means they employed to compete. Hence, while some companies had employed price-cutting strategies to increase upper line figures, other companies had focused on providing better services while maintain healthy profitable margins. In considering these factors, Takaful views the following companies as its main competitors in the local market:

- Solidarity
- Al Ahlia
- Bahrain National Insurance Company
- Bahrain Kuwait Insurance Company (major shareholder)

The table below illustrates a comparison between the 7 largest companies in the market in terms of net gross contributions, net claims and overall loss ratio:

Particulars	Net Premiums			Net Claims			Loss%		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
AXA Insurance Co.	17,064	15,848	16,492	11,066	9,890	8,863	65%	62%	54%
Takaful International Co.	13,838	13,673	10,708	9,973	9,477	9,577	72%	69%	89%
Bahrain National Holding (BNH)	13,366	12,626	11,561	9,000	7,678	6,960	67%	61%	60%
Gulf Union Insurance	10,506	9,883	9,883	8,836	10,210	10,210	84%	103%	103%
Solidarity	9,148	9,293	8,884	5,736	6,039	5,940	63%	65%	67%
Al-Ahlia	8,727	5,920	5,237	6,637	4,064	3,864	76%	69%	74%
Bahrain Kuwait Insurance Co.	7,564	7,136	7,071	4,808	4,786	5,222	64%	67%	74%
Other	96,085	100,565	104,254	57,557	70,294	68,350	60%	70%	66%
Total	176,298	174,944	174,090	113,613	122,438	118,986	64%	70%	68%

Takaful continues to have the second largest portfolio in terms of Net Written Contributions (“NWC”), with a retention level reaching 70%, one of the highest in the market. The company’s overall loss ratio had increased in Financial Year 2016 to 72% due to exceptional increase in the loss ratio in the general lines of business.

15.4. Capital raising in the region

- Insurance is well-established in the Kingdom of Bahrain. By the standards of the region, the business undertaken by the non-life segment is diverse, and well balanced between motor, property, health and other insurance lines. In 2017, the sector showed positive signs as it continues to grow steadily. The competitive landscape is fragmented: some consolidation is expected in the non-life segment over the course of the forecast period. In the life segment, three multi-national groups are the dominant providers of protection and savings solutions to the expatriate workers on whom the economy depends.
- Bahrain's life insurance sector generated strong estimated growth in 2017, helped by the recovery in oil prices during the year. Over the next five years, we forecast that gross Life premiums will increase by annual average of about 10% between 2017 to 2021, mainly attributable to the 20% increase in 2017.
- Gross life premiums written are forecasted to increase from BHD 60.8 million in 2014 to BHD 82.4 million by 2021. The y-o-y growth concerning gross life premiums written is expected to grow from -3.1% to 7.5% between 2014 and 2021.
- Whereas, gross non-life premiums written are forecasted to increase from BHD 213.9 million in 2014 to BHD 304.4 million by 2021. The y-o-y growth concerning non-life premiums written is expected to grow from -3.1% to 7.5% between 2014 and 2021.
- The latest data available indicates that it is reasonable to look for very strong growth in life premiums in 2017.
- For both of the main segments, general economic trends remain favorable, with the result that premiums should rise by around 6% annually through the forecast period 2018-2021 and, perhaps, beyond.
- In the non-life segment, prices should remain firm in virtually all sub-sectors. Transport insurance is the main exception: premium growth will likely be constrained by price competition. Innovation by the insurers should ensure that penetration (premiums as a percentage of GDP) rises gradually.
- The likelihood of wholesale consolidation of the competitive landscape is far more likely in the non-life segment than in the life segment.

16. Applicable Law

This Offering shall be governed by and construed in accordance with laws of the Kingdom of Bahrain.

17. Documents available for Inspection

During the Subscription Period, copies of the following documents may be inspected during normal business hours at registered office of the Company.

- Memorandum and Articles of Association of Takaful,
- Audited Consolidated Financial Statements for the years ended 31st December 2012, 2013, 2014, 2015, 2016 and 2017.

18. Contact List

Issuer

Takaful International Co. B.S.C.
Main Center – Seef District
Building No. 680, Road 2811,
Seef District 428
P.O. Box 3230, Manama
Kingdom of Bahrain
Tel: (+973) 17 565 656
Fax: (+973) 17 582 688
Email: takaful@takafulweb.com
Website: www.takaful.bh

Issue Manager

Grant Thornton Advisory W.L.L.
12th Floor, Al Nakheel Tower
P.O.Box 11175, Seef District,
Kingdom of Bahrain
Tel: (+973) 17500188
Fax: (+973) 17500199

Stock Exchange

Bahrain Bourse
Bahrain Financial Harbour
Harbour Mall (4th Floor)
P.O. Box 3203
Manama, Kingdom of Bahrain

Legal Advisor

Rashid A. Rahman – Attorneys and Legal Consultants

P.O. Box 5071, Manama, Bahrain

Receiving Bank

Bahrain Islamic Bank B.S.C.

