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Bahrain
Takaful

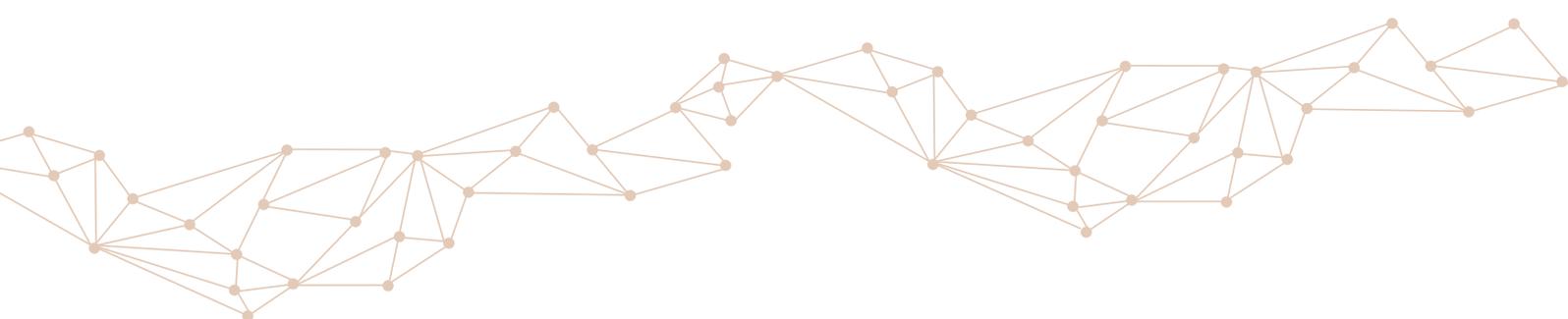
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Takaful International B.S.C

Moving forward to
a prosperous future

ANNUAL REPORT 2018

30
YEARS OF
SUCCESS



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

The Prime Minister of
The Kingdom of Bahrain



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

The King of
The Kingdom of Bahrain



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

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

General Information

Takaful International Co. B.S.C.

Registered Office: Building No. 680, Road No 2811
Seef District 428
Kingdom of Bahrain

Postal Address: P.O. Box 3230
Manama
Kingdom of Bahrain

Telephone: 17565656
Fax: 17582688
E-mail: takaful@gigtakaful.bh
Website: www.gigtakaful.bh

Takaful Centers:

Seef District: Tel: +973 17 565 617
Fax: +973 17 582 886

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

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

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

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

Primary Bankers:

Bahrain Islamic Bank
Al Salam Bank
Bank of Bahrain and Kuwait

Auditors:

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

Listing:

Bahrain Bourse

Actuary:

Abdul Rahim Abdul Wahab
A-62 KDA Officers Society,
Karachi, Pakistan.
Telephone: +92 213 4993000
Mobile: +92 320 9262723

Registrars:

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



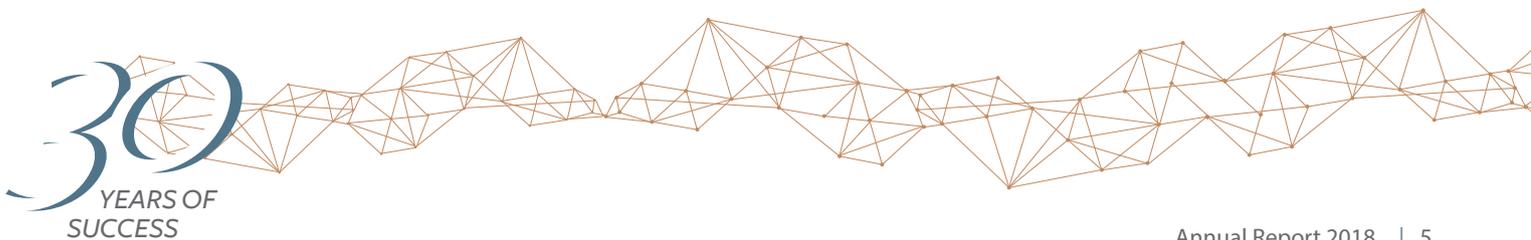
www.gigtakaful.bh

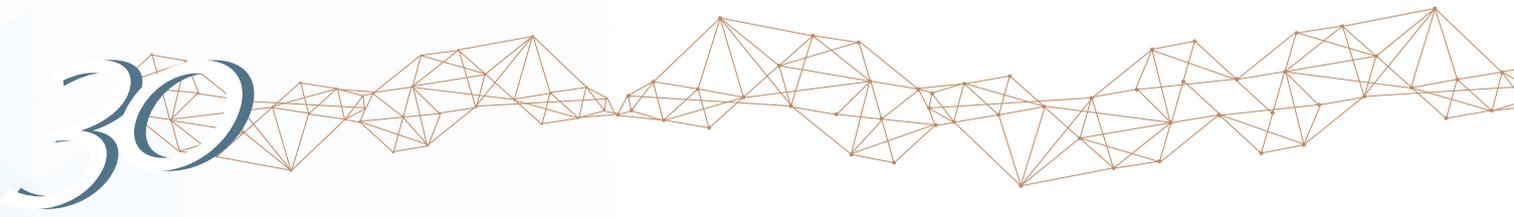


Takaful International journey across three decades is adorned with unsurpassed excellence as the most trusted Islamic insurance provider to individuals and corporate customers in the Kingdom. The milestones it achieved reflect a commitment to upholding the values of a great tradition.

With the expertise and experience acquired over thirty years, Takaful International always remains at the forefront of insurance industry as one of the most innovative companies in the region, offering future-ready products and customer-friendly services.

Now, Takaful International continues its journey towards a brighter future, embracing digital technology to perform efficiently, to reach customers effectively, offer solutions faster and to ensure transparency.

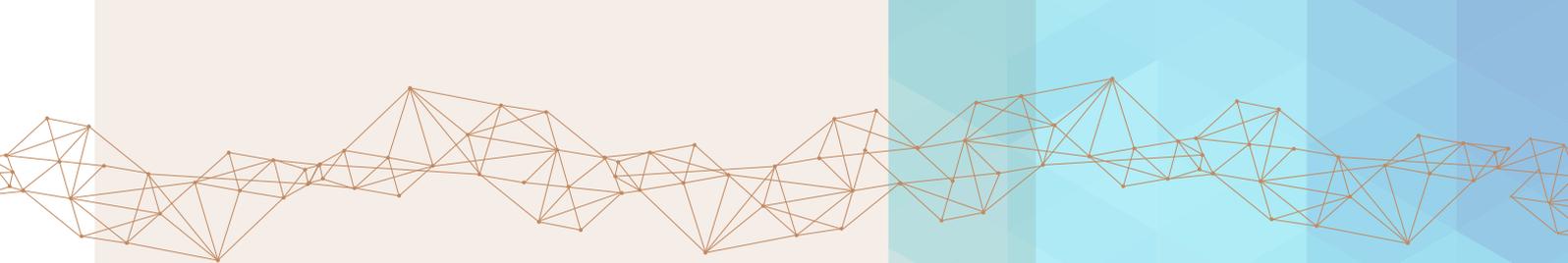




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Performance empowered by experience

For Takaful International, the most priceless asset, undoubtedly, is the vast and profound experience it gathered over thirty glorious years as the pioneering Sharia'a compliant insurance provider in the Kingdom. This unmatched experience makes us stand out with distinction, equips us to perform better with innovative products and inspires us to envision a greater future of immense possibilities of growth.



Realising prosperity with innovative solutions

Takaful International growth shares the scintillating milestones of a nation's development. Over three decades, we have been evolving together – Takaful International Co. and Bahrain with a host of ingenious tailor-made solutions that uphold Islamic values, we ensure security and instill confidence to grow beyond bounds and reap bigger rewards.

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Board of Directors



Executive Management



Lamia Hassan
Chief Compliance Officer
Compliance & Legal Affairs

Jijan Stephen
Chief Underwriting Officer
General Takaful

Reema Nowrooz
Chief Underwriting Officer
Family Takaful & Healthcare

Abdulaziz Al Othman
Deputy Chief Executive Officer

Essam Al Ansari
Chief Executive Officer

Santosh Prabhu
Chief Financial Officer

Sharia'a Supervisory Board

Dr. Shaikh Abdul Latif Al Mahmood
Chairman

Dr. Shaikh Abdul Sattar Abuguddah
Deputy Chairman

Shaikh Mohsin Al Asfor
Member

Vision

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

Mission

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

Values

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

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

A large, stylized graphic celebrating 30 years of success. The number '30' is rendered in a large, white, 3D-style font with a blue shadow. Below it, the words 'YEARS OF SUCCESS' are written in a white, sans-serif font. The background features a dark brown gradient with a network of white lines and dots, and a series of glowing orange dots forming a path that recedes into the distance.

30
YEARS OF
SUCCESS

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

Products and Services

1. General Takaful

A. Commercial and Major Accounts

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

B. Personal Lines

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

2. Family Takaful and Healthcare

- Family Takaful (Osratok)
- Group Family Takaful
- Education Takaful (Taleemi)
- Saving Takaful (Edikhari)
- Group Health Takaful (Sehatak)
- Regular Pay-back Takaful (Sandooki)

3. Motor Takaful (Sayaratak)

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

4. Smart Takaful

5. e-Takaful (online Takaful)

6. Takaful Hotline (80008050)

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Director's Report



We remain committed to our customer-centric service proposition, leveraging technology for enhanced customer convenience

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

Dear Shareholders,

On behalf of the members of the Board of Directors, I am pleased to present the 29th Annual report of your Company for the financial year ended 31 December 2018.

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

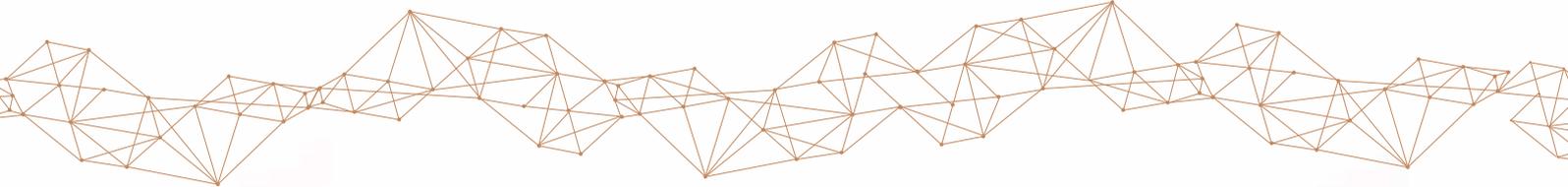
Macroeconomic parameters for the Bahrain economy have been improving consistently over the last several quarters, inflation has been under control, the current account deficit remains contained and liquidity conditions showing improvement. The business sentiment continues to show positive signs, largely owing to political stability and some reforms starting to come through. The economic growth is likely to improve gradually, though realizing our full potential would require focused measures to revive the investment cycle and boost consumption.

