

Takaful International Company B.S.C.

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED**

31 DECEMBER 2017

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Takaful International Company B.S.C.

General information

HEAD OFFICE

Takaful International Company B.S.C.
Building 680, Road 2811,
Seef District 428,
Kingdom of Bahrain

P.O. Box : 3230
Telephone : +973 17565656
Telefax : +973 17582688
E-mail : takaful@takafulweb.com
Website : www.takaful.bh

Commercial registration : 21100 obtained on 11 April 1989

SALMABAD BRANCH

Building 2164 Road 437
Salmabad 704
Kingdom of Bahrain

P.O. Box : 3230
Telephone : +973 17565414
Telefax : +973 17877287

MUHARRAQ BRANCH

Building 35G Road 40
Muharrag 240
Kingdom of Bahrain

P.O. Box : 3230
Telephone : +973 17565400
Telefax : +973 17677321

JERDAB BRANCH

Building 771G Road 77
Jerdab 729
Kingdom of Bahrain

P.O. Box : 3230
Telephone : +973 17565444
Telefax : +973 17484390

HAMALA BRANCH

Building 2251 Road 90
Hamala 1014
Kingdom of Bahrain

P.O. Box : 3230
Telephone : +973 17565447
Telefax : +973 17005428

QATAR BRANCH

Office No. 130,
1st Floor, Regus Building,
D-Ring Road,
Doha, State of Qatar

P.O. Box : 31240
Telephone : +974 44916444
Telefax : +974 44916445

Commercial Registration : 131 obtained on 15 February 2011

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young
10th Floor, East Tower,
Bahrain World Trade Center
Manama, Kingdom of Bahrain

P.O. Box : 140
Telephone : +973 17535455
Telefax : +973 17535405

ACTUARIES

Abdul Rahim Abdul Wahab,
A62, North Avenue, KDA Officers Society,
Karachi, Pakistan

Telephone : +92 213 499 3000
E mail : actuary.valuation@gmail.com

Salmina Magdalena Symeonidis,
Sigma Actuaries
Manama, Kingdom of Bahrain

Telephone : +973 6672 0360
E mail : salmien.symeonidis@sigmaactuaries.com
E mail : chris.symeonidis@sigmaactuaries.com

LISTING

Bahrain Bourse

REGISTRARS

Bahrain Bourse
PO Box 3203, Manama,
Kingdom of Bahrain

Takaful International Company B.S.C.

Directors and management

BOARD OF DIRECTORS

Jamal Ali Al Hazeem	- Chairman
Khalil Ebrahim Nooruddin (resigned on 5th April 2017)	- Vice-Chairman
AbdulRahman Abdulla Mohammed (appointed on 5th April 2017)	- Vice-Chairman
Khaled Saud Al Hasan	- Director
Ebrahim Mohamed Sharif Al Rayes	- Director
Ebrahim Hussain Al Jassmi (resigned on 10th April 2017)	- Director
Othman Ebrahim Al Askar	- Director
Ahmed AbdulRahman Bucheeri	- Director
Khalid Jamal Al Muzaire	- Director
Abdulla Rabea Mohamed Rabea	- Director

EXECUTIVE COMMITTEE

Khaled Saud Al Hasan	- Chairman
Ebrahim Hussain Al Jassmi (resigned on 10th April 2017)	- Vice Chairman
Othman Ebrahim Al Askar	- Member
AbdulRahman Abdulla Mohammed	- Member
Ahmed AbdulRahman Bucheeri	- Member

AUDIT COMMITTEE

Khalid Jamal Al Muzaire	- Chairman
Ebrahim Mohamed Sharif Al Rayes	- Member
Khalil Ebrahim Nooruddin (resigned on 5th April 2017)	- Member

NOMINATION & REMUNERATION COMMITTEE

Khalid Jamal Al Muzaire	- Chairman
Ebrahim Hussain Al Jassmi (resigned on 10th April 2017)	- Member
Abdulla Rabea Mohamed Rabea	- Member

SHARIA'A SUPERVISORY BOARD

Dr. Shaikh Abdul Latif Mahmood Al Mahmood	- Chairman
Dr. Shaikh Abdul Sattar Abdul Karim Abuguddah	- Deputy Chairman
Shaikh Mohsin Abdul Hussain Asfoor	- Member