Building 722, Road 1708, Block 317, Diplomatic Area

Manama, Kingdom of Bahrain

Tel: +973 1751 5151

Auditor

Ernst & Young

P O Box 140, Manama

Kingdom of Bahrain

Tel: +973 1753 5455

Fax: +973 1753 5405

19. Appendix – Audited Financials

Takaful International Company B.S.C.
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED
31 DECEMBER 2017

Takaful International Company B.S.C.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Shareholders		General retained		Family retained		Total	
Notes	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RO	RO	RO	RO	RO	RO	RO	RO
ASSETS								
Cash and investments:								
Savings deposits	125,000	125,000	-	-	-	-	125,000	125,000
Cash and balances with banks	5,255,056	1,714,232	3,382,384	5,231,843	1,182,058	1,182,420	8,834,988	7,890,193
Available for sale investments	2,891,641	2,126,268	1,870,434	273,026	1,826,512	1,485,230	8,894,287	4,886,588
	4,288,137	3,867,540	4,152,828	6,134,409	3,822,408	2,847,953	11,344,372	12,410,817
Takaful and retained receivables	-	-	8,034,360	8,570,362	284,707	441,494	9,889,067	9,510,038
Receivable from participating claims	-	-	8,556,258	8,595,559	720,241	678,432	7,284,499	8,901,992
Deferred retained takaful contributions	-	-	3,872,318	2,782,995	84,760	207,346	2,187,819	3,000,332
Deferred escrowment mids	454,402	750,736	-	-	-	1,787,585	454,402	750,736
Receivable from family sukuk technical reserves	-	-	-	-	263,937	-	263,937	-
Property and equipment	2,083,912	2,273,525	-	-	-	-	2,083,912	2,273,525
Other receivables and prepayments	182,842	333,143	171,263	104,882	27,352	10,936	381,887	449,960
Receivables from sukuk funds	918,525	680,532	-	-	-	-	918,525	680,532
	7,818,879	7,862,478	32,558,157	25,778,330	4,341,268	5,796,387	24,874,898	20,480,332
TOTAL ASSETS								
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES								
Shareholders' equity								
Share capital	0,250,000	0,250,000	-	-	-	-	6,280,000	6,280,000
Savings Reserve	932,041	918,271	-	-	-	-	932,041	918,271
General reserve	200,000	200,000	-	-	-	-	200,000	200,000
Accumulated losses	(998,342)	(918,370)	-	-	-	-	(998,342)	(918,370)
Investments fair value reserve	63,219	(22,542)	21,328	12,633	(27,286)	(32,041)	63,219	(42,751)
Equity attributable to shareholders at the present	8,378,872	6,266,607	34,238	12,633	(27,286)	(32,041)	8,378,872	6,266,607
Non-controlling interests	100,987	70,848	-	-	-	-	100,987	70,848
	8,479,859	6,337,455	34,238	12,633	(27,286)	(32,041)	8,479,859	6,337,455
Total equity								
Participants' fund in participants' fund	-	-	(1,815,371)	(1,340,618)	891,431	1,289,257	(903,940)	(1,057,362)
	-	-	-	-	-	-	-	-
LIABILITIES								
Guarantee outstanding claims	-	-	8,892,072	11,004,829	897,650	733,991	18,786,629	11,738,646
Unearned commissions	-	-	8,346,087	4,280,266	150,623	482,127	8,890,744	8,889,483
Unearned commissions	-	-	332,368	480,269	-	6,027	332,368	480,269
Family (share) technical reserves	-	-	-	-	2,083,704	2,380,358	2,083,704	2,700,066
Takaful and retained payables	490,370	547,552	4,480,078	5,875,402	481,412	581,770	8,437,410	9,874,613
Other liabilities and provisions	625,004	832,703	885,318	340,294	1,907	1,906	1,273,589	1,562,983
Employees' General Entitles	399,185	240,648	-	-	-	-	399,185	240,648
Payable to shareholders	-	-	800,480	874,468	118,122	3,594	800,480	874,468
	1,437,389	1,893,811	14,188,198	22,193,134	3,211,718	4,854,561	28,281,284	33,210,116
TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES								
	7,818,879	7,862,478	32,558,157	25,778,330	4,341,268	5,796,387	24,874,898	20,480,332