The global economic scenario continues to show gradual and sustained improvement with signs of recovery both in the US and Europe. On the other hand, emerging economies, which were considered the growth engines pulling the world out of a slowdown, seem to be facing some issues in terms of tepid domestic growth and inflationary concerns. We believe that these will improve and the economic scenario should further improve across developed and emerging economies. We expect investments to pick up in the coming quarters, which would further augment economic growth.

On an overall basis, our combined ratio improved this year as a result of the continuous efforts to manage operational and technical expenses and the focus on cost saving initiative and other measures taken by the company. During the year, the company had a capital raise of BD 2.25 M, which was fully subscribed by the parent company. This had strengthened the solvency and capital adequacy of the company and showed the confidence of the parent's group in the company. The Company achieved an overall profit of BD 847K compared to a loss of BD 772K last year.

Going forward, we remain committed to our customer-centric service proposition, leveraging technology for enhanced customer convenience. Your Company continued to launch various customer-centric initiatives during the year as it progressed on its digital journey. Presence across physical, web and mobile modes enables anytime, anywhere access to our products and services. Your Company continues to evaluate innovative technologies to further support its pursuit of service excellence. These will continue to expand in scope to help us further enrich the customer experience.

We will also keep optimizing our investments and pave the way for sustained and profitable growth in the future. We are focused on building a Takaful company that sets benchmarks and creates sustainable value for all stakeholders.



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

I would like to take this opportunity to acknowledge the contribution of our employees in building a strong foundation for the organization. I am confident that the Company will continue to achieve greater milestones and lead the growth of a vibrant Takaful industry in the future.

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

The Board of Directors expenses for the year 2018 was BD45,500 for sittings fees and BD12,866 for travel and other expenses.

I would like to extend our sincere thanks and gratitude to His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain and his Government for their continued support to the economy of Bahrain and to the Financial Sector in particular. I would like also to thank the Government Ministers and the Central Bank of Bahrain for their valuable assistance and guidance.

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

Thank You,

Jamal Al Hazeem
Chairman
Bahrain, 13 February 2019

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Chief Executive Officer's Report



The continued success of Takaful International is a testament to the strength of the long-standing trust of our customers and various stakeholders

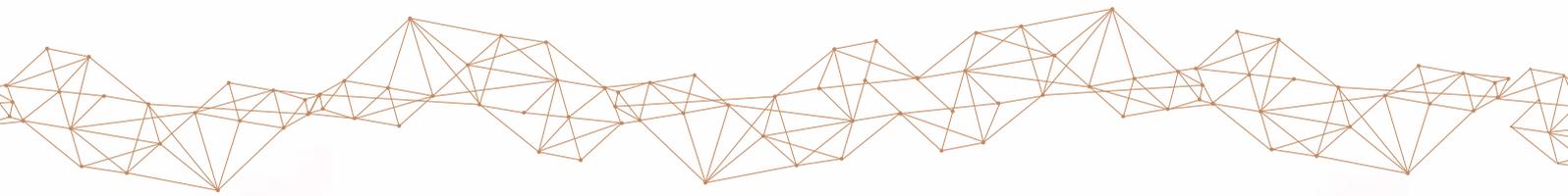
In the name of Allah, The Most Compassionate, The Most Merciful

Continued growth in the Bahrain economy was witnessed over the past couple of quarters. The business sentiment continued to be positive, largely owing to political stability and some reforms starting to come through. The financial services sector was a good beneficiary of these positive developments. Increasing awareness about the benefits of insurance across the general population, along with increasing the penetration of general insurance in the country had provided good support for the Insurance market. Amid rising awareness, growing population of young working individuals and the Bahraini insurance sector is estimated to continue growing further. Increasing levels of digitisation are benefitting the sector in multiple ways; easy on-boarding of new customers and improving customer experience and convenience. Additionally, increasing adoption of technology across the operations of insurance companies is driving efficiencies, leading to higher value creation for all stakeholders. Going forward, customer centricity will continue to be a key differentiator for the insurance companies.

Although the investments showed some positive signs, weak investment appetite, partly emanating from a leveraged corporate sector alongside a stressed banking sector, remained a challenge. At a time when the global economy seems poised for a turnaround after years of sluggish growth, we hope the investment cycle turns better and builds on the improving macro parameters.

Bahrain and other GCC countries continued to see some improvements in macroeconomic conditions during the year. Several structural reforms were initiated by the Government that are expected to provide an impetus to long-term sustainable growth in the economy. Many business sectors have been under economic stress in the last couple of years on account of several global, regional and economical situations. There were challenges in terms of slowdown in nominal growth in some sectors due to the impact of muted global commodity prices on some important sector and subdued private investments.

The year 2018 was another year of challenges and opportunities for Takaful International. Although a tough year Takaful International could maintain and grow its business. Takaful wrote a Gross Written Contributions of BHD22.0 M during 2018 compared to previous year of BD19.6 M. The company was cautious in its underwriting policy and restructured further its business portfolio in line with its strategy to maintain a balanced portfolio, adopting prudent underwriting policies to protect the interest of its stakeholders. The overall net claims ratio was 74% for the year 2018 compared to 73% for year ended 2017.



Our organisational aim is to meet the savings, wealth accumulation, health and protection needs of the fast growing and increasingly affluent residents of Bahrain. The continued success of Takaful International is a testament to the strength of the long-standing trust of our customers and various stakeholders. This has been underpinned by our shared commitment to providing quality products to our customers, delivering value to our shareholders, and contributing to the development of the economy.

The performance delivered by our Company over the years is an outcome of our efforts to provide a superior experience to our customers. It is our constant endeavour to understand the customers' changing preferences and to improve their experience at every stage. Simplification and transparency of products, services and processes enables us to create value for our customers, right from on-boarding to claim settlement. We believe that removal of complexity from our business is instrumental in driving all-round value creation for all stakeholders. Our technology and digital offerings are aimed at providing a seamless transacting experience to our customers. The Company's persistency ratio reiterates the trust and support that customers have reposed in us. Takaful International embodies the two words of trust and transparency. We believe that trust is dependent on our ability to design simple and easy to understand products, while transparency is reflected in the long-term value delivered by our products and services.

Our ability to continuously deliver value to our customers is the outcome of the dedicated efforts put in by our people. They value their association with the Company and believe in the growth potential of the sector. Our team is agile and has the humility and sensitivity to keep adapting to the changing preferences of our customers. This approach drives our Company to achieve greater heights in the dynamic ecosystem that we operate in. Overall, we will continue to offer simple products which are relevant to society and simultaneously drive efficiencies across the organisation.

Takaful International was successful in maintaining and growing its business despite challenging business environment. The company adopted prudent underwriting and best practice policies for preserving resources and savings in the cost thereby successful in have a successful year registering decent overall profit of BD 847K for the year ended 2018 compared to loss of BD 772K in the previous year.

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

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

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

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

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

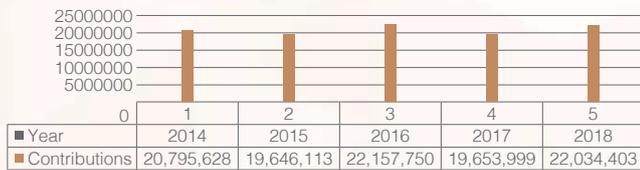
Chief Executive Officer's Report

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

Contributions:

The total contributions for the year ended 31 December 2018 amounted to BHD22.0m against BD19.6M for 2017.

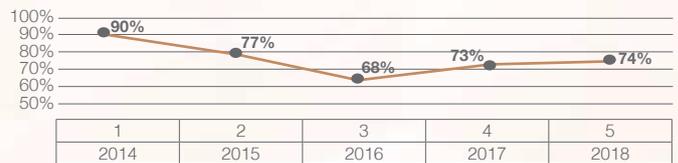
Total Contributions:



Claims:

The overall net claims incurred ratio for year 2018 was 74% compared to 73% for the year 2017.

Incurred Claims Ratio



Gross Underwriting results:

The gross underwriting results before Wakala charge was BD 3.7M compared to BD 3.2M for the previous year.

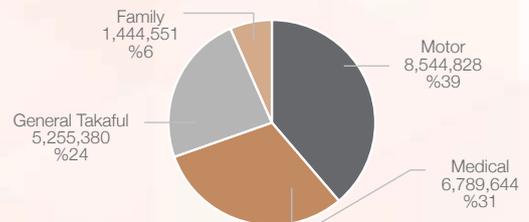
Gross Underwriting results



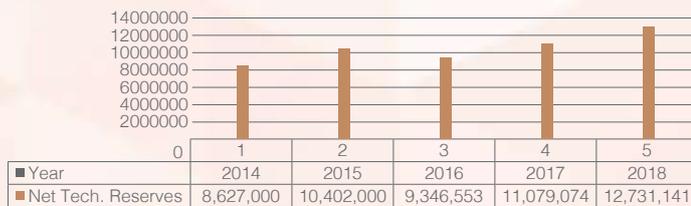
Business Mix:

Further diversified during the year 2018.

Business Mix

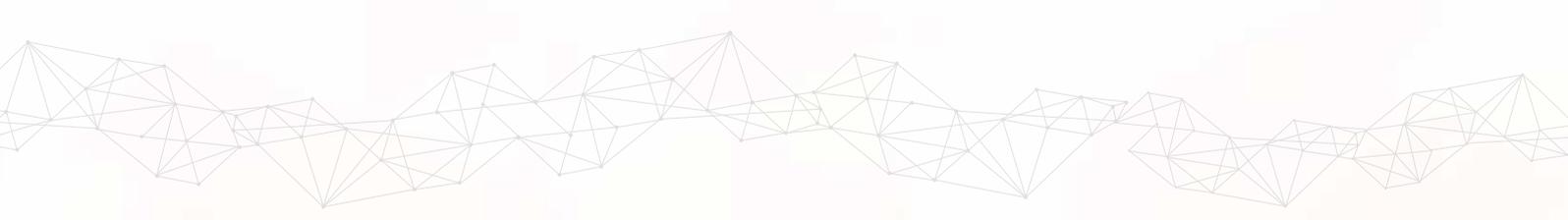


Net Techinal Reserve:



Gross Investments:





Overall management, general and administrative expenses for year 2018 which amounted to BHD2.507M was lower than previous year BHD3.136M.

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

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

We expect a positive outlook for the year 2019 and expect a decent growth in business. Our main focus will be on quality services, prudent claims & expenses management expenses which will help the company to generate better results.

I would like to take this opportunity to thank our Board of directors for their support and guidance. I would also like to express my

appreciation to the employees of Takaful International for their dedicated efforts towards achieving the goals of the company. Also thank our valued clients, reinsurance companies, Sharia'a board members, intermediaries and all our business partners for their support which has contributed in the growth of the company.

Congratulations to the team on achieving a year of strong financial performance and continuing to execute on its strategy to capture long-term growth opportunities in the insurance market.