EXECUTIVE MANAGEMENT

Younis J. Al Sayed	- Chief Executive
Essam M. Al Ansari	- General Manager
Abdulaziz A. Al Othman	- Deputy General Manager
Ali E. Noor	- Deputy General Manager - Business Development, IT and Family Takaful
Ahmed E. Suwailem	- Assistant General Manager - General Takaful
Santosh Shreenivas Prabhu	- Financial Controller
Haider G. Shehabi	- Senior Manager - Motor Takaful
Jijan Abraham Stephen	- Senior Manager - General Takaful
Reema Nowrooz	- Senior Manager - Family Takaful
Lamia E. Hassan	- Senior Manager - Corporate Control
Sayed Jaffer K. Hussain	- Manager - Information Systems
Waleed El Bendary	- Manager - Investments

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL INTERNATIONAL COMPANY B.S.C.

Report on the consolidated financial statements

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

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

Opinion

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

Report on other regulatory requirements

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

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
TAKAFUL INTERNATIONAL COMPANY B.S.C. (continued)**

Report on other regulatory requirements (continued)

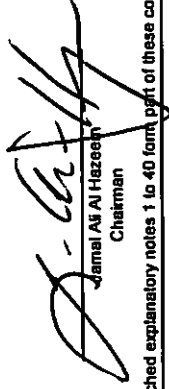
We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse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



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

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

Notes		Shareholders		General takaful		Family takaful		Total	
		31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
		2017	2016	2017	2016	2017	2016	2017	2016
		BD	BD	BD	BD	BD	BD	BD	BD
ASSETS									
Cash and investments:									
6	Statutory deposits	125,000	125,000	-	-	-	-	125,000	125,000
7	Cash and balances with banks	1,255,698	1,114,232	3,083,394	5,331,443	1,195,898	1,192,428	5,534,986	7,608,103
8	Available for sale investments	2,907,441	2,428,308	1,070,434	773,056	1,828,512	1,485,205	5,604,387	4,888,569
		4,288,137	3,667,540	4,153,828	6,104,499	2,922,408	2,647,633	11,284,373	12,419,872
9	Takaful and re-takaful receivables	-	-	9,604,360	8,578,382	284,707	440,464	9,889,067	9,018,826
10	Re-takaful share of outstanding claims	-	-	6,558,258	8,285,559	738,241	616,433	7,294,499	8,901,992
12	Deferred re-takaful contribution	-	-	2,072,318	2,702,966	64,760	327,388	2,137,078	3,030,352
13	Deferred acquisition costs	484,402	708,739	-	-	-	-	484,402	708,739
	Re-takaful share of family takaful technical reserves	-	-	-	-	383,892	1,707,505	383,892	1,707,505
16	Property and equipment	2,083,013	2,272,525	-	-	-	-	2,083,013	2,272,525
15	Other receivables and prepayments	162,942	333,142	171,393	104,982	27,352	10,936	361,887	449,080
17	Receivable from takaful funds	916,585	983,532	-	-	-	-	916,585	983,532
	TOTAL ASSETS	7,915,079	7,963,478	22,658,157	25,776,368	4,341,360	5,750,357	34,814,596	39,490,203
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES									
Shareholders' equity									
19	Share capital	6,250,000	6,250,000	-	-	-	-	6,250,000	6,250,000
19	Statutory reserve	522,041	519,727	-	-	-	-	522,041	519,727
19	General reserve	200,000	200,000	-	-	-	-	200,000	200,000
	Accumulated losses	(658,387)	(678,213)	-	-	-	-	(658,387)	(678,213)
	Investments fair value reserve	63,219	(23,543)	21,338	12,833	(22,286)	(33,041)	62,271	(43,751)
	Equity attributable to shareholders of the parent	6,376,873	6,268,971	21,338	12,833	(22,286)	(33,041)	6,376,825	6,248,763
	Non-controlling interests	100,817	70,586	-	-	-	-	100,817	70,586
	Total equity	6,477,690	6,337,557	21,338	12,833	(22,286)	(33,041)	6,476,742	6,317,349
	(Deficit) surplus in participants' fund	-	-	(1,615,371)	(1,346,619)	661,931	1,209,357	(953,440)	(137,282)
Liabilities									
10	Gross outstanding claims	-	-	9,869,079	11,004,805	887,850	733,691	10,756,929	11,738,496
12	Unearned contributions	-	-	8,045,087	8,226,308	150,857	462,157	8,195,744	8,689,483
14	Family takaful technical reserves	-	-	332,568	480,289	-	5,027	332,568	485,316
	Takaful and re-takaful payables	458,320	567,550	4,489,678	5,675,482	2,063,704	2,780,868	2,063,704	2,780,868
20	Other liabilities and provisions	675,884	812,703	565,318	749,294	481,412	591,770	5,427,410	6,824,812
23	Employees' terminal benefits payable to shareholders	305,185	245,668	-	-	1,967	1,966	1,273,169	1,562,963
	Total liabilities	1,437,389	1,625,921	24,162,190	27,110,154	3,711,715	4,574,041	29,301,294	33,310,116
	TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES	7,915,079	7,963,478	22,658,157	25,776,368	4,341,360	5,750,357	34,814,596	39,490,203