Signature
 Name: **Abdulrahman Abdulaziz Al-Sayid**
 Chairman

Signature
 Name: **Abdulrahman Abdulaziz Al-Sayid**
 Vice Chairman

Signature
 Name: **Abdulrahman Abdulaziz Al-Sayid**
 Chief Executive

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

Takaful International Company B.S.C.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	Shareholders			General Takaful			Partly Takaful			Total		
	31 December 2017	31 December 2016	2017	31 December 2017	31 December 2016	2017	31 December 2017	31 December 2016	2017	31 December 2017	31 December 2016	2017
Notes	800	800	800	800	800	800	800	800	800	800	800	800
Revenue												
Gross contributions	-	-	18,663,815	20,250,465	1,864,584	1,864,584	1,864,584	1,864,584	18,663,815	20,250,465	1,864,584	18,663,815
Reinsured share of gross contributions	-	-	(16,426,176)	(16,622,223)	(712,218)	(712,218)	(712,218)	(712,218)	(16,426,176)	(16,622,223)	(712,218)	(16,426,176)
Net consolidated revenue	-	-	2,237,639	3,628,242	1,152,366	1,152,366	1,152,366	1,152,366	2,237,639	3,628,242	1,152,366	2,237,639
Expenses												
Gross claims paid	-	-	(10,280,396)	(11,112,815)	(108,472)	(108,472)	(108,472)	(108,472)	(10,280,396)	(11,112,815)	(108,472)	(10,280,396)
Claims recovered from reinsured and other parties	-	-	7,140,009	7,999,706	912,344	912,344	912,344	912,344	7,140,009	7,999,706	912,344	7,140,009
Outstanding claims adjustments - gross	-	-	5,115,738	5,115,738	(184,558)	(184,558)	(184,558)	(184,558)	5,115,738	5,115,738	(184,558)	5,115,738
Outstanding claims adjustments - reinsured and others	-	-	(1,723,250)	(1,723,250)	131,868	131,868	131,868	131,868	(1,723,250)	(1,723,250)	131,868	(1,723,250)
Net claims incurred	-	-	(8,748,959)	(8,921,087)	(160,686)	(160,686)	(160,686)	(160,686)	(8,748,959)	(8,921,087)	(160,686)	(8,748,959)
Other claims expenses	-	-	(407,086)	(410,040)	(3,248)	(3,248)	(3,248)	(3,248)	(407,086)	(410,040)	(3,248)	(407,086)
Transfer to liability technical reserves	-	-	(275,246)	(275,246)	18,131	18,131	18,131	18,131	(275,246)	(275,246)	18,131	(275,246)
Provision for impaired reinsurance receivables	-	-	(8,967,000)	(9,252,769)	(1,301,366)	(1,301,366)	(1,301,366)	(1,301,366)	(8,967,000)	(9,252,769)	(1,301,366)	(8,967,000)
Total consolidated expenses	-	-	(19,999,391)	(20,701,750)	(1,583,876)	(1,583,876)	(1,583,876)	(1,583,876)	(19,999,391)	(20,701,750)	(1,583,876)	(19,999,391)
Surplus from consolidated operations before income tax	-	-	2,237,639	3,628,242	1,152,366	1,152,366	1,152,366	1,152,366	2,237,639	3,628,242	1,152,366	2,237,639
Income tax expense	-	-	(180,076)	(220,164)	(108,388)	(108,388)	(108,388)	(108,388)	(180,076)	(220,164)	(108,388)	(180,076)
(Profit) / surplus from consolidated operations after income tax	-	-	2,057,563	3,408,078	1,043,978	1,043,978	1,043,978	1,043,978	2,057,563	3,408,078	1,043,978	2,057,563
Whole less income tax	-	-	142,272	132,616	88,318	88,318	88,318	88,318	142,272	132,616	88,318	142,272
Investment income	-	-	40,569	(13,016)	(13,016)	(13,016)	(13,016)	(13,016)	40,569	(13,016)	(13,016)	40,569
Other income - net	-	-	282,445	-	-	-	-	-	282,445	-	-	282,445
Net consolidated profit	-	-	2,482,287	3,395,072	1,113,280	1,113,280	1,113,280	1,113,280	2,482,287	3,395,072	1,113,280	2,482,287
Management, general and administrative expenses and depreciation	-	-	(1,156,349)	(1,182,000)	-	-	-	-	(1,156,349)	(1,182,000)	-	(1,156,349)
Amortisation of intangible assets	-	-	(1,214,281)	(1,631,018)	-	-	-	-	(1,214,281)	(1,631,018)	-	(1,214,281)
Impairment loss on investments	-	-	(271,881)	(287,182)	(180,335)	(180,335)	(180,335)	(180,335)	(271,881)	(287,182)	(180,335)	(271,881)
Net management, general and administrative expenses	-	-	(2,642,511)	(2,900,200)	(160,670)	(160,670)	(160,670)	(160,670)	(2,642,511)	(2,900,200)	(160,670)	(2,642,511)
Net profit (and (loss)) / surplus for the year	-	-	(159,964)	(505,128)	(57,392)	(57,392)	(57,392)	(57,392)	(159,964)	(505,128)	(57,392)	(159,964)
Attributable to:												
Shareholders of the parent	23,140	206,007	-	-	-	-	-	-	23,140	206,007	-	23,140
Non-controlling interests	20,237	6,684	-	-	-	-	-	-	20,237	6,684	-	20,237
	43,377	212,691	-	-	-	-	-	-	43,377	212,691	-	43,377
Residuals per share	8.37 Pts	6.35 Pts	-	-	-	-	-	-	8.37 Pts	6.35 Pts	-	8.37 Pts

The attached explanatory notes 1 to 42 form part of these consolidated financial statements.

Takaful International Company B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

	Share capital	Statutory reserve	General reserve	Accumulated losses	Investments fair value reserve	Equity attributable to shareholders of the parent	Non-Controlling interests	Total equity
	BD	BD	BD	BD	BD	BD	BD	BD
At 1 January 2017	6,250,000	519,727	200,000	(679,213)	(23,543)	6,266,971	70,566	6,337,537
Profit for the year	-	-	-	23,140	-	23,140	30,231	53,371
Other comprehensive income	-	-	-	-	66,762	66,762	-	66,762
Total comprehensive income for the year	-	-	-	23,140	66,762	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	(668,387)	63,219	6,376,873	100,817	6,477,690
At 1 January 2016 as previously reported	6,250,000	480,066	200,000	(1,036,169)	(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	(1,036,169)	(74,368)	5,819,539	15,902	5,835,441
Profit for the year	-	-	-	396,607	-	396,607	6,654	403,261
Other comprehensive income	-	-	-	-	50,825	50,825	-	50,825
Total comprehensive income for the year	-	-	-	396,607	50,825	447,432	6,654	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	70,556	6,337,537

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

Takaful International Company B.S.C.
CONSOLIDATED STATEMENT OF CHANGES IN PARTICIPANTS' FUND
For the year ended 31 December 2017

	Investments fair value reserve					Total BD
	General takaful BD	Family takaful BD	General takaful BD	Family takaful BD	Total BD	
At 1 January 2017						
Realised fair value gains / (losses) on investment securities	(1,348,619)	1,209,357	12,833	(33,041)		(157,470)
Unrealised fair value gains / (losses) on investment securities	-	-	(421)	20,036		19,615
Deficit for the year	(268,752)	(557,426)	8,926	(9,281)		(355)
At 31 December 2017	(1,615,371)	651,931	21,338	(22,286)		(964,388)
At 1 January 2016						
Realised fair value gains on investment securities	(1,425,425)	1,050,272	(35,792)	(37,293)		(438,238)
Unrealised fair value gains / (losses) on investment securities	-	-	15,271	13,632		28,903
Surplus for the year	78,806	149,085	33,354	(9,380)		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.