We would like to thank all our stakeholders for their continued trust and support extended to us. We will continue to build our business by adhering to our strong culture of trust and transparency and prudent risk management.

Thank you,

Essam Al Ansari

Chief Executive Officer
Bahrain, 13th February 2019

Corporate Governance Report

for the year ended 31 December 2018

1. Corporate Governance

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

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

The Company is committed to comply with the requirements of the Corporate Governance Code issued by the Ministry of Industry, Commerce and Tourism and the High-Level Controls (HC) Module of the Central Bank of Bahrain's (CBB) Rulebook, Volume 3. No changes in HC Module took place during the year ended 31 December 2018.

The Company maintained its full commitment to all rules and regulations issued by the Central Bank of Bahrain, without reporting any significant violations during the year 2018.

2. Shareholding

The Company's shares are listed and publically traded on Bahrain Bourse. The Company has issued 85,000,000 ordinary shares with a face value of BD 0.100 per share (issued and fully paid-up share capital of BD 8,500,000). The Company has only one class of equity shares and the holders of the shares have equal voting rights.

Distribution of shareholding by Nationality

	Number of shareholders	Number of shares	Percentage of shareholding
Bahraini	195	78,754,658	92.65%
Other GCC Nationalities	6	6,245,342	7.35%
Total	201	85,000,000	100%

Distribution of shareholding by Size

	Number of shareholders	Number of shares	Percentage of shareholding
More than 50%	1	69,651,974	81.94%
10% up to less than 50%	-	-	-
5% up to less than 10%	1	5,250,000	6.18%
1% up to less than 5%	2	3,902,206	4.59%
Less than 1%	197	6,195,820	7.29%
Total	201	85,000,000	100%

Major shareholders of the Company (5% and more shareholding)

	Nationality	Number of shares	Percentage of shareholding
Bahrain Kuwait Insurance Company B.S.C.	Bahraini	69,651,974	81.94%
Kuwait Public Awqaf Foundation	Kuwaiti	5,250,000	6.18%

Corporate Governance Report

for the year ended 31 December 2018

3. Board of Directors and Executive Management

Board Composition

The Board composition is based on the Company's Memorandum and Articles of Association. Board members, in compliance with corporate governance requirements, possess a mix of high-level professional skills and expertise. Members of board committees possess adequate professional background and experience.

The Board comprises of ten members. The classification of Executive/Non-Executive, Independent/ Non-Independent is as per the definitions stipulated by the CBB.

Executive, Non-Independent 5

Non-Executive, Independent 5

Board Members	Position	Date of Joining	Executive/ Non-Executive	Independent/ Non-Independent
Jamal Ali Al Hazeem	Chairman	7-Apr-15	Non-Executive	Independent
AbdulRahman Abdulla Mohammed	Vice Chairman	17-Jun-15	Non-Executive	Independent
Khaled Saud Al Hasan	Director	7-Apr-15	Executive	Non-Independent
Ebrahim Mohamed Sharif Alrayes	Director	7-Apr-15	Executive	Non-Independent
Ahmed AbdulRahman Bucheeri	Director	17-Jun-15	Executive	Non-Independent
Osama Kamel Kishk	Director	20-Dec-17	Executive	Non-Independent
Dr. Osama T. Albaharna	Director	21-Mar-18	Non-Executive	Independent
Rashed Mohamed Abdulrahim	Director	21-Mar-18	Non-Executive	Independent
Khalid Jamal Al Muzaire	Director	17-Jun-15	Non-Executive	Independent
Abdulla Rabea Mohamed Rabea	Director	27-Jun-16	Executive	Non-Independent

The Board periodically reviews its composition and the contribution of its members and committees.

Directors are elected/ appointed by the shareholders at the Annual General Meeting (AGM). Election or re-election of a director at the AGM shall be accompanied by a recommendation from the board, based on a recommendation from the Nomination and Remuneration Committee with specific information such as biographical and professional qualifications and other directorships held. The appointment of directors is subject to prior approval of the CBB.

The Board is supported by the Board Secretary who provides professional and administrative support to the General Assembly, the Board, its committees and members. The appointment of the Board Secretary is subject to the approval of the Board.

Directors' Roles and Responsibilities

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

The specific responsibilities reserved to the Board include:

- Reviewing Company strategy and approving the annual budget for revenues and capital expenditure;
- Reviewing operational and financial performance;
- Approving acquisitions and divestments;
- Reviewing the Company's systems of financial control and risk management;
- Ensuring that appropriate management development and succession plans are in place;
- Approving appointments to the Board and the Company Secretary; and
- Ensuring that a satisfactory dialogue takes place with shareholders.

Corporate Governance Report

for the year ended 31 December 2018

Directors' Induction and Professional Development

The Board is required to be up to date with current business, insurance industry, regulatory and legislative developments and trends that will affect the Company's business operations. Immediately after appointment, the Company will provide a formal induction, if necessary. Meetings will also be arranged with Executive Management and the Company's Heads of Departments. This will foster a better understanding of the business environment and markets in which the Company operates. A continuing awareness program is essential and it may take many different forms, through distribution of publications, workshops, presentations at Board meetings and attendance at conferences encompassing topics on directorship, business, insurance industry and regulatory developments.

Board and Committees Evaluations

The Board performs a self-evaluation on an annual basis. The Board annually reviews its Charter and its own effectiveness; and initiates suitable steps for any amendments. The Board will also review self-evaluations of the individual Board members and the Board Committees and consider appropriately any recommendations arising out of such evaluation.

Directors' Profile

Member	Academic & Professional Qualifications	Directors' external appointments
Jamal Ali Al Hazeem Chairman	<ul style="list-style-type: none"> Certified Public Accountant (CPA), USA 	<ul style="list-style-type: none"> Chairman of Eazy Financial Services, Bahrain Chairman of Oma Bahrain Co. WLL, Bahrain Chairman of Jeem Holding SPC, Bahrain Chairman of Jeem Food Trading WLL, Bahrain Chairman of Jeem Properties WLL, Bahrain Vice Chairman of Global Banking Corporation (GBCORP), Bahrain Board Member of Nass Corporation, Bahrain Board Member of Kuwait Company for Process Plant Construction & Contracting (KCPC), Kuwait
Abdulrahman Abdulla Mohamed Vice Chairman	<ul style="list-style-type: none"> Master in Business Administration from University of Hull, UK 	<ul style="list-style-type: none"> Board Member of Al Baraka Islamic Bank BSC, Bahrain Board Member of TAIB Bank BSC, Bahrain
Khaled Saoud Al Hasan Board Member	<ul style="list-style-type: none"> Bachelor degree in Political Science and Economics from Kuwait University, Kuwait 	<ul style="list-style-type: none"> Chairman of Kuwait Insurance Federation (KIF), Kuwait Vice Chairman of Gulf Assist, Bahrain Board Member of Arab Reinsurance Co., Lebanon Board Member of General Arab Insurance Federation (GAIF), Egypt Board Member and Chief Executive Officer of Gulf Insurance Group KSC, Kuwait Board Member in many of Gulf Insurance Groups' Subsidiaries
Ebrahim Mohammed Sharif Alrayes Board Member	<ul style="list-style-type: none"> BSc. in Accounting from Beirut Arab University, Lebanon Certificate of Insurance Proficiency (CIP) from Chartered Insurance Institute, UK 	<ul style="list-style-type: none"> Chief Executive Officer of Bahrain Kuwait Insurance Co. Chairman of ARAB war risks insurance syndicate (AWRIS), Bahrain Board Member of United Insurance Company (UIC), Bahrain Board Member of Bahrain Insurance Association (BIA) Board Member of General Arab Insurance Federation (GAIF)
Ahmed Abdulrahman Bucheeri Board Member	<ul style="list-style-type: none"> Chartered Alternative Investment Analyst (CAIA) Investment representative program (Series 7) Treasury and capital markets diploma Commercial studies diploma 	<ul style="list-style-type: none"> Board Member INVITA Claims Management Company, Bahrain Chief Investment Officer of Bahrain Kuwait Insurance Company BSC, Bahrain

Corporate Governance Report

for the year ended 31 December 2018

Member	Academic & Professional Qualifications	Directors' external appointments
Osama Kamel Kishk Board Member	<ul style="list-style-type: none"> Bachelor of Commerce from Helwan University in Cairo, Egypt Diploma in Modern Accounting from American University in Cairo, Egypt Master of Business Administration from Maastricht School of Management, Kuwait Certified Public Accountant (CPA), USA Certified Risk Professional (CRP), USA Certified Internal Auditor (CIA), USA Certified Associate Business Manager (CABM), USA 	<ul style="list-style-type: none"> Chief Financial Officer of Gulf Insurance Group KSC, Kuwait Board Member of Egyptian Takaful Property & Liability, Egypt Independent Board Member of HSBC Management Fund, Egypt
Dr. Osama Taqi Albaharna Board Member	<ul style="list-style-type: none"> Doctorate (Ph.D.) in Computer Engineering from Imperial College London, UK Master's and Bachelor Degrees in Computer Engineering from McGill University, Canada 	<ul style="list-style-type: none"> Managing Director of Continental Group, Bahrain and other GCC countries
Rashed Ali Abdulrahim Board Member	<ul style="list-style-type: none"> Association of Chartered Certified Accountants (ACCA), UK 	<ul style="list-style-type: none"> Board member of CrediMax B.S.C., Bahrain Board Member of Investcorp Saudi Arabia Financial Investments Company, KSA Board Member of Gulf Electronic Management Systems Company W.L.L, Bahrain
Khalid Jamal Al Muzaire Board Member	<ul style="list-style-type: none"> BSc. In Accounting from University of Kuwait, Kuwait Certified Public Accountant (CPA), Kuwait 	<ul style="list-style-type: none"> General Manager of Refreshment Trading Company - Independent Bottler of the Coca Cola Company, Kuwait
Abdulla Rabia Mohamed Rabia Board Member	<ul style="list-style-type: none"> Diploma in Cars Engineering 	<ul style="list-style-type: none"> Deputy CEO (Kuwait Operations) of Bahrain Kuwait Insurance Company BSC, Bahrain

Corporate Governance Report

for the year ended 31 December 2018

Board Meetings and Attendance

During the financial year ended 31 December 2018, the Board of Directors met six times. All meetings were convened in the Kingdom of Bahrain. A record of members' attendance is set below:

Board Members	20-Feb-18	21-Mar-18	8-May-18	8-Aug-18	30-Sep-18	7-Nov-18	No. of Meetings Attended
Jamal Ali Al Hazeem Chairman	■	■	■	■	■	■	6
AbdulRahman Abdulla Mohammed Vice Chairman	■	■	■	■	■	■	6
Khaled Saud Al Hasan Board Member	■	■	■	■	■	■	6
Ebrahim Mohamed Sharif Alrayes Board Member	■	■	■	■	■	■	6
Ahmed AbdulRahman Bucheeri Board Member	■	■	■	■	■	■	6
Osama Kamel Kishk Board Member	■	■	■	■	■	■	6
Dr. Osama T. Albaharna Board Member (Appointed on 21 March 2018)	N/A	■	■	□	■	■	4
Rashed Mohamed Abdulrahim Board Member (Appointed on 21 March 2018)	N/A	■	■	■	■	■	5
Khalid Jamal Al Muzaire Board Member	■	■	■	□	■	■	5
Abdulla Rabea Mohamed Rabea Board Member	■	■	■	■	■	■	6

■ = Attended
□ = Not Attended

Key Persons Trading Policy

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

Corporate Governance Report

for the year ended 31 December 2018

Key Persons and Related Parties' Interests

The number of shares held by key persons and related parties as of 31 December 2018 was as follows:

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

The key persons did not trade in the shares of the company during the financial year ended 31 December 2018.