Jamal Ali Al Hazeeb
 Chairman


Abdulrahman Abdulla Mohammed
 Vice Chairman


Younis J. Al Sayed
 Chief Executive

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

	Notes	Shareholders			General takaful			Family takaful			Total		
		31 December			31 December			31 December			31 December		
		2017	2016	BD	2017	2016	BD	2017	2016	BD	2017	2016	BD
Revenue													
Gross contributions	21	-	-	-	18,089,815	20,290,466	-	1,604,184	1,867,284	-	19,653,999	22,157,750	-
Relataful share of gross contributions		-	-	-	(5,439,179)	(6,632,333)	-	(753,328)	(833,336)	-	(6,192,507)	(7,265,669)	-
Retained contributions		-	-	-	12,650,636	13,658,133	-	850,856	1,233,948	-	13,461,492	14,892,081	-
Unearned contributions adjustment - gross	12	-	-	-	181,219	(431,825)	-	311,500	(327,441)	-	492,719	(759,265)	-
Unearned contributions adjustment - relataful	12	-	-	-	(630,648)	627,715	-	(242,626)	242,474	-	(873,274)	870,189	-
Net earned contributions		-	-	-	12,181,207	13,854,023	-	899,730	1,148,581	-	13,080,937	15,003,004	-
Commission income		-	-	-	856,945	1,076,852	-	10,727	10,490	-	867,672	1,087,342	-
Unearned relataful commission income adjustment		-	-	-	147,721	(139,692)	-	5,027	(2,147)	-	182,748	(141,839)	-
Net earned commission income		-	-	-	1,004,666	937,160	-	15,754	8,343	-	1,020,420	945,503	-
Other takaful income		-	-	-	4,597	6,740	-	5,569	7,510	-	10,168	14,250	-
Total takaful revenue		-	-	-	13,190,470	14,797,923	-	921,063	1,164,834	-	14,111,523	15,962,757	-
Expenses													
Gross claims paid	10	-	-	-	(16,250,399)	(19,113,915)	-	(936,122)	(1,058,155)	-	(17,188,521)	(20,172,070)	-
Claims recovered from relataful and other parties	10	-	-	-	7,748,909	7,899,708	-	512,244	807,003	-	8,261,153	8,706,711	-
Outstanding claims adjustments - gross	10	-	-	-	1,115,726	1,111,496	-	(104,159)	(1,233)	-	951,587	1,110,263	-
Outstanding claims adjustments - relataful and others	10	-	-	-	(1,729,301)	178,850	-	121,808	30,241	-	(1,607,493)	210,101	-
Net claims incurred		-	-	-	(9,116,065)	(9,922,851)	-	(486,229)	(222,144)	-	(9,581,294)	(10,144,995)	-
Other takaful expenses		-	-	-	(477,596)	(410,048)	-	(3,049)	(15,703)	-	(480,646)	(425,751)	-
Transfer to family takaful technical reserve		-	-	-	-	-	-	(806,451)	(171,254)	-	(808,451)	(171,254)	-
Provision for impaired takaful receivables	9	-	-	-	(215,245)	79,131	-	(5,367)	(1,086)	-	(220,612)	78,043	-
Total takaful expenses		-	-	-	(9,807,906)	(10,253,769)	-	(1,081,096)	(410,169)	-	(10,889,002)	(10,663,957)	-
Surplus from takaful operations before wakala fees		-	-	-	3,382,564	4,544,155	-	(160,043)	754,645	-	3,222,521	5,298,800	-
Wakala fees expense		-	-	-	(3,541,439)	(4,323,971)	-	(396,046)	(653,549)	-	(3,937,485)	(4,977,520)	-
(Deficit) / surplus from takaful operations after wakala fees		-	-	-	(158,875)	220,184	-	(556,089)	101,096	-	(714,964)	321,280	-
Wakala fees income	24	3,937,485	4,977,520	-	-	-	-	-	-	-	3,937,485	4,977,520	-
Investment income	25	142,272	133,676	-	130,615	53,276	-	95,069	140,961	-	367,685	327,913	-
Mudarb share	24	56,396	48,559	-	(32,629)	(13,319)	-	(23,767)	(35,240)	-	-	-	-
Other income - net	26	389,038	292,445	-	-	-	-	-	-	-	389,038	292,445	-
		4,525,191	5,452,200	-	97,886	39,957	-	71,301	105,721	-	4,694,376	5,597,878	-
Management, general and administrative expenses and depreciation	22	(3,136,352)	(3,180,092)	-	-	-	-	-	-	-	(3,136,352)	(3,180,092)	-
Amortisation of acquisition costs	13	(1,214,256)	(1,637,016)	-	(207,763)	(181,335)	-	(72,638)	(57,732)	-	(1,214,256)	(1,637,016)	-
Impairment loss on investments	8	(121,213)	(231,801)	-	(207,763)	(181,335)	-	(72,638)	(57,732)	-	(401,614)	(470,968)	-
Net management, general and administrative expenses		(4,471,820)	(5,048,909)	-	(207,763)	(181,335)	-	(72,638)	(57,732)	-	(4,752,221)	(5,267,976)	-
Net profit and (deficit) / surplus for the year		53,371	403,291	-	(268,752)	76,806	-	(557,426)	149,085	-	(772,807)	631,182	-