Takaful International Company B.S.C.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	31 December 2017 BD	31 December 2016 BD
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.

Takaful International Company B.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 31 December 2017

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 1988. 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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

Takaful International Company B.S.Č.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Takaful International Company B.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

General takaful (continued)

ii) 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.

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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (continued)*Family takaful (continued)**Gross claims settled (continued)**ii) 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 Shar'ia 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.

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 Shar'ia 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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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	3-10 years
Vehicles	4 years

Takaful International Company B.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Earnings prohibited by Sharf'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.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with FAS issued by AACIFI 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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

7 CASH AND BALANCES WITH BANKS

	31 December 2017			Total BD
	Shareholders BD	General takaful BD	Family takaful BD	
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	836,648	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	1,309,801	732,001	2,218,075
Cash and balances with banks	1,255,696	3,083,384	1,195,896	5,534,986

	31 December 2016			Total BD
	Shareholders BD	General takaful BD	Family takaful BD	
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.

Takaful International Company B.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8 AVAILABLE FOR SALE INVESTMENTS

	31 December 2017			31 December 2016		
	Shareholders BD	General takaful BD	Family takaful BD	Total BD	Shareholders BD	General takaful BD
Opening balance	2,428,308	773,066	1,485,205	4,886,589	2,420,480	958,361
Additions during the year	1,312,474	583,974	639,366	2,535,813	1,050,934	-
Disposals during the year	(798,896)	(87,338)	(436,176)	(1,322,403)	(872,110)	(52,595)
Realised fair value gains/(losses) on sale of available-for-sale investments	31,283	(421)	20,936	90,898	36,266	13,271
Impairment loss for the year	(121,213)	(287,783)	(72,639)	(461,614)	(231,897)	(181,335)
Unrealised fair value gains/(losses) recognised in investment fair value reserve	55,479	8,926	(9,281)	55,124	14,559	33,354
Closing balance	2,907,441	1,070,434	1,626,512	5,604,387	2,428,308	773,066

Analysis of available-for-sale investments

	31 December 2017			31 December 2016		
	Shareholders BD	General takaful BD	Family takaful BD	Total BD	Shareholders BD	General takaful BD
Shares listed on stock exchanges	670,743	216,604	-	887,347	313,296	58,063
Quoted managed funds	426,144	21,003	29,920	477,067	329,845	18,643
Unquoted managed funds	323,297	229,269	219,794	772,359	390,480	470,348
Unquoted equity investments	200,268	-	-	200,268	204,566	-
Quoted Sukuk	1,286,989	603,568	1,376,798	3,267,355	1,190,151	228,002
Closing balance	2,907,441	1,070,434	1,626,512	5,604,387	2,428,308	773,066

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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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	808,202	124,178	932,380
Due from takaful participants	3,018,873	179,779	3,198,652	3,311,132	194,729	3,495,861
Due from broker and other receivables	2,120,109	66,542	2,186,651	2,185,011	148,480	2,331,471
Allowance for impairment	(663,797)	(20,270)	(684,067)	(488,103)	(14,903)	(503,006)
Closing balance	<u>9,504,360</u>	<u>284,707</u>	<u>9,889,067</u>	<u>19,051,806</u>	<u>440,484</u>	<u>9,018,828</u>

Takaful and retakaful receivable consist of balances due from takaful 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		603,806		622,811
Charge / (reversal) during the year		220,812		(78,043)
Written-off for the year		(19,551)		(41,762)
		<u>684,067</u>		<u>503,006</u>

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	3,736,594	-	-	222,827	351,165	-	-
121 to 180 days	-	-	676,836	1,842,815	-	-	1,340	24,384
181 to 365 days	-	-	1,941,712	2,070,809	-	-	13,809	52,353
More than 365 days	-	-	1,880,864	928,044	-	-	47,531	12,558
	<u>5,105,959</u>	<u>3,736,594</u>	<u>4,498,401</u>	<u>4,841,658</u>	<u>222,827</u>	<u>351,165</u>	<u>61,880</u>	<u>89,296</u>

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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10 OUTSTANDING CLAIMS

	2017			2016		
	Gross BD	Retakaful share BD	Net BD	Gross BD	Retakaful share BD	Net BD
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)	8,261,163	(8,925,358)	(20,172,070)	8,706,711	(11,465,359)
At 31 December	10,786,929	(7,294,499)	3,492,430	11,738,496	(8,901,892)	2,836,504
At 31 December						
Reported claims	9,246,606	(6,593,266)	2,653,340	9,393,618	(7,728,726)	1,664,892
IBNR and IBNER claims	1,540,323	(801,233)	739,090	2,344,878	(1,173,266)	1,171,612
	10,786,929	(7,294,499)	3,492,430	11,738,496	(8,901,892)	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.