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

Executive Management's Profile

Essam Al Ansari – Chief Executive Officer

Mr. Al Ansari is a top professional in the insurance field. He is an FCII degree holder (Fellow of the Chartered Insurance Institute) from the Chartered Insurance Institute – London. He possesses 30 years of extensive experience in insurance and reinsurance business, through his long association in the insurance and reinsurance industry in Bahrain and the region. He has been in the Executive Management Cadre of Bahrain National Insurance Company (BNI), National Company for Cooperative Insurance (Tawuniya) – Saudi Arabia and Bahrain Kuwait Insurance Company (BKIC), before joining Takaful International Company in 2006.

Abdulaziz Al Othman – Deputy Chief Executive Officer

Mr. Al Othman is a Certified Accountant since 2002 and holds a Masters degree in Business Administration from the University of Hull – UK. He is certified as a Dip CII from the Chartered Insurance Institute – London. He has extensive experience in the Islamic Insurance business acquired by his long association of over 29 years in the insurance industry with in-depth understanding of Takaful Markets. Mr. Al-Othman began his distinguished insurance career in 1989. His outstanding contributions have helped in enhancing the performance of the company for the past few years. He's also the Chairman of Health 360 Ancillary Services. He is also well experienced in developing, evaluating and analysing strategies and business planning, insurance statistical and financial statement.

Board of Directors and Executive Management Remuneration

Board members are paid sitting fees for Board of Directors and the various sub-committees of the Board meetings.

The remuneration of key management personnel consists of fixed monthly salaries and allowances, and other benefits like bonus, medical, life insurance cover and retirement benefits.

The remuneration of the Board of Directors and key management personnel paid during the financial year ended 31 December 2018 was as follows:

Directors sitting fees	<u>BD 69,616</u>
Key Management salaries and benefits	<u>BD 201,805</u>
End of Service Benefits for executive management	<u>BD 92,033</u>

Code of Conduct

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

Corporate Governance Report

for the year ended 31 December 2018

4. Board Committees' Responsibilities, Meetings and Record of Attendance

Board Committees

Board committees are formed and their members are appointed by the Board of Directors at the beginning of each Board term. They are considered the high level link between the Board and the Executive Management. The objective of these committees is to assist the Board in monitoring the actual operations of the Company, by reviewing issues that are submitted by management to the Board and making recommendations to the Board for their final review.

The Board reserves the right to form temporary committees and discontinue them from time to time and as it deems necessary. Further, the members of the Board are provided with copies of meeting minutes of the said committees, as required by the regulators.

The Board has formed three committees as follows:

- Executive Committee
- Audit and Corporate Governance Committee
- Nomination and Remuneration Committee

Executive Committee

Duties:

- The Board has delegated the following responsibilities to the Executive Committee:
- The development and recommendation of strategic plans for consideration by the Board that reflect the long-term objectives and priorities established by the Board;
- Implementation of the strategies and policies of the Company as determined by the Board;
- Monitoring of the operational and financial results against plans and budgets;
- Monitoring the quality and effectiveness of the investment process against objectives and guidelines;
- Prioritizing allocation of capital, technical and human resources;

Meetings and Attendance:

The executive committee shall meet at least four times in the financial year. During the year ended 31 December 2018, the executive committee met four times:

		19-Feb-18	8-May-18	7-Aug-18	6-Nov-18	No. of Meetings Attended
Khaled Saud Al Hasan Non-Independent	Chairman	■	■	■	■	4
AbdulRahman Abdulla Mohammed Independent	Vice Chairman	■	■	■	■	4
Abdulla Rabea Mohamed Rabea Non-Independent	Member	N/A	■	■	■	3
Ebrahim Mohamed Sharif Alrayes Non-Independent	Member	N/A	■	■	■	3
Ahmed AbdulRahman Bucheeri Non-Independent	Member	■	■	■	■	4

Corporate Governance Report

for the year ended 31 December 2018

Audit and Corporate Governance Committee

Duties:

The Board has delegated the following responsibilities to the Audit and Corporate Governance Committee:

- Reviewing the Company's draft financial statements and interim results statement prior to the Board approval and reviewing the external auditors details reports thereon;
- Reviewing the appropriateness of the Company's accounting policies and other operational procedures;
- Reviewing regularly the potential impact in the Company's financial statements of certain matter such as impairment of fixed assets, investments, receivables and other assets values and proposed changes in AAOIFI and International Financial Reporting Standards as applicable to the company in case not covered by AAOIFI.
- Reviewing and approving the terms of engagement for the audit
- Reviewing the annual report of the company and reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and
- Reviewing the internal audit function terms of reference, its work program and quarterly reports on its work during the year.
- Developing and making recommendations on the changes required under the company's corporate governance policy from time to time.
- Monitoring and overseeing the implementation of the corporate governance framework by working together with the executive management, nomination and remuneration committee and Shari'a supervisory board;
- Providing the Board with reports and recommendations based on its findings in the performance of its duties.

The Committee meets with Directors and management, and as and when considered necessary with both the external and internal auditors. The Company has outsourced the internal audit function to Grant Thornton – Abdulaal, who conduct their procedures on all transactions of the company as per the International Audit Standards and provides periodic reports directly to the Audit and Corporate Governance Committee.

Meetings and Attendance:

The Audit and Corporate Governance Committee shall meet at least four times in the financial year. During the year ended 31 December 2018, the Audit and Corporate Governance Committee met four times:

		20-Feb-18	8-May-18	8-Aug-18	7-Nov-18	No. of Meetings Attended
Khalid Jamal Al Muzaire Independent	Chairman	■	■	□	■	3
Rashed Mohamed Abdulrahim Independent	Vice Chairman	N/A	■	■	■	3
Dr. Osama T. Albaharna Independent	Member	N/A	■	□	■	2
Osama Kamel Kishk Non-Independent	Member	■	■	■	■	4
Ebrahim Mohamed Sharif Alrayes Non-Independent (Term ended on 21 March 2018)	Member	■	N/A	N/A	N/A	1

Nomination and Remuneration Committee

Duties:

The Board has delegated the following responsibilities to the Nomination and Remuneration Committee:

- Assist the Board of Directors in identifying and nominating individuals qualified to serve as Board and committee members of the Board.
- Recommend the remuneration and rewards policy for the Company and in particular, for the directors and senior management team, and lead the performance review of Board and committees.

Corporate Governance Report

for the year ended 31 December 2018

Meetings and Attendance:

The Nomination and Remuneration Committee shall meet at least two times in the financial year. During the year ended 31 December 2018, the Nomination and Remuneration Committee met three times:

		20-Feb-18	7-Aug-18	7-Nov-18	No. of Meetings Attended
Jamal Ali Al Hazeem Independent	Chairman	N/A	■	■	2
Khaled Saud Al Hasan Non-Independent	Vice Chairman	N/A	■	■	2
Khalid Jamal Al Muzaire Independent	Member	■	□	■	2
Rashed Mohamed Abdulrahim Independent	Member	N/A	■	■	2
Abdulla Rabea Mohamed Rabea Non-Independent (Term ended on 21 March 2018)	Member	■	N/A	N/A	1

5. Auditors

The Audit and Corporate Governance Committee reviews the appointment of the external auditors, as well as their relationship with the Company on an annual basis. This includes monitoring the use of the auditors for audit and non-audit services, and also the budget of the total fees paid to the auditors.

The audit and non-audit fees for the year ended 31 December 2018, paid by the Company are as follows:

Audit fees BD18,675

Non-Audit fees BD4,250

6. Other Matters

Capital Adequacy and Solvency Margin

Solvency margin requirements are determined in accordance with the regulatory requirements established by the CBB and are calculated with reference to a prescribed contribution 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 9,005,000 as of 31 December 2018 (2017: BD 6,309,000). As at 31 December 2018 the surplus of available capital amounted to BD 442,000 compared to a deficit of BD (2,322,000) as at 31 December 2017, after considering the net admissible assets of General Participants and Family Takaful Funds to cover solvency margin BD 4,577,000 compared to BD 4,987,000 and the required margin of BD 3,986,000 (2017: BD 3,644,000).

Compliance and Anti-Money Laundering

Responsibility for ensuring the Company's compliance with the rules of the CBB in and all other applicable laws and regulations resides with the Chief Compliance Officer, who is responsible for managing the Company's Compliance and Legal Affairs Department and is directly responsible for all compliance related issues.

The Company has in place policies and procedures to handle all aspects of anti-money laundering activities in line with regulations of the CBB. The Company conducts, on an annual basis, a thorough review of its policies, procedures, internal directives in addition to arranging specialized courses to ensure ongoing compliance.

Corporate Governance Report

for the year ended 31 December 2018

Related Party Transactions

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

Communication with Shareholders and Investors

The Company remains committed by communicating effectively with all its stakeholders, both internally and externally in a timely, transparent and professional manners. The Company's main communications channels include the Annual General Meeting, financial statements and annual reports, Company's website, press releases and announcements in the local media.

Internal Control

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

Conflict of Interest

The Board has also approved the policy for dealing with situations involving 'Conflict of Interest' of Directors. In the event of the Board or its Committees considering any issues involving Conflict of Interest of Directors, the decisions are taken by the full Board / Committees. The concerned Director abstains from the discussion / voting process. These events are recorded in the Board / Committees proceedings. The Directors are required to inform the entire Board of Conflicts of Interest (potential or otherwise) in their activities with, and commitments to, other organizations as they arise and abstain from voting on the matter. This disclosure includes all material facts in the case of a contract or transaction involving the Director.

Whistle Blowing Policy

The Board has approved the whistle blowing policy with designated officials to whom the employee can approach. The policy provides adequate protection to the employees for any reports in good faith. The Board's Audit and Corporate Governance Committee oversees this policy.

Fines and Penalties

The Company did not pay any fines or penalties to regulatory or governmental agencies during the year ended 31 December 2018.

Corporate Governance Report

for the year ended 31 December 2018

7. Organization Chart



Shari'a Supervisory Board's Report

For the Financial Year Ended on 31 December 2018

In the name of Allah, The Merciful, The Compassionate

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

To the Shareholders and Participants of Takaful International.