Attributable to:

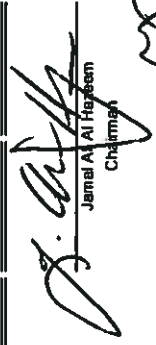
Shareholders of the parent
Non-controlling interests

Earnings per share

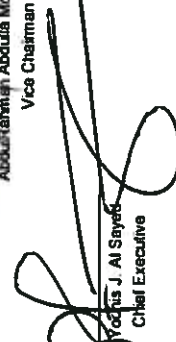
23,140
30,231
53,371

396,607
6,684
403,291

0.37 Fils
6.35 Fils


Jamal Al-Hajj
Chairman


Abdurrahman Abdulla Mohammed
Vice Chairman


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

Takaful International Company B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN PARTICIPANTS' FUND

For the year ended 31 December 2017

	<i>Investments fair value reserve</i>				
	<i>General takaful</i>	<i>Family takaful</i>	<i>General takaful</i>		<i>Total</i>
			<i>BD</i>	<i>BD</i>	
At 1 January 2017					
Realised fair value gains / (losses) on investment securities	(1,346,619)	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)	1,060,272	(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)	23,974
At 31 December 2016	(1,346,619)	1,209,357	12,833	(33,041)	(157,470)

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.

1 ORGANISATION AND ACTIVITIES

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

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

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

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

2 BASIS OF PRESENTATION

Statement of compliance

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

Accounting convention

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

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

Functional currency

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

3 BASIS OF CONSOLIDATION

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Effective ownership</i>		<i>Principal activity</i>
		<i>2017</i>	<i>2016</i>	
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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

General takaful (continued)

iii) Liability adequacy test

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

Family takaful

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

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

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

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Family takaful (continued)

Gross claims settled (continued)

iii) Liability adequacy test

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

Qard Hassan

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

Surplus/deficit in participants' fund

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

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

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

Cash and cash equivalents

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

Trade and settlement date accounting

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

Available for sale investments

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

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

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

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.

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings prohibited by Shari'a

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

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The ultimate liability arising from claims made under insurance contracts

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

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

Impairment losses on available-for-sale securities

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

Impairment losses on takaful and retakaful receivables

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

Going concern

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

Family takaful reserves

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

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	835,649	342,765	1,329,414
	1,079,223	1,773,793	463,895	3,316,911
Bank deposits with maturity of more than three months	176,473	1,309,601	732,001	2,218,075
Cash and balances with banks	1,255,696	3,083,394	1,195,896	5,534,986

	31 December 2016			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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 AVAILABLE FOR SALE INVESTMENTS

Analysis of available-for-sale investments

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.