Takaful International Company B.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Accident year	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
At the end of										
Accident year	9,575,111	5,827,779	10,895,272	13,485,208	16,550,364	15,917,456	14,094,971	10,515,008	16,136,710	
One year later	10,023,633	10,224,165	11,245,226	14,616,094	16,447,729	17,960,666	16,691,013	20,663,303	-	
Two years later	9,924,844	10,255,279	13,100,524	14,823,818	19,666,339	18,436,226	16,041,885	-	-	
Three years later	9,939,823	10,216,629	13,178,968	15,059,614	19,178,569	18,645,152	-	-	-	
Four years later	9,891,919	10,198,724	13,182,769	15,104,752	19,231,824	-	-	-	-	
Five years later	9,925,866	10,209,611	13,185,142	15,144,603	-	-	-	-	-	
Six years later	9,947,781	10,209,525	13,205,119	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	-	-	
Eight years later	9,951,150	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	9,991,150	10,200,935	13,205,119	15,144,603	19,231,824	18,645,152	16,041,885	20,663,303	16,136,710	139,474,741
Cumulative payments to date	(9,840,591)	(10,169,651)	(13,112,014)	(15,083,794)	(18,524,381)	(18,073,483)	(14,782,519)	(19,383,291)	(9,369,340)	(128,980,564)
Liability recognised in the statement of financial position	60,269	32,384	93,105	80,800	307,343	575,649	1,270,266	1,680,182	6,767,370	10,776,177
Liability in respect of years prior to 2009	-	-	-	-	-	-	-	-	-	16,752
Total reserves included in the consolidated statement of financial position	-	-	-	-	-	-	-	-	-	16,776,929

Takaful International Company B.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 CLAIMS DEVELOPMENT (continued)

Net outstanding claims

Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
At the end of										
Accident year	3,635,036	3,978,297	4,444,499	6,784,752	6,618,798	7,970,334	7,693,114	10,018,918	9,260,522	
One year later	3,713,094	4,140,704	4,683,185	6,473,312	7,724,473	8,561,002	8,556,400	10,531,698	-	
Two years later	3,710,574	4,138,408	4,983,481	6,538,340	8,149,743	9,042,843	8,764,271	-	-	
Three years later	3,699,406	4,078,162	4,991,449	6,725,210	8,178,844	9,164,187	-	-	-	
Four years later	3,599,895	4,562,819	5,029,727	8,710,731	8,284,198	-	-	-	-	
Five years later	3,695,476	4,073,531	5,013,136	6,827,707	-	-	-	-	-	
Six years later	3,627,932	4,000,293	5,066,907	-	-	-	-	-	-	
Seven years later	3,629,355	4,140,977	-	-	-	-	-	-	-	
Eight years later	3,723,278	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	3,723,278	4,140,977	5,066,907	6,827,707	8,284,198	9,164,187	8,754,271	10,531,698	9,260,522	85,786,836
Cumulative payments to date	(3,715,564)	(4,129,037)	(5,048,634)	(6,856,433)	(8,202,476)	(9,094,011)	(8,580,860)	(9,527,734)	(8,737,597)	(82,263,394)
Liability recognised in the statement of financial position	8,684	11,940	17,273	19,274	31,712	70,176	173,409	603,964	2,551,025	3,487,455
Liability in respect of years prior to 2009										4,979
Total reserve included in the consolidated statement of financial position										3,482,439

Takaful International Company B.S.Č.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

12 UNEARNED CONTRIBUTIONS AND DEFERRED RETAKAFUL CONTRIBUTIONS

	2017		
	Gross BD	Retakaful share BD	Net BD
At 1 January	8,688,463	(3,030,352)	5,658,111
Contributions written	19,653,999	(6,192,507)	13,461,492
Contributions earned	(20,146,718)	7,066,781	(13,080,937)
At 31 December	8,195,744	(2,157,078)	6,038,666

	2016		
	Gross BD	Retakaful share BD	Net BD
At 1 January	7,929,198	(2,160,164)	5,769,034
Contributions written	22,157,750	(7,265,669)	14,892,081
Contributions earned	(21,386,485)	6,395,481	(15,000,004)
At 31 December	8,688,463	(3,030,352)	5,658,111

13 DEFERRED POLICY ACQUISITION COSTS

	2017 BD	2016 BD
At 1 January	706,739	769,705
Acquisition costs during the year	971,918	1,674,060
Amortisation for the year	(1,214,255)	(1,637,016)
At 31 December	464,402	706,739

14 UNEARNED RETAKAFUL COMMISSIONS

	2017 BD	2016 BD
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

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2017			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Staff related receivables	4,429	-	-	4,429
Accrued Incomes	32,422	48,837	27,352	108,611
Prepaid Expenses	41,645	-	-	41,645
Tender Deposits	-	36,668	-	36,668
Other Receivables	84,446	85,888	-	170,334
At 31 December	162,942	171,393	27,352	361,687

	31 December 2016			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Staff related receivables	16,355	-	-	16,355
Accrued Incomes	23,690	33,591	10,936	68,217
Prepaid Expenses	64,306	-	-	64,306
Tender Deposits	-	50,788	-	50,788
Other Receivables	228,791	20,603	-	249,394
At 31 December	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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16 PROPERTY AND EQUIPMENT