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh.

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

The Shari'a Supervisory Board reviewed the procedures relating to the Takaful transactions and the applications introduced by the company for the year ended on 31.12.2018. The Board has reviewed and confirmed the implementation of the principles and guidelines governing the relationship between the participants and shareholders in order to identify the rights of each side. Discussions took place with the Company's officers with regard to its items and the attached Notes. The Board gave its Shari'a directives for Takaful transactions and answered the queries made by the management.

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

In our opinion:

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

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

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

2nd Jumada 2, 1440 corresponding to 7th February 2019

Member of the Shari'a Supervisory Board

Dr. Shaikh Abdul Latif Mahmood Al Mahmood

Chairman

Dr. Shaikh Abdul Sattar Abdul Karim Abu Ghuda

Deputy Chairman

Shaikh Mohsin Abdul Hussain Al Asfoor

Member

Independent Auditor's Report to the shareholders

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 2018, 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 2018, 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.

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 2018 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. 210
13 February 2019
Manama, Kingdom of Bahrain



**Consolidated Financial
statements for the year**



2018

Consolidated Statement of Financial Position

At 31 December 2018

(Expressed in Bahraini Dinars)

	Notes	Shareholders		General Takaful		Family Takaful		Total	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
ASSETS									
Cash and investments:									
Statutory deposit	6	125,000	125,000	-	-	-	-	125,000	125,000
Cash and balances with banks	7	3,958,097	1,255,696	4,604,035	3,083,394	698,152	1,195,896	9,260,284	5,534,986
Investments	8	3,411,562	2,907,441	934,535	1,070,434	1,936,497	1,626,512	6,282,594	5,604,387
		7,494,659	4,288,137	5,538,570	4,153,828	2,634,649	2,822,408	15,667,878	11,264,373
Takaful and retakaful receivables	9	-	-	9,398,813	9,604,360	598,612	284,707	9,997,425	9,889,067
Retakaful providers' share of takaful liabilities	10,12	-	-	8,523,919	8,628,576	445,359	823,001	8,969,278	9,451,577
Deferred acquisition costs	13	600,206	464,402	-	-	-	-	600,206	464,402
Property and equipment	16	1,949,641	2,083,013	-	-	-	-	1,949,641	2,083,013
Other receivables, accrued income and prepayments	15,17	1,941,203	1,079,527	333,741	171,393	21,718	27,352	2,296,662	1,278,272
Retakaful providers' share of family takaful technical reserves	10	-	-	-	-	311,250	383,892	311,250	383,892
TOTAL ASSETS		11,985,709	7,915,079	23,795,043	22,558,157	4,011,588	4,341,360	39,792,340	34,814,596
LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS EQUITY									
Liabilities									
Takaful liabilities	10,12	-	-	19,249,875	17,934,166	626,874	1,048,507	19,876,749	18,982,673
Unearned retakaful commissions	14	-	-	313,639	332,568	-	-	313,639	332,568
Family takaful technical reserves		-	-	-	-	2,421,489	2,063,704	2,421,489	2,063,704
Payables and accrued liabilities : Takaful and retakaful companies		-	-	2,644,765	2,249,278	629,105	445,248	3,273,870	2,694,526
Participants'		496,206	456,320	1,021,775	2,240,400	27,062	36,164	1,545,043	2,732,884
Others		2,210,235	981,069	1,449,032	1,395,778	227,746	118,092	3,887,013	2,494,939
Total liabilities		2,706,441	1,437,389	24,679,086	24,152,190	3,932,276	3,711,715	31,317,803	29,301,294
Participants' fund (Deficit) / surplus in participants' fund		-	-	(907,710)	(1,615,371)	139,898	651,931	(767,812)	(963,440)
Investments fair value reserve		-	-	23,667	21,338	(60,586)	(22,286)	(36,919)	(948)
		-	-	(884,043)	(1,594,033)	79,312	629,645	(804,731)	(964,388)
Shareholders' equity									
Share capital	19	8,500,000	6,250,000	-	-	-	-	8,500,000	6,250,000
Statutory reserve	19	587,115	522,041	-	-	-	-	587,115	522,041
General reserve	19	200,000	200,000	-	-	-	-	200,000	200,000
Accumulated losses	19	(72,730)	(658,387)	-	-	-	-	(72,730)	(658,387)
Investments fair value reserve	19	(36,397)	63,219	-	-	-	-	(36,397)	63,219
Equity attributable to shareholders of the parent		9,177,988	6,376,873	-	-	-	-	9,177,988	6,376,873
Non-controlling interests		101,280	100,817	-	-	-	-	101,280	100,817
Total shareholders equity		9,279,268	6,477,690	-	-	-	-	9,279,268	6,477,690
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS EQUITY		11,985,709	7,915,079	23,795,043	22,558,157	4,011,588	4,341,360	39,792,340	34,814,596

Jamal Al Hazeem
Chairman

AbdulRahman Mohammed
Vice Chairman

Essam Al Ansari
Chief Executive Officer

The attached explanatory notes 1 to 38 form part of these consolidated financial statements

Consolidated Statement of Profit or Loss

Year Ended 31 December 2018

(Expressed in Bahraini Dinars)

	Notes	Shareholders		General Takaful		Family Takaful		Total	
		31 December 2018	31 December 2017						
Gross contributions		-	-	20,589,852	18,069,815	1,444,551	1,584,184	22,034,403	19,653,999
Retakaful provider's share of gross contributions	21	-	-	(5,359,345)	(5,439,179)	(938,439)	(753,328)	(6,297,784)	(6,192,507)
Retained contributions		-	-	15,230,507	12,630,636	506,112	830,856	15,736,619	13,461,492
Unearned contributions adjustment - gross	12	-	-	(1,150,952)	181,219	(9,126)	311,500	(1,160,078)	492,719
Unearned contributions adjustment - retakaful	12	-	-	(182,770)	(630,648)	16,400	(242,626)	(166,370)	(873,274)
Net earned contributions		-	-	13,896,785	12,181,207	513,386	899,730	14,410,171	13,080,937
Gross claims paid		-	-	(14,127,714)	(16,250,399)	(1,064,957)	(936,122)	(15,192,671)	(17,186,521)
Retakaful provider's and others share of claims paid		-	-	4,041,935	7,748,909	595,856	512,244	4,637,791	8,261,153
Outstanding claims adjustment - gross		-	-	(164,757)	1,115,726	430,759	(164,159)	266,002	951,567
Outstanding claims adjustment - retakaful and others		-	-	78,112	(1,729,301)	(394,041)	121,808	(315,929)	(1,607,493)
Net incurred claims		-	-	(10,172,424)	(9,115,065)	(432,383)	(466,229)	(10,604,807)	(9,581,294)
Fee and commission income		-	-	1,061,367	1,009,263	35	21,323	1,061,402	1,030,586
Other takaful expenses		-	-	(547,715)	(477,596)	(3,762)	(3,049)	(551,477)	(480,645)
Transfer to family takaful technical reserve		-	-	-	-	(430,427)	(606,451)	(430,427)	(606,451)
Provision for impaired takaful receivables		-	-	(92,759)	(215,245)	5,808	(5,367)	(86,951)	(220,612)
Surplus from takaful operations before wakala fees		-	-	4,145,254	3,382,564	(347,343)	(160,043)	3,797,911	3,222,521
Wakala fees expense		-	-	(3,543,764)	(3,541,439)	(245,574)	(396,046)	(3,789,338)	(3,937,485)
Surplus / (deficit) from takaful operations after wakala fees		-	-	601,490	(158,875)	(592,917)	(556,089)	8,573	(714,964)
Wakala fees income	24	3,789,338	3,937,485	-	-	-	-	3,789,338	3,937,485
Investment income - net		(51,505)	21,059	141,562	(77,248)	107,845	22,430	197,902	(33,759)
Mudarib share		62,352	56,396	(35,391)	(32,629)	(26,961)	(23,767)	-	-
Other income	26	406,286	389,038	-	-	-	-	406,286	389,038
		4,206,471	4,403,978	106,171	(109,877)	80,884	(1,337)	4,393,526	4,292,764
General administration expenses		(2,329,876)	(2,949,425)	-	-	-	-	(2,329,876)	(2,949,425)
Corporate expenses		(177,782)	(186,927)	-	-	-	-	(177,782)	(186,927)
Amortisation of acquisition costs		(1,047,619)	(1,214,255)	-	-	-	-	(1,047,619)	(1,214,255)
		(3,555,277)	(4,350,607)	-	-	-	-	(3,555,277)	(4,350,607)
Net profit and surplus / (deficit) for the year		651,194	53,371	707,661	(268,752)	(512,033)	(557,426)	846,822	(772,807)
Attributable to:									
Shareholders of the parent		650,731	23,140						
Non-controlling interests		463	30,231						
		651,194	53,371						
Earnings per share	27	8.54 Fils	0.37 Fils						

Jamal Al Hazeem
Chairman

AbdulRahman Mohammed
Vice Chairman

Essam Al Ansari
Chief Executive Officer

The attached explanatory notes 1 to 38 form part of these consolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity

Year Ended 31 December 2018

(Expressed in Bahraini Dinars)

	Share capital	Statutory reserve	General reserve	Accumulated losses	Investments fair value reserve	Equity attributable to shareholders of the parent	Non-Controlling interests	Total equity
Balance at 1 January 2018	6,250,000	522,041	200,000	(658,387)	63,219	6,376,873	100,817	6,477,690
Additional paid-in capital	2,250,000	-	-	-	-	2,250,000	-	2,250,000
Profit for the year	-	-	-	650,731	-	650,731	463	651,194
Other comprehensive loss	-	-	-	-	(99,616)	(99,616)	-	(99,616)
Total comprehensive income (loss) for the year	-	-	-	650,731	(99,616)	551,115	463	551,578
Transfer to statutory reserve	-	65,074	-	(65,074)	-	-	-	-
Balance as at 31 December 2018	8,500,000	587,115	200,000	(72,730)	(36,397)	9,177,988	101,280	9,279,268
Balance 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)	-	-	-	-
Balance as at 31 December 2017	6,250,000	522,041	200,000	(658,387)	63,219	6,376,873	100,817	6,477,690

The attached explanatory notes 1 to 38 form part of these consolidated financial statements

Consolidated Statement of Changes in Participants' Fund

Year Ended 31 December 2018

(Expressed in Bahraini Dinars)

	Investments fair value reserve				
	General takaful	Family takaful	General takaful	Family takaful	Total
Balance at 1 January 2018	(1,615,371)	651,931	21,338	(22,286)	(964,388)
Realised fair value gain / (loss) on investment securities	-	-	18,338	17,510	35,848
Unrealised fair value loss on investment securities	-	-	(16,009)	(55,810)	(71,819)
Surplus / (Deficit) for the year	707,661	(512,033)	-	-	195,628
Balance as at 31 December 2018	(907,710)	139,898	23,667	(60,586)	(804,731)
Balance at 1 January 2017	(1,346,619)	1,209,357	12,833	(33,041)	(157,470)
Realised fair value gain / (loss) on investment securities	-	-	(421)	20,036	19,615
Unrealised fair value gains / (loss) on investment securities	-	-	8,926	(9,281)	(355)
Deficit for the year	(268,752)	(557,426)	-	-	(826,178)
Balance as at 30 December 2017	(1,615,371)	651,931	21,338	(22,286)	(964,388)