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	868,202	124,178	992,380
Due from takaful participants	3,018,873	179,779	3,198,652	3,311,132	184,729	3,495,861
Due from broker and other receivables	2,120,109	66,542	2,186,651	2,185,011	146,460	2,331,471
Allowance for impairment	(663,797)	(20,270)	(684,067)	(488,103)	(14,903)	(503,006)
Closing balance	<u>9,604,360</u>	<u>284,707</u>	<u>9,889,067</u>	<u>19,061,806</u>	<u>440,464</u>	<u>9,018,826</u>

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

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

	31 December 2017	31 December 2016
At 1 January	503,006	622,811
Charge / (reversal) during the year	220,612	(78,043)
Written-off for the year	(39,551)	(41,762)
	<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 2017	Overdue 2017	Overdue and not impaired 2016	Current 2017	Overdue 2017	Overdue and not impaired 2016
0 to 120 days	5,105,959	3,736,694	-	222,827	351,168	-
121 to 180 days	-	-	675,835	-	-	1,340
181 to 365 days	-	-	1,941,712	-	-	13,009
More than 365 days	-	-	1,880,854	-	-	47,531
	<u>5,105,959</u>	<u>3,736,694</u>	<u>4,498,401</u>	<u>222,827</u>	<u>351,168</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10 OUTSTANDING CLAIMS

	2017		2016	
	Gross BD	Retakaful share BD	Gross BD	Retakaful share BD
<i>At 1 January</i>				
Reported claims	9,393,618	(7,728,726)	1,664,892	7,512,470
IBNR and IBNER claims	2,344,878	(1,173,266)	1,171,612	5,336,290
	11,738,496	(8,901,992)	2,836,504	12,848,760
Claims incurred during the year	16,234,954	(6,653,660)	9,581,294	19,061,806
Claims paid during the year	(17,186,521)	8,261,153	(8,925,368)	(20,172,070)
<i>At 31 December</i>	10,786,929	(7,294,499)	3,492,430	11,738,496
<i>At 31 December</i>				
Reported claims	9,246,606	(6,693,266)	2,553,340	9,393,618
IBNR and IBNER claims	1,540,323	(601,233)	939,090	2,344,878
	10,786,929	(7,294,499)	3,492,430	11,738,496

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

For the year ended 31 December 2017

11 CLAIMS DEVELOPMENT

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

Gross claims

Accident year	2009 BD	2010 BD	2011 BD	2012 BD	2013 BD	2014 BD	2015 BD	2016 BD	2017 BD	Total BD
At the end of										
Accident year	9,575,111	9,927,779	10,890,272	13,485,208	16,550,364	15,917,496	14,094,971	19,515,026	16,136,710	
One year later	10,095,653	10,224,165	11,245,228	14,816,064	18,447,720	17,900,095	15,591,013	20,963,383	-	
Two years later	9,924,844	10,265,279	13,100,524	14,823,818	19,086,330	18,439,226	16,041,885	-	-	
Three years later	9,958,823	10,216,625	13,126,988	15,058,614	19,178,569	18,649,132	-	-	-	
Four years later	9,891,919	10,198,724	13,182,709	15,104,752	19,231,824	-	-	-	-	
Five years later	9,920,866	10,209,611	13,185,142	15,144,603	-	-	-	-	-	
Six years later	9,955,205	10,208,925	13,205,119	-	-	-	-	-	-	
Seven years later	9,947,781	10,200,935	-	-	-	-	-	-	-	
Eight years later	9,901,150	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	9,901,150	10,200,935	13,205,119	15,144,603	19,231,824	18,649,132	16,041,885	20,963,383	16,136,710	139,474,741
Cumulative payments to date	(9,840,881)	(10,168,651)	(13,112,014)	(15,063,794)	(18,924,581)	(18,073,483)	(14,762,619)	(19,383,201)	(9,369,340)	(128,698,564)
Liability recognised in the statement of financial position	60,269	32,284	93,105	80,809	307,243	575,649	1,279,266	1,580,182	6,767,370	10,776,177

Liability in respect of years prior to 2009

10,752

Total reserve included in the consolidated statement of financial position

10,786,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11 CLAIMS DEVELOPMENT (continued)