	Freehold land B.D	Buildings on freehold land B.D	Furniture and fixtures B.D	Office equipment B.D	Motor vehicles B.D	Capital work-in- progress B.D	Total B.D
Cost							
At 31 December 2015	1,071,868	1,255,201	882,747	1,347,165	105,280	24,119	4,686,380
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	884,756	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	869,625	1,531,031	112,568	-	4,851,293
Accumulated depreciation							
At 31 December 2015	-	387,615	715,946	1,174,009	67,139	-	2,344,829
Charge for the year	-	41,831	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	78,467	-	2,541,804
Charge for the year	-	50,180	67,844	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	87,737	-	2,768,260
Net book amount							
At 31 December 2017	1,071,868	775,476	38,440	171,419	34,811	-	2,983,613
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 3,625 square meters	Operational purpose	Freehold	Not applicable	12 Years
Takaful International Co. BSC Salalah Branch	Building No. 2184, Road No.437, Salalah 704, Kingdom of Bahrain	2 storey building measuring 550 square meters	Operational purpose	Freehold	Not applicable	15 Years

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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
	BD	BD
Gross contributions	2,968	366,068
	31 December 2016	
	Key management personnel	Shareholders
	BD	BD
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
	BD	BD
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
	BD	BD
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

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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:

	2017 BD	2016 BD
Salaries and benefits	425,340	425,340
Remuneration and attendance fees to Directors	71,579	66,343
Employees' end of service benefits	15,765	15,765
	<u>512,784</u>	<u>506,448</u>

19 EQUITY AND RESERVES

	31 December 2017 BD	31 December 2016 BD
Authorised share capital:		
Ordinary shares		
200,000,000 ordinary shares of 100 fils each		
(2016: 200,000,000 ordinary shares of 100 fils each)	<u>20,000,000</u>	<u>20,000,000</u>
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)	<u>6,250,000</u>	<u>6,250,000</u>

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 19 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	14,220,485	22.75%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	8.40%
International Investment Group	Kuwaiti	3,991,187	6.39%

Takaful International Company B.S.C.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

19 EQUITY AND RESERVES (continued)

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

ii) 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%	198	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 39,861) 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).

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

20 OTHER LIABILITIES AND PROVISIONS

31 December 2017			
Shareholders BD	General takaful BD	Family takaful BD	Total BD
Staff related accruals	166,573	-	166,573
Unclaimed share of profits	104,570	7,568	112,158
Accruals & other payables	404,741	587,730	994,438
	<u>675,884</u>	<u>595,318</u>	<u>1,273,169</u>

31 December 2016			
Shareholders BD	General takaful BD	Family takaful BD	Total BD
Staff related accruals	229,971	-	229,971
Unclaimed share of profits	110,125	7,590	117,715
Accruals & other payables	472,607	740,704	1,215,277
	<u>812,703</u>	<u>748,294</u>	<u>1,562,963</u>

21 GROSS CONTRIBUTIONS

31 December 2017			
	General takaful	Family takaful	Total
Led by the company - net of refunds	17,266,306	1,584,184	18,850,490
Led by other insurance companies - Company's share	803,509	-	803,509
	<u>18,069,815</u>	<u>1,584,184</u>	<u>19,653,999</u>

31 December 2016			
	General takaful	Family takaful	Total
Led by the company - net of refunds	19,069,813	1,867,284	20,937,097
Led by other insurance companies - Company's share	1,220,653	-	1,220,653
	<u>20,290,466</u>	<u>1,867,284</u>	<u>22,157,750</u>

22 MANAGEMENT, GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION

	31 December 2017 BD	31 December 2016 BD
Employee related costs	2,094,809	2,211,897
Depreciation	252,177	210,975
Other operating expenses	789,575	757,220
	<u>3,136,562</u>	<u>3,180,092</u>

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 141,359).

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

	31 December 2017 BD	31 December 2016 BD
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			
	Share- holders BD	General takaful BD	Family takaful BD	Total BD
Deposit income	17,255	70,860	21,651	109,766
Profit on investment securities	70,091	26,305	73,630	170,026
Dividend income	8,580	7,297	3,486	19,463
Realised fair value (losses)/gains on sale of investment securities	46,246	26,053	(3,699)	68,600
	142,272	130,515	95,068	367,855
	Year ended 31 December 2016			
	Share- holders BD	General takaful BD	Family takaful BD	Total BD
Deposit income	11,532	49,752	28,611	89,895
Profit on investment securities	75,269	(13,265)	97,115	159,119
Dividend income	10,509	1,516	1,603	13,730
Realised fair value (losses)/gains on sale of investment securities	36,266	15,271	13,632	65,169
	133,576	53,276	140,961	327,913

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26 OTHER INCOME - NET

	Year ended 31 December 2017 BD	Year ended 31 December 2016 BD
Other income		
TPA fees and other income (subsidiary)	363,756	258,230
Rental income	29,700	27,100
Profit on sale of equipment	2,091	5,253
Foreign exchange gain	-	3,661
	<u>395,547</u>	<u>304,254</u>
Other expense		
Investment expense	(6,509)	(11,819)
	<u>389,038</u>	<u>292,445</u>

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

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

Takaful International Company B.S.C.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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/ life term assurance) and also for group savings, individual savings, education and cash back.

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.