Consolidated Statement Of Cash Flows

Year Ended 31 December 2018

(Expressed in Bahraini Dinars)

	For the year ended	
	31 December 2018	31 December 2017
OPERATING ACTIVITIES		
Net profit for the year	651,194	53,371
Surplus / (Deficit) from participants' operations	195,628	(826,178)
Adjustments for:		
Investment income	(371,173)	(316,958)
Gains on sale of available for sale investments	(165,884)	(50,897)
Impairment loss on available for sale investments	175,968	401,614
Depreciation	178,020	252,177
Provision for impairment of takaful and retakaful receivables	86,951	220,612
Movement in unearned contributions	1,326,447	380,555
Movement in unearned commissions	(154,733)	89,589
Movement in transfer to family takaful technical reserve	430,427	606,451
Operating profit before changes in operating assets and liabilities	2,352,845	810,336
Changes in operating assets and liabilities:		
Takaful and retakaful receivables	(195,309)	(1,090,853)
Other receivables and prepayments	(873,898)	87,373
Retakaful share of outstanding claims	315,928	1,607,493
Gross outstanding claims	(266,002)	(951,567)
Takaful and retakaful payables	(608,497)	(1,397,402)
Other liabilities and provisions	1,321,293	(289,794)
Employees' terminal benefits	(73,712)	59,517
Net cash from / (used in) operating activities	1,972,648	(1,164,897)
INVESTING ACTIVITIES		
Investment income received	537,057	367,855
Purchase of property and equipment	(54,832)	(62,707)
Proceeds from sale of property and equipment	10,184	42
Purchase of available for sale investments	(2,021,676)	(2,535,813)
Proceeds from the sale of available for sale investments	1,031,921	1,322,403
Bank deposits with maturities of more than three months	(2,595,229)	(1,402,547)
Net cash used in investing activities	(3,092,575)	(2,310,767)
FINANCING ACTIVITY		
Additional paid-in capital	2,250,000	-
Net cash from financing activity	2,250,000	-
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	3,316,911	6,792,575
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4,446,984	3,316,911
COMPRISING:		
CASH AND BALANCES WITH BANKS		
Cash and balance in current accounts	2,550,232	1,987,497
Bank deposits with maturity of three months or less	1,896,752	1,329,414
CASH AND CASH EQUIVALENTS	4,446,984	3,316,911
Bank deposits with maturity of more than three months	4,813,300	2,218,075
Cash and balances with banks as per statement of consolidated financial position	9,260,284	5,534,986

The attached explanatory notes 1 to 38 form part of these consolidated financial statements

Notes To The Consolidated Financial Statements

At 31 December 2018 (Audited)

(Expressed in Bahraini Dinars)

1 ORGANISATION AND ACTIVITIES

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

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

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

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 13 February 2019.

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 2018. 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

At 31 December 2018

(Expressed in Bahraini Dinars)

3 BASIS OF CONSOLIDATION (continued)

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

The following is the subsidiary of the Group:

Name of the subsidiary	Country of incorporation	Effective ownership		Principal activity
		2018	2017	
Health 360 Ancillary Services Co W.L.L	Bahrain	60%	60%	Third party administration

4 SIGNIFICANT ACCOUNTING POLICIES

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

Takaful operations

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

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

General takaful

Gross contributions

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

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

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

Notes To The Consolidated Financial Statements

At 31 December 2018

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Retakaful share

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

Net commission

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

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

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

Gross claims settled

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

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

General takaful reserves

i) Gross outstanding claims

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

ii) Unearned contributions

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

iii) Liability adequacy test

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

Family takaful

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

The protection takaful and savings takaful reserve is determined annually by the Group's appointed actuary. Reserves for individual family takaful contracts are calculated on a prospective method. The liabilities are valued using discounted cash flow (DCF) with a discount rate of 5% per annum (2017: 5% per annum).

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

Notes To The Consolidated Financial Statements

At 31 December 2018

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Family takaful (continued)

Gross contributions

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

Retakaful share

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

Net commission

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

Gross claims settled

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

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

Family takaful reserves

i) Gross outstanding claims

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

ii) Unearned contributions

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

iii) Liability adequacy test

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

Qard Hassan

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

Surplus/deficit in participants' fund

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

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

Notes To The Consolidated Financial Statements

At 31 December 2018

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Surplus/deficit in participants' fund (continued)

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

Cash and cash equivalents

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

Trade and settlement date accounting

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

Available for sale investments

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

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

Available-for-sale 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 consist of balances due from retakaful companies on settlement of claims and other receivables such as profit commissions and retakaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful companies are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract.

Policy acquisition costs

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

Property and equipment

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

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

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

Notes To The Consolidated Financial Statements

At 31 December 2018

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

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

Receivables from takaful funds

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

Foreign currency transactions

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

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

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

Dividends on share capital

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

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

Share capital

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

Non-controlling interests

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

Revenue recognition

Investment income

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

Rental income

Rental income is recognised on an accrual basis.

Notes To The Consolidated Financial Statements

At 31 December 2018

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

Wakala fee

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

Mudarib share

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

Retakaful commissions

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

Offsetting

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

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

Fair value of financial instruments

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

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

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

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

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

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

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

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

Impairment of financial assets

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

Available-for-sale financial assets

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

Notes To The Consolidated Financial Statements

At 31 December 2018

(Expressed in Bahraini Dinars)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and financial liabilities

Financial assets

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

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

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

Financial liabilities

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

Employees' terminal benefits

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

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

Provisions

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

Financial liabilities

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

Retakaful and takaful payables

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

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

Payables and accruals

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

Earnings prohibited by Shari'a

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

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(Expressed in Bahraini Dinars)

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The ultimate liability arising from claims made under insurance contracts

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

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

Impairment losses on available-for-sale securities

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

Impairment losses on takaful and retakaful receivables

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

Going concern

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

Family takaful reserves

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

6 STATUTORY DEPOSITS

Statutory deposits are maintained under the regulations of the Central Bank of Bahrain and Financial Institutions Law, 2006. Such deposits, which depend on the nature of the takaful business and the number of branches, can not be withdrawn except with the approval of the Central Bank of Bahrain. A sum of BD 125,000 (2017: 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.

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7 CASH AND BALANCES WITH BANKS

31 December 2018

	Shareholders	General takaful	Family takaful	Total
Cash in hand	600	4,518	-	5,118
Balances with banks accounts	1,394,682	947,620	202,812	2,545,114
Bank deposits with maturity of three months or less	1,708,075	-	188,675	1,896,750
	3,103,357	952,138	391,487	4,446,982
Bank deposits with maturity of more than three months	854,740	3,651,897	306,665	4,813,302
Cash and balances with banks	3,958,097	4,604,035	698,152	9,260,284

31 December 2017

	Shareholders	General takaful	Family takaful	Total
Cash in hand	1,119	3,887	-	5,006
Balances with banks 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

Call account balances and deposits earn effective profit rates ranging between 2% and 6% per annum (2017: between 1.9% and 6% per annum).

The savings account balances with banks earn effective profit rates ranging between 0.20% and 0.35% per annum (2017: between 0.10% and 0.25% per annum).

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

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(Expressed in Bahraini Dinars)

8 AVAILABLE FOR SALE INVESTMENTS

	31 December 2018				31 December 2017			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Opening balance	2,907,441	1,070,434	1,626,512	5,604,387	2,428,308	773,056	1,485,205	4,686,569
Additions during the year	1,447,274	48,943	525,465	2,021,682	1,312,474	583,974	639,365	2,535,813
Disposals during the year	(707,691)	(164,372)	(159,857)	(1,031,920)	(798,890)	(87,338)	(436,175)	(1,322,403)
Realised fair value gains/(losses) on sale of available-for-sale investments	(5,810)	(4,461)	187	(10,084)	31,283	(421)	20,036	50,898
Impairment loss for the year	(135,846)	(22,799)	(17,323)	(175,968)	(121,213)	(207,763)	(72,638)	(401,614)
Unrealised fair value gains/(losses) recognised in investment fair value reserve	(93,806)	6,790	(38,487)	(125,503)	55,479	8,926	(9,281)	55,124
Closing balance	3,411,562	934,535	1,936,497	6,282,594	2,907,441	1,070,434	1,626,512	5,604,387

Analysis of available-for-sale investments

	31 December 2018				31 December 2017			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Shares listed on stock exchanges	1,574,577	94,589	486,662	2,155,828	670,743	216,604	-	887,347
Quoted managed funds	369,097	22,632	29,920	421,649	426,144	21,003	29,920	477,067
Unquoted managed funds	221,977	216,902	200,300	639,179	323,297	229,259	219,794	772,350
Unquoted equity investments	200,268	-	-	200,268	200,268	-	-	200,268
Quoted Sukuks	1,045,643	600,412	1,219,615	2,865,670	1,286,989	603,568	1,376,798	3,267,355
Closing balance	3,411,562	934,535	1,936,497	6,282,594	2,907,441	1,070,434	1,626,512	5,604,387

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 175,968 (2017: BD 401,614) has been charged to the consolidated statement of profit or loss.