Net outstanding claims

Accident year	2009 BD	2010 BD	2011 BD	2012 BD	2013 BD	2014 BD	2015 BD	2016 BD	2017 BD	Total BD
At the end of										
Accident year	3,535,036	3,978,257	4,444,499	5,754,752	6,818,700	7,970,234	7,693,114	10,018,918	9,288,622	
One year later	3,713,004	4,140,704	4,683,185	6,473,312	7,724,473	8,681,002	8,550,400	10,531,698	-	
Two years later	3,710,574	4,136,406	4,963,481	6,528,240	8,149,743	9,042,943	8,754,271	-	-	
Three years later	3,699,408	4,078,162	4,991,449	6,725,210	8,178,844	9,164,187	-	-	-	
Four years later	3,590,895	4,062,819	5,020,737	6,710,731	8,284,188	-	-	-	-	
Five years later	3,665,476	4,073,531	5,013,136	6,827,707	-	-	-	-	-	
Six years later	3,627,952	4,089,295	5,066,907	-	-	-	-	-	-	
Seven years later	3,639,355	4,140,977	-	-	-	-	-	-	-	
Eight years later	3,722,278	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	3,722,278	4,140,977	5,066,907	6,827,707	8,284,188	9,164,187	8,754,271	10,531,698	9,288,622	65,780,835
Cumulative payments to date	(3,713,594)	(4,129,037)	(5,049,634)	(6,808,433)	(8,252,476)	(9,094,011)	(8,580,868)	(9,927,734)	(6,737,597)	(62,293,384)
Liability recognised in the statement of financial position	8,684	11,940	17,273	19,274	31,712	70,176	173,403	603,964	2,551,025	3,487,451
Liability in respect of years prior to 2009										4,979
Total reserve included in the consolidated statement of financial position										3,492,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

12 UNEARNED CONTRIBUTIONS AND DEFERRED RETAKAFUL CONTRUBUTIONS

	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)	7,065,781	(13,080,937)
At 31 December	<u>8,195,744</u>	<u>(2,157,078)</u>	<u>6,038,666</u>

	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	(21,398,485)	6,395,481	(15,003,004)
At 31 December	<u>8,688,463</u>	<u>(3,030,352)</u>	<u>5,658,111</u>

13 DEFERRED POLICY ACQUISITION COSTS

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

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	<u>332,568</u>	<u>485,316</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15 OTHER RECEIVABLES AND PREPAYMENTS

31 December 2017				
	Shareholders	General	Family	Total
	BD	takaful	takaful	BD
		BD	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	General	Family	Total
	BD	takaful	takaful	BD
		BD	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16 PROPERTY AND EQUIPMENT

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

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

Properties owned by the Company

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

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 BD	Shareholders BD
Gross contributions	2,968	360,008
	31 December 2016	
	Key management personnel BD	Shareholders 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 BD	Shareholders 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 BD	Shareholders 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

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	71,679	65,343
Employees' end of service benefits	15,765	15,765
	512,784	506,448

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

During the year the board of directors in their meeting held on 8 November 2017 have approved the recommendation to increase the paid capital of the Company by BD 2,250,000. The recommendation would be presented to the Company's shareholders for approval in the EGM to be held on 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	14,220,486	22.75%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	8.40%
International Investment Group	Kuwaiti	3,991,187	6.39%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19 EQUITY AND RESERVES (continued)

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

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

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

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

Statutory reserve

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

General reserve

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

Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

20 OTHER LIABILITIES AND PROVISIONS

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

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
	18,069,815	1,584,184	19,653,999
	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
	20,290,466	1,867,284	22,157,750

22 MANAGEMENT, GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 EMPLOYEES' TERMINAL BENEFITS

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

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

	31 December 2017 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	8,680	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	10,609	1,518	1,603	13,730
Realised fair value (losses)/gains on sale of investment securities	36,266	15,271	13,632	65,169
	133,676	53,276	140,961	327,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

26 OTHER INCOME - NET

	<i>Year ended 31 December 2017 BD</i>	<i>Year ended 31 December 2016 BD</i>
Other income		
TPA fees and other income (subsidiary)	363,756	268,230
Rental income	29,700	27,100
Profit on sale of equipment	2,091	5,253
Foreign exchange gain	-	3,681
	<u>395,547</u>	<u>304,264</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.