Takaful International Company B.S.C.
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28 SEGMENTAL UNDERWRITING RESULTS (continued)

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					
	Flot & General	Medical	Motor	Marine & Aviation	General Takaful	Family Takaful
	RO	RO	RO	RO	RO	RO
Gross contributions	5,104,153	5,455,318	7,054,892	455,464	18,069,815	1,284,184
Residual share of gross contributions	(4,446,944)	(175,166)	(442,772)	(374,396)	(5,439,178)	(733,326)
Retained contributions	657,209	6,280,132	6,912,107	81,156	12,630,638	550,858
Movement in unearned contributions	95,005	(631,591)	85,881	1,576	(469,429)	68,874
Net earned contributions	752,244	4,648,541	6,997,988	82,734	12,161,207	619,732
Net earned commission income	931,759	-	-	72,507	1,004,266	16,754
Other takaful income	1,493	2,360	212	835	4,587	5,569
Segment Revenue	1,685,493	4,650,931	6,998,200	156,276	13,169,470	621,883
Net claims incurred	(519,336)	(3,559,314)	(5,632,142)	(4,272)	(9,115,665)	(469,229)
Other Takaful Expenses	(3,381)	(367,426)	(106,810)	-	(477,596)	(3,049)
Transfer to family takaful technical reserve	-	-	-	-	-	(306,451)
Provision for reversal of impaired takaful receivables	(46,823)	(26,413)	(107,910)	(21,926)	(213,245)	(5,387)
Underwriting surplus before wakala fees	1,119,341	854,379	1,462,237	130,007	3,382,544	180,043
Wakala fees	(1,166,847)	(872,850)	(1,435,154)	(124,638)	(3,541,429)	(296,040)
Surplus (Deficit) from takaful operations after wakala fees	7,094	(18,471)	17,083	5,369	(158,879)	(68,089)
Investment Income	-	-	-	-	130,515	65,666
Mutash Share	-	-	-	-	(32,629)	23,707
Impairment loss on investments	-	-	-	-	(207,763)	(72,638)
Net deficit	-	-	-	-	(258,762)	(87,426)
	-	-	-	-	(826,176)	-

Takaful International Company B.S.C.
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28 SEGMENTAL UNDERWRITING RESULTS (continued)
Business segments – primary reporting segment (continued)

	For the year ended 31 December 2016				
	Fire & General RO	Marine & Aviation RO	Motor RO	General Takaful RO	Family Takaful RO
Gross contributions	6,588,552	1,511,388	20,290,468	1,887,294	22,157,750
Rebated share of gross contributions	(5,588,011)	(503,151)	(8,832,333)	(833,338)	(7,265,669)
Retained contributions	900,541	908,237	12,458,135	1,053,956	14,892,081
Movement in unearned contributions	(80,403)	(2,526)	193,800	(94,367)	110,823
Net earned contributions	820,138	885,711	12,651,935	959,589	14,992,904
Net earned commission income	888,850	1,745	837,100	8,343	845,923
Other takaful income	1,251	1,577	6,740	7,510	14,250
Segment Revenue	1,709,239	1,115,757	13,854,023	1,148,001	15,003,004
Net claims incurred	(258,640)	(5,788,705)	(9,922,851)	(222,144)	(10,144,865)
Other takaful expenses	(744)	(140,470)	(410,048)	(15,703)	(425,751)
Transfer to family takaful technical reserve	-	-	-	(171,254)	(171,254)
(Provision for)/ reversal of impaired takaful receivables	65,000	(10,372)	79,131	(1,088)	78,943
Underwriting surplus before wakala fees	1,473,265	1,176,881	14,797,923	1,164,834	15,962,757
Wakala fees	(1,430,568)	(1,005,892)	(4,323,571)	(853,548)	(4,877,520)
Surplus/(Deficit) from takaful operations after wakala fees	42,697	170,989	14,754,352	311,286	16,085,237
Investment income	13,218	53,276	140,861	184,237	194,237
Madarik Share	-	(13,218)	(35,245)	(48,559)	(48,559)
Impairment loss on investments	-	(181,335)	(57,732)	(57,732)	(239,667)
Net surplus	55,915	109,942	14,619,426	149,005	15,992,248

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28 SEGMENTAL UNDERWRITING RESULTS (continued)

The following table presents disclosure of segment assets and liabilities:

	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	Unallocated assets / Liabilities BD	Total BD	Family Takaful BD	Total BD
Identifiable assets	8,947,358	1,825,864	4,783,018	253,603	9,546,369	22,558,157	4,241,263	26,800,517
Identifiable liabilities	8,878,042	2,627,114	7,713,288	298,038	4,838,736	24,152,199	3,711,715	27,863,966
Identifiable assets and liabilities as on 31 December 2017								
Identifiable assets	8,772,933	1,206,263	8,603,737	343,650	10,844,765	29,770,368	5,750,257	31,526,725
Identifiable liabilities	8,803,778	77,183	9,729,341	402,794	8,317,968	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
	BD	BD	BD	BD
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
	<u>19,653,999</u>	<u>22,157,750</u>	<u>2,083,013</u>	<u>2,272,525</u>

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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29 RISK MANAGEMENT (continued)**Takaful risk (continued)**

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.

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.

Takaful International Company B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29 RISK MANAGEMENT (continued)

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
	BD	BD	BD	BD	BD
Net exposure	1,165,636	3,687,489	118,585	453,293	5,604,387

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

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, sukuk and managed funds).

The Group is exposed to market risk with respect to its investments in equities, managed funds and sukuk. The impact on investment fair value reserve and equity of a 1% increase/decrease in prices would be +/- of BD 58,044 (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 BD	31 December 2016 BD
Kingdom of Bahrain	1,949,714	2,498,846
Other GCC countries	2,989,449	1,177,060
Asia	475,706	936,723
Other countries	189,518	73,920
	<u>5,604,387</u>	<u>4,686,569</u>

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29 RISK MANAGEMENT (continued)

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.