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(Expressed in Bahraini Dinars)

9 TAKAFUL AND RETAKAFUL RECEIVABLES

	31 December 2018			31 December 2017		
	General takaful	Family takaful	Total	General takaful	Family takaful	Total
Due from takaful companies	3,046,326	-	3,046,326	3,283,303	-	3,283,303
Due from retakaful companies	749,094	207,742	956,836	1,845,872	58,656	1,904,528
Due from takaful participants	2,891,371	68,761	2,960,132	3,018,873	179,779	3,198,652
Due from brokers	3,468,578	336,571	3,805,149	2,120,109	66,542	2,186,651
Allowance for impairment	(756,556)	(14,462)	(771,018)	(663,797)	(20,270)	(684,067)
Closing balance	9,398,813	598,612	9,997,425	9,604,360	284,707	9,889,067

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

At 31 December 2018, in the opinion of the Company's management, a provision of BD 771,018 is required towards impairment of takaful and retakaful receivables (2017: BD 684,067). The movement in the provision for impaired takaful and retakaful receivables is as follows:

	31 December 2018	31 December 2017
At 1 January	684,067	503,006
Charge / (reversal) during the year	86,951	220,612
Written-off for the year	-	(39,551)
	771,018	684,067

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

Age in days	General takaful				Family takaful			
	Current		Overdue and not impaired		Current		Overdue and not impaired	
	2018	2017	2018	2017	2018	2017	2018	2017
0 to 30 days	1,282,403	3,241,536	-	-	61,504	46,508	-	-
31 to 120 days	2,973,001	1,864,423	-	-	392,318	176,319	-	-
121 to 180 days	-	-	1,613,354	675,835	-	-	108,805	1,340
181 to 365 days	-	-	939,320	1,941,712	-	-	4,169	13,009
More than 365 days	-	-	2,590,735	1,880,854	-	-	31,816	47,531
	4,255,404	5,105,959	5,143,409	4,498,401	453,822	222,827	144,790	61,880

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

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10 OUTSTANDING CLAIMS

	2018			2017		
	Gross	Retakaful share	Net	Gross	Retakaful share	Net
At 1 January						
Reported claims	9,246,606	(6,693,266)	2,553,340	9,393,618	(7,728,726)	1,664,892
IBNR and IBNER claims	1,540,323	(601,233)	939,090	2,344,878	(1,173,266)	1,171,612
	10,786,929	(7,294,499)	3,492,430	11,738,496	(8,901,992)	2,836,504
Claims incurred during the year	14,926,669	(4,321,863)	10,604,806	16,234,954	(6,653,660)	9,581,294
Claims paid during the year	(15,192,671)	4,637,791	(10,554,880)	(17,186,521)	8,261,153	(8,925,368)
At 31 December	10,520,927	(6,978,571)	3,542,356	10,786,929	(7,294,499)	3,492,430
At 31 December						
Reported claims	8,413,931	(6,017,164)	2,396,767	9,246,606	(6,693,266)	2,553,340
IBNR and IBNER claims	2,106,996	(961,406)	1,145,590	1,540,323	(601,233)	939,090
	10,520,927	(6,978,570)	3,542,357	10,786,929	(7,294,499)	3,492,430

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

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11 CLAIMS DEVELOPMENT

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

Gross claims

Accident year	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At the end of										
Accident year	9,930,114	10,890,069	13,505,069	16,566,910	15,944,216	14,114,518	19,543,039	14,837,271	14,435,647	
One year later	10,226,500	11,247,499	14,836,499	18,467,530	17,929,940	15,616,005	21,003,651	16,694,848	-	
Two years later	10,267,614	13,103,090	14,844,483	19,107,107	18,473,773	16,067,346	21,583,396	-	-	
Three years later	10,218,961	13,129,554	15,079,279	19,199,346	18,684,098	15,716,811	-	-	-	
Four years later	10,201,059	13,185,275	15,125,422	19,252,601	18,606,886	-	-	-	-	
Five years later	10,211,946	13,187,708	15,165,432	19,183,033	-	-	-	-	-	
Six years later	10,211,260	13,207,685	15,179,870	-	-	-	-	-	-	
Seven years later	10,203,270	13,208,874	-	-	-	-	-	-	-	
Eight years later	10,219,568	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	10,219,568	13,208,874	15,179,870	19,183,033	18,606,886	15,716,811	21,583,396	16,694,848	14,435,647	144,828,933
Cumulative payments to date	(10,188,211)	(13,137,807)	(15,120,017)	(19,022,119)	(18,348,568)	(15,487,291)	(20,942,283)	(12,952,754)	(9,170,096)	(134,369,146)
Liability recognised in the statement of financial position	31,357	71,067	59,853	160,914	258,318	229,520	641,113	3,742,094	5,265,551	10,459,787
Liability in respect of years prior to 2010										61,140
Total reserve included in the consolidated statement of financial position										10,520,927

Net outstanding claims

Accident year	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At the end of										
Accident year	3,978,407	4,443,399	5,754,752	6,818,786	7,969,734	7,693,376	9,953,127	8,439,795	9,193,914	
One year later	4,140,704	4,683,185	6,473,256	7,724,461	8,680,302	8,550,662	10,465,456	9,871,667	-	
Two years later	4,136,406	4,963,481	6,528,240	8,149,743	9,042,943	8,754,427	10,744,175	-	-	
Three years later	4,078,162	4,991,449	6,715,210	8,178,844	9,164,204	8,765,793	-	-	-	
Four years later	4,062,819	5,020,737	6,710,736	8,284,188	9,228,359	-	-	-	-	
Five years later	4,073,531	5,013,136	6,828,502	8,361,783	-	-	-	-	-	
Six years later	4,069,295	5,066,907	6,892,184	-	-	-	-	-	-	
Seven years later	4,140,977	5,083,076	-	-	-	-	-	-	-	
Eight years later	4,167,816	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	4,167,816	5,083,076	6,892,184	8,361,783	9,228,359	8,765,793	10,744,175	9,871,667	9,193,914	72,308,767
Cumulative payments to date	(4,160,136)	(5,080,841)	(6,887,622)	(8,344,668)	(9,215,082)	(8,739,597)	(10,619,584)	(8,840,291)	(6,885,470)	(68,773,291)
Liability recognised in the statement of financial position	7,680	2,235	4,562	17,115	13,277	26,196	124,591	1,031,376	2,308,444	3,535,476
Liability in respect of years prior to 2010										6,880
Total reserve included in the consolidated statement of financial position										3,542,356

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12 UNEARNED CONTRIBUTIONS AND DEFERRED RETAKAFUL CONTRUBUTIONS

	2018			2017		
	Gross	Retakaful share	Net	Gross	Retakaful share	Net
At 1 January	8,195,744	(2,157,078)	6,038,666	8,688,463	(3,030,352)	5,658,111
Contributions written	22,034,403	(6,297,784)	15,736,619	19,653,999	(6,192,507)	13,461,492
Contributions earned	(20,874,326)	6,464,155	(14,410,171)	(20,146,718)	7,065,781	(13,080,937)
At 31 December	9,355,821	(1,990,708)	7,365,114	8,195,744	(2,157,078)	6,038,666

13 DEFERRED POLICY ACQUISITION COSTS

	2018	2017
At 1 January	464,402	706,739
Acquisition costs during the year	1,183,423	971,918
Amortisation for the year	(1,047,619)	(1,214,255)
At 31 December	600,206	464,402

14 UNEARNED RETAKAFUL COMMISSIONS

	2018	2017
At 1 January	332,568	485,316
Retakaful commissions received	826,800	867,672
Retakaful commissions earned	(845,729)	(1,020,420)
At 31 December	313,639	332,568

15 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2018				31 December 2017			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Staff related receivables	504	-	-	504	4,429	-	-	4,429
Accrued Incomes	44,837	61,632	21,718	128,187	32,422	48,837	27,352	108,611
Prepaid Expenses	28,504	-	-	28,504	41,645	-	-	41,645
Tender Deposits	-	46,494	-	46,494	-	36,668	-	36,668
Other Receivables	806,285	111,997	-	918,282	84,446	85,888	-	170,334
At 31 December	880,130	220,123	21,718	1,121,971	162,942	171,393	27,352	361,687

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

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16 PROPERTY AND EQUIPMENT

	Freehold land	Buildings on freehold land	Furniture and fixtures	Office equipment	Motor vehicles	Total
Cost						
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
Transfers	-	-	-	-	-	-
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
Additions	-	-	3,083	51,749	-	54,832
Disposals	-	-	-	-	(37,059)	(37,059)
At 31 December 2018	1,071,868	1,255,201	883,708	1,582,780	75,509	4,869,066
Accumulated depreciation						
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
Charge for the year	-	50,167	14,728	103,461	9,664	178,020
Disposals for the year	-	-	-	-	(26,875)	(26,875)
At 31 December 2018	-	529,893	855,913	1,463,073	70,546	2,919,425
Net book amount						
At 31 December 2018	1,071,868	725,308	27,795	119,707	4,963	1,949,641
At 31 December 2017	1,071,868	775,475	39,440	171,419	24,811	2,083,013

Property owned by the company

Name of the property	Address	Description	Existing Use	Nature	Age of the property
Takaful International Co. BSC - Head office	Building No.680, Road No.2811, Seef District, 688, Kingdom of Bahrain	6 storey commercial tower measuring 688 square meters	Operational purpose	Freehold	13 Years
Takaful International Co. BSC Salmabad Branch	Building No. 2164, Road No.437, Salmabad 704, Kingdom of Bahrain	2 storey building measuring 750 square meters	Operational purpose	Freehold	16 Years

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17 RECEIVABLE FROM TAKAFUL FUNDS

Receivable from takaful funds includes amounts due from General takaful and Family takaful policyholders on account of wakala fees, mudarib fees and inter-entity balances amounting to BD 1,061,074 (2017: BD 916,585)

18 RELATED PARTIES

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

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the executive management of the Group.

The following are the transactions entered into with the related parties during the year ended 31 December 2018 and 31 December 2017:

	31 December 2018		31 December 2017	
	Key Management Personnel	Shareholders	Key Management Personnel	Shareholders
Gross contributions	1,222	165,957	2,968	360,008
Reinsurers' share of gross contributions	-	39,574	-	46,361
Gross claims paid	-	106,011	-	15,391
Reinsurers' share of claims paid	-	3,309	-	70
Fee and commission income	-	5,594	-	6,001
Acquisition costs	-	27,173	-	22,080

	31 December 2018		31 December 2017	
	Key Management Personnel	Shareholders	Key Management Personnel	Shareholders
Available for sale investments	-	154,708	-	80,918
Takaful and retakaful balances receivable	-	197,940	-	342,619
Takaful and retakaful balances payable	-	9,144	-	444

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18 RELATED PARTIES (continued)

Compensation of key management personnel

	31 December 2018	31 December 2017
Salaries and benefits	201,805	425,340
Directors' fee	69,616	71,679
Employees' end of service benefits	92,033	15,765
	363,454	512,784

19 EQUITY AND RESERVES

	31 December 2018	31 December 2017
Authorised share capital:		
Ordinary shares		
200,000,000 ordinary shares of 100 fils each (2017: 200,000,000 ordinary shares of 100 fils each)	20,000,000	20,000,000
Issued and fully paid-up capital:		
Ordinary shares		
85,000,000 ordinary shares of 100 fils each (2017: 62,500,000 ordinary shares of 100 fils each)	8,500,000	6,250,000

During the year there was a capital raise of BD 2,250,000. The paid up capital of the company was increased from BHD 6,250,000 to BHD 8,500,000.

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 2018 and 2017 respectively is as follows:

		31 December 2018	
Name of the shareholders	Nationality	Number of shares	Percentage of shareholding interest
Bahrain Kuwait Insurance Company	Bahraini	69,651,974	81.94%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	6.18%
		31 December 2017	
Name of the shareholders	Nationality	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%

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19 EQUITY AND RESERVES

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 2018		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	197	6,195,820	7.29%
1% up to less than 5%	2	3,902,206	4.59%
5% up to less than 10%	1	5,250,000	6.18%
10% up to less than 50%	1	69,651,974	81.94%
	201	85,000,000	100.00%

	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%

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 2018, the Group transferred an amount of BD 65,074 (2017: BD 2,314) 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 2018 [2017: Nil].