	<i>Year ended 31 December 2017 BD</i>	<i>Year ended 31 December 2016 BD</i>
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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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					Total	
	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	General Takaful BD	Family Takaful BD	Total BD
Gross contributions	5,104,153	5,455,318	7,054,880	455,464	18,069,815	1,584,184	19,653,999
Relataful share of gross contributions	(4,446,914)	(175,166)	(442,773)	(374,306)	(5,439,179)	(753,328)	(6,192,507)
Retained contributions	657,239	5,280,132	6,612,107	81,158	12,630,636	830,856	13,461,492
Movement in unearned contributions	95,005	(631,991)	85,881	1,676	(449,429)	68,874	(380,555)
Net earned contributions	752,244	4,648,141	6,697,988	82,834	12,181,207	899,730	13,080,937
Net earned commission income	931,759	-	-	72,907	1,004,666	15,754	1,020,420
Other takaful income	1,460	2,390	212	535	4,597	5,569	10,166
Segment Revenue	1,685,463	4,650,531	6,698,200	156,276	13,190,470	921,053	14,111,523
Net claims incurred	(519,338)	(3,559,314)	(5,032,143)	(4,270)	(9,115,065)	(466,229)	(9,581,294)
Other Takaful Expenses	(3,361)	(367,425)	(106,810)	-	(477,596)	(3,049)	(480,645)
Transfer to family takaful technical reserve	-	-	-	-	-	(606,451)	(606,451)
(Provision for)/ reversal of impaired takaful receivables	(46,823)	(39,413)	(107,010)	(21,999)	(215,245)	(5,367)	(220,612)
Underwriting surplus before wakala fees	1,115,941	684,379	1,462,237	130,007	3,382,664	(160,043)	3,222,521
Wakala fees	(1,108,947)	(872,850)	(1,435,134)	(124,608)	(3,541,439)	(396,046)	(3,937,485)
Surplus/ (Deficit) from takaful operations after wakala fees	7,094	(188,471)	17,103	5,399	(168,875)	(556,089)	(714,664)
Investment Income					130,515	95,068	225,583
Mudarib Share					(32,629)	(23,767)	(56,396)
Impairment loss on investments					(207,763)	(72,638)	(280,401)
Net deficit					(268,752)	(557,426)	(826,178)

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For the year ended 31 December 2017

28 SEGMENTAL UNDERWRITING RESULTS (continued)

Business segments – primary reporting segment (continued)

	For the year ended 31 December 2016						Total
	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	General Takaful BD	Family Takaful BD	Total BD
Gross contributions	6,586,052	4,670,086	8,511,398	522,930	20,290,466	1,867,284	22,157,750
Relataful share of gross contributions	(5,588,011)	(45,080)	(563,151)	(436,091)	(6,632,333)	(633,336)	(7,265,669)
Retained contributions	998,041	4,625,006	7,948,247	86,839	13,658,133	1,233,948	14,892,081
Movement in unearned contributions	(90,403)	121,741	167,510	(2,958)	195,890	(84,967)	110,923
Net earned contributions	907,638	4,746,747	8,115,757	83,881	13,854,023	1,148,981	15,003,004
Net earned commission income	858,850	1,745	-	76,565	937,160	8,343	945,503
Other takaful income	1,251	2,308	1,577	1,604	6,740	7,510	14,250
Segment Revenue	1,767,739	4,750,800	8,117,334	162,050	14,797,923	1,164,834	15,962,757
Net claims incurred	(258,640)	(3,884,322)	(5,786,795)	6,906	(9,922,851)	(222,144)	(10,144,995)
Other takaful expenses	(744)	(268,809)	(140,476)	(19)	(410,048)	(15,703)	(425,751)
Transfer to family takaful technical reserve		-	-	-	-	(171,254)	(171,254)
(Provision for)/ reversal of impaired takaful receivables	65,000	24,503	(10,372)	-	79,131	(1,088)	78,043
Underwriting surplus before wakala fees	1,573,355	622,172	2,179,691	168,937	4,544,155	754,645	5,298,800
Wakala fees	(1,430,966)	(787,794)	(1,985,692)	(119,519)	(4,323,971)	(853,549)	(4,977,520)
Surplus/ (Deficit) from takaful operations after wakala fees	142,389	(165,622)	193,999	49,418	220,184	101,096	321,280
Investment Income					53,276	140,961	194,237
Mudarib Share					(13,319)	(35,240)	(48,559)
Impairment loss on investments					(181,335)	(57,732)	(239,067)
Net surplus					78,806	149,085	227,891

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28 SEGMENTAL UNDERWRITING RESULTS (continued)