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.

	<i>At 31 December 2017</i>	
	<i>Carrying</i>	<i>Maximum</i>
	<i>value</i>	<i>exposure</i>
<i>Financial assets</i>	<i>BD</i>	<i>BD</i>
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

	<i>At 31 December 2016</i>	
	<i>Carrying</i>	<i>Maximum</i>
	<i>value</i>	<i>exposure</i>
<i>Financial assets</i>	<i>BD</i>	<i>BD</i>
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 BD	More than one year BD	No term BD	Total BD
ASSETS				
Cash and bank balances	5,534,986	-	125,000	5,659,986
Investments	962,717	4,641,670	-	5,604,387
Takaful and retakaful balances receivable	7,960,662	1,928,385	-	9,889,047
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
	26,036,526	6,570,055	2,208,013	34,814,594
LIABILITIES				
Gross outstanding claims	10,786,829	-	-	10,786,829
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
	28,986,109	305,185	-	29,291,294

	31 December 2016			
	One year or less BD	More than one year BD	No term BD	Total BD
ASSETS				
Cash and bank balances	7,606,103	-	125,000	7,731,103
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 policy 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	445,060	-	-	445,060
Receivable from takaful funds	983,532	-	-	983,532
	31,906,669	5,187,009	2,397,525	39,491,203

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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
	BD	BD	BD	BD
LIABILITIES				
Gross outstanding claims	11,738,496	-	-	11,738,496
Unearned contributions	8,668,463	-	-	8,668,463
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	-	245,568	-	245,568
Payable to shareholders	963,532	-	-	963,532
	33,084,448	245,568	-	33,310,116

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 4,967,000 compared to BD 3,282,000 and the required solvency margin of BD 2,453,000 (2016: BD 2,466,000).

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 19 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 Board of Directors. 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.

Takaful International Company B.S.C.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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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:

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>BD</i>	<i>BD</i>
Not later than 1 year	<u>33,132</u>	<u>63,239</u>

b) Other commitments

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

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>BD</i>	<i>BD</i>
Available-for-sale investments	<u>6,387</u>	<u>6,387</u>

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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37 TOTAL COMPREHENSIVE INCOME

	Year ended 31 December 2017			Year ended 31 December 2016		
	General		Family	General		Family
	Shareholders BD	Takaful BD	Takaful BD	Shareholders BD	Takaful BD	Total BD
Net profit and surplus / (deficit) for the year	53,371	(263,752)	(557,426)	403,291	78,806	149,085
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)	14,559	33,354	(9,380)
Recycled to statement of profit or loss on disposal/impairment	31,283	(421)	20,036	36,266	15,271	13,632
Other comprehensive income for the year to be reclassified to statement of profit or loss in subsequent years	86,762	8,505	10,755	50,825	48,626	4,252
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	140,133	(260,247)	(546,671)	454,116	127,431	153,337
Attributable to:						
Shareholders of the parent	109,902	(260,247)	(546,671)	447,432	127,431	153,337
Non-controlling interests	30,231	-	-	6,684	-	-
	140,133	(260,247)	(546,671)	454,116	127,431	153,337

Takaful International Company B.Š.Č.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 BD	Receivables BD	Total BD
Statutory deposit	-	125,000
Cash and bank balances	-	5,534,986
Investments	5,604,387	-
Takaful and retakaful balances receivable	-	9,889,067
Retakaful share of outstanding claims	-	7,294,499
Retakaful share of family takaful technical reserves	-	383,892
Other receivables and prepayments	-	361,687
5,604,387	23,589,131	29,193,518
		Financial Liabilities BD
		Gross outstanding claims
		Family takaful technical reserves
		Takaful and retakaful payables
		Other liabilities and provisions
		Employees' terminal benefits
		19,856,397
31 December 2016		
Available- for-sale BD	Receivables BD	Total BD
Statutory deposit	-	125,000
Cash and bank balances	-	7,608,103
Investments	4,686,569	-
Takaful and retakaful balances receivable	-	9,018,826
Retakaful share of outstanding claims	-	8,901,992
Retakaful share of family takaful technical reserves	-	1,707,505
Other receivables and prepayments	-	449,060
4,686,569	27,810,486	32,497,055
		Financial Liabilities BD
		Gross outstanding claims
		Family takaful technical reserves
		Takaful and retakaful payables
		Other liabilities and provisions
		Employees' terminal benefits
		23,152,805

Takaful International Company B.S.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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			
	Level 1 BD	Level 2 BD	Level 3 BD	Total BD
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	808,668	-	5,604,387

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38 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	31-December-2016			Total BD
	Level 1 BD	Level 2 BD	Level 3 BD	
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
	<u>3,419,094</u>	<u>1,267,475</u>	<u>-</u>	<u>4,686,569</u>

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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For the year ended 31 December 2017

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 Takaful		Total	
	(Previously reported)		(Previously reported)	
	BD	BD	BD	BD
<i>Consolidated statement of profit or loss</i>				
Gross contributions	20,290,466	19,057,868	22,157,760	20,925,150
Ketakaful 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)
	<u>14,191,985</u>	<u>14,191,985</u>	<u>15,426,083</u>	<u>15,426,083</u>
Net impact on profit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>