	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	Unallocated assets / Liabilities BD	Total BD	Family Takaful BD	Total BD
The following table presents disclosure of segment assets and liabilities:								
Identifiable assets and liabilities as on 31 December 2017								
Identifiable assets	6,947,358	1,525,804	4,788,018	250,808	9,046,369	22,558,157	4,341,360	26,899,517
Identifiable liabilities	8,575,042	2,627,114	7,713,268	298,038	4,938,738	24,152,190	3,711,715	27,863,905
Identifiable assets and liabilities as on 31 December 2016								
Identifiable assets	6,772,933	1,206,283	6,608,737	343,650	10,844,765	25,776,388	5,750,357	31,526,725
Identifiable liabilities	8,583,778	77,183	9,729,341	402,784	8,317,068	27,110,154	4,574,041	31,684,195

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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:

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

29 RISK MANAGEMENT

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

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

Risk management

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

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

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

Takaful risk

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

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.

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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	Total
	BD	BD	BD	BD
Net exposure	1,165,030	3,667,469	118,595	5,604,387

31 December 2016				
	Bahraini Dinar	US Dollars	Qatari Riyals	Total
	BD	BD	BD	BD
Net exposure	2,227,159	3,473,970	152,851	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, sukuks and managed funds).

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

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

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

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

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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.

	At 31 December 2017	
	Carrying	Maximum
	value	exposure
Financial assets	BD	BD
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

	At 31 December 2016	
	Carrying	Maximum
	value	exposure
Financial assets	BD	BD
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.

Takaful International Company B.S.C.

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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	7,960,682	1,928,385	-	9,889,067
Retakaful share of outstanding claims	7,294,499	-	-	7,294,499
Deferred retakaful contribution	2,157,078	-	-	2,157,078
Deferred acquisition costs	464,402	-	-	464,402
Retakaful share of family takaful technical reserves	383,892	-	-	383,892
Property and equipment	-	-	2,083,013	2,083,013
Other receivables and prepayments	361,687	-	-	361,687
Receivable from takaful funds	916,585	-	-	916,585
	26,036,528	6,570,055	2,208,013	34,814,596
LIABILITIES				
Gross outstanding claims	10,786,929	-	-	10,786,929
Unearned contributions	8,195,744	-	-	8,195,744
Unearned retakaful commissions	332,568	-	-	332,568
Family takaful technical reserves	2,063,704	-	-	2,063,704
Takaful and retakaful payables	5,427,410	-	-	5,427,410
Other liabilities and provisions	1,273,169	-	-	1,273,169
Employees' terminal benefits	-	305,185	-	305,185
Payable to shareholders	916,585	-	-	916,585
	28,996,109	305,185	-	29,301,294
31 December 2016				
	One year or less BD	More than one year BD	No term BD	Total BD
ASSETS				
Cash and bank balances	7,608,103	-	125,000	7,733,103
Investments	449,626	4,236,943	-	4,686,569
Takaful and retakaful balances receivable	8,068,760	950,066	-	9,018,826
Retakaful share of outstanding claims	8,901,992	-	-	8,901,992
Deferred retakaful contribution	3,030,352	-	-	3,030,352
Deferred 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	449,060	-	-	449,060
Receivable from takaful funds	983,532	-	-	983,532
	31,905,669	5,187,009	2,397,525	39,490,203

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

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

30 CAPITAL ADEQUACY AND SOLVENCY MARGIN REQUIREMENTS

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

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

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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:

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

b) Other commitments

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

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

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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37 TOTAL COMPREHENSIVE INCOME

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

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		10,786,929
Family takaful technical reserves		2,063,704
Takaful and retakaful payables		5,427,410
Other liabilities and provisions		1,273,169
Employees' terminal benefits		305,185
		19,856,397
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		11,738,496
Family takaful technical reserves		2,780,866
Takaful and retakaful payables		6,824,812
Other liabilities and provisions		1,562,963
Employees' terminal benefits		245,668
		23,152,805

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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	Level 2	Level 3	Total
	BD	BD	BD	BD
Available-for-sale investments				
<i>Quoted equities</i>				
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
<i>Unquoted equity investments</i>				
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
<i>Other managed funds</i>				
Real estate & construction	326,976	-	-	326,976
Other sectors	556,568	-	-	556,568
	4,795,721	808,666	-	5,604,387

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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				
<i>Quoted equities</i>				
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
<i>Unquoted equity investments</i>				
Insurance	-	80,268	-	80,268
Consumer service	-	1,186,561	-	1,186,561
<i>Other managed funds</i>				
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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

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