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20 OTHER LIABILITIES AND PROVISIONS

	31 December 2018				31 December 2017			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Due to garages, spare part suppliers and others	-	413,654	-	413,654	-	428,786	-	428,786
Provision for employees' leaving indemnity	231,473	-	-	231,473	305,185	-	-	305,185
Accrued expenses	241,016	85,448	-	326,464	212,066	70,434	-	282,500
Unclaimed dividends	104,570	-	-	104,570	104,570	-	-	104,570
Unearned Service Fee	259,069	-	-	259,069	-	-	-	-
Provision for leave pay	40,883	-	-	40,883	33,721	-	-	33,721
Payable To Shareholders fund	-	835,360	225,716	1,061,076	-	800,461	116,125	916,586
Other liabilities	1,333,224	114,570	2,030	1,449,824	325,527	96,097	1,967	423,591
	2,210,235	1,449,032	227,746	3,887,013	981,069	1,395,778	118,092	2,494,939

21 GROSS CONTRIBUTIONS

	31 December 2018			31 December 2017		
	General takaful	Family takaful	Total	General takaful	Family takaful	Total
Led by the company - net of refunds	19,973,524	1,444,551	21,418,075	17,266,306	1,584,184	18,850,490
Led by other insurance companies - Company's share	616,328	-	616,328	803,509	-	803,509
	20,589,852	1,444,551	22,034,403	18,069,815	1,584,184	19,653,999

22 MANAGEMENT, GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION

	31 December 2018	31 December 2017
Employee related costs	1,596,884	2,074,547
General administration expenses	738,854	816,644
Depreciation	171,920	245,161
	2,507,658	3,136,352

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23 EMPLOYEES' TERMINAL BENEFITS

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2018 amounted to BD 103,740 (2017: BD 131,320).

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

	31 December 2018	31 December 2017
Opening balance	305,185	245,668
Accruals for the year	132,027	126,985
Payments during the year	(205,739)	(67,468)
Closing balance	231,473	305,185
Total number of staff employed by the Group	86	102

24 WAKALA FEE AND MUDARIB SHARE

The shareholders manage the general and family takaful operations for the participants' and charge 17% (2017: 20%) and 17% (2017: 25%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 25% (2017: 25%) and 25% (2017: 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% (2017: 35%) and 25% (2017: 25%) respectively.

25 INVESTMENT INCOME

	Year ended 31 December 2018			
	Shareholders	General takaful	Family takaful	Total
Deposit income	54,937	101,414	13,503	169,854
Profit on investment securities	56,474	35,346	73,639	165,459
Dividend income	79,074	11,216	30,348	120,638
Gain on sale of investment securities	57,043	16,385	7,678	81,106
	247,528	164,361	125,168	537,057
	Year ended 31 December 2017			
	Shareholders	General takaful	Family takaful	Total
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
Gain / (Loss) on sale of investment securities	46,246	26,053	(3,699)	68,600
	142,272	130,515	95,068	367,855

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26 OTHER INCOME - NET

	Year ended 31 December 2018	Year ended 31 December 2017
Other income		
TPA fees and other income (subsidiary)	356,356	363,756
Rental income	27,500	29,700
Profit on sale of asset	14,163	2,091
Other income	8,267	-
	406,286	395,547
Other expense		
Investment expense	-	(6,509)
	406,286	389,038

27 EARNINGS PER SHARE

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

	Year ended 31 December 2018	Year ended 31 December 2017
Net profit	650,731	23,140
Weighted average number of ordinary shares issued	76,184,932	62,500,000
Earnings per share	8.54 Fils	0.37 Fils

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

Other information

Proposed cash dividend per share	-	-
Net asset value per share	108 Fils	102 Fils
Share price per Bahrain Bourse at 31 December	85 Fils	100 Fils
Price to earning ratio at 31 December	243 Times	270 Times
Total market capitalisation at 31 December (BD - thousand)	7,650	6,250

28 SEGMENTAL UNDERWRITING RESULTS

Business segments – primary reporting segment

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

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

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28 SEGMENTAL UNDERWRITING RESULTS (continued)

Business segments – primary reporting segment (continued)

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

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

	For the year ended 31 December 2018						
	Fire & General	Medical	Motor	Marine & Aviation	Total General Takaful	Family Takaful	Total
Gross contributions	4,871,273	6,789,644	8,544,828	384,107	20,589,852	1,444,551	22,034,403
Retakaful provider's share of gross contributions	(4,244,490)	(270,538)	(527,654)	(316,663)	(5,359,345)	(938,439)	(6,297,784)
Retained contributions	626,783	6,519,106	8,017,174	67,444	15,230,507	506,112	15,736,619
Unearned Contribution adjustment - net	24,594	(539,510)	(822,235)	3,429	(1,333,722)	7,274	(1,326,448)
Net earned contributions	651,377	5,979,596	7,194,939	70,873	13,896,785	513,386	14,410,171
Fee and Commission Income	990,236	-	-	71,131	1,061,367	35	1,061,402
Segment Revenue	1,641,613	5,979,596	7,194,939	142,004	14,958,152	513,421	15,471,573
Net incurred claims	(172,228)	(4,536,217)	(5,458,925)	(5,054)	(10,172,424)	(432,383)	(10,604,807)
Other Takaful Expenses	(8,439)	(259,488)	(279,788)	-	(547,715)	(3,762)	(551,477)
Transfer to family takaful technical reserve	-	-	-	-	-	(430,427)	(430,427)
(Provision for) / reversal of impaired takaful receivables	(16,915)	(27,994)	(47,850)	-	(92,759)	5,808	(86,951)
Underwriting surplus before wakala fees	1,444,031	1,155,897	1,408,376	136,950	4,145,254	(347,343)	3,797,911
Wakala fees expense	(1,188,237)	(950,550)	(1,311,631)	(93,346)	(3,543,764)	(245,574)	(3,789,338)
Surplus/ (Deficit) from takaful operations after wakala fees	255,794	205,347	96,745	43,604	601,490	(592,917)	8,573
Investment Income - net					141,562	107,845	249,407
Mudarib fees expense					(35,391)	(26,961)	(62,352)
Net surplus / (deficit)					707,661	(512,033)	195,628

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28 SEGMENTAL UNDERWRITING RESULTS (continued)

Business segments – primary reporting segment (continued)

For the year ended 31 December 2017

	Fire & General	Medical	Motor	Marine & Aviation	Total General Takaful	Family Takaful	Total
Gross contributions	5,104,153	5,455,318	7,054,880	455,464	18,069,815	1,584,184	19,653,999
Retakaful provider's share of gross contributions	(4,446,914)	(175,186)	(442,773)	(374,306)	(5,439,179)	(753,328)	(6,192,507)
Retained contributions	657,239	5,280,132	6,612,107	81,158	12,630,636	830,856	13,461,492
Unearned contribution adjustment - net	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
Fee and Commission Income	933,219	2,390	212	73,442	1,009,263	21,323	1,030,586
Segment Revenue	1,685,463	4,650,531	6,698,200	156,276	13,190,470	921,053	14,111,523
Net incurred claims	(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 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	1,452,237	130,007	3,382,564	(160,043)	3,222,521
Wakala fees expense	(1,108,847)	(872,850)	(1,435,134)	(124,608)	(3,541,439)	(396,046)	(3,937,485)
Surplus/ (Deficit) from takaful operations after wakala fees	7,094	(188,471)	17,103	5,399	(158,875)	(556,089)	(714,964)
Investment Income - net					(77,248)	22,430	(54,818)
Mudarib fees expense					(32,629)	(23,767)	(56,396)
Net surplus / (deficit)					(268,752)	(557,426)	(826,178)

The following table presents disclosure of segment assets and liabilities:

	Fire & General	Medical	Motor	Marine & Aviation	Family Takaful	Total	Unallocated assets / Liabilities	Total
Identifiable assets and liabilities as on 31 December 2018 (Audited)								
Identifiable assets	7,200,436	402,195	1,382,251	100,322	795,531	9,880,735	29,911,607	39,792,342
Identifiable liabilities	8,196,359	3,752,575	7,475,831	138,747	3,048,363	22,611,875	8,705,931	31,317,806
Identifiable assets and liabilities as on 31 December 2017 -								
Identifiable assets	7,124,082	169,135	1,628,794	120,508	1,257,352	10,299,871	24,514,725	34,814,596
Identifiable liabilities	8,316,435	2,619,679	7,170,016	160,604	3,112,211	21,378,945	7,922,349	29,301,294

The activities of the Group are restricted to carrying out takaful, on the principles of Sharia'a, a significant portion of which is concentrated in the GCC countries, which are subject to similar risks and rewards.

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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 2018 and 2017 is as follows:

	Gross contributions by location		Non-current assets by location of assets	
	2018	2017	2018	2017
Kingdom of Bahrain	22,034,403	19,342,067	1,949,641	2,083,013
State of Qatar	-	311,932	-	-
	22,034,403	19,653,999	1,949,641	2,083,013

29 RISK MANAGEMENT

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

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

Risk management

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

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

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

Takaful risk

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

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

29 RISK MANAGEMENT (continued)

Takaful risk (continued)

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

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

The Group does not have any single takaful contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or takaful contracts covering risks for single incidents that expose the Group to multiple takaful risks. The Group has adequately reinsured for takaful risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the statement of profit or loss (2017: 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.

ASSETS	31 December 2018				
	Bahraini Dinar	US Dollars	Qatari Riyals	Others	Total
Cash and bank balances	6,759,009	2,470,749	30,336	190	9,260,284
Statutory deposit	125,000	-	-	-	125,000
Takaful and retakaful balances receivable	8,118,909	1,878,516	-	-	9,997,425
Retakaful share of outstanding claims					
- Reported claims	3,947,258	2,069,906	-	-	6,017,164
Investments	1,554,974	3,147,791	-	1,579,830	6,282,595
	20,505,150	9,566,962	30,336	1,580,020	31,682,468
LIABILITES					
Takaful liabilities - outstanding claims					
- Reported claims	8,243,017	-	170,914	-	8,413,931
Unearned commissions	194,456	119,183	-	-	313,639
Payables and accrued liabilities :					
Takaful and retakaful companies	2,307,424	966,446	-	-	3,273,870
Participants'	1,545,043	-	-	-	1,545,043
Others	3,862,929	24,084	-	-	3,887,013
	16,152,869	1,109,713	170,914	-	17,433,496
Net Exposure	4,352,281	8,457,249	(140,578)	1,580,020	14,248,972

ASSETS	31 December 2017				
	Bahraini Dinar	US Dollars	Qatari Riyals	Others	Total
Cash and bank balances	4,660,597	853,658	20,731	-	5,534,986
Statutory deposit	125,000	-	-	-	125,000
Takaful and retakaful balances receivable	8,380,059	1,509,008	-	-	9,889,067
Retakaful share of outstanding claims					
- Reported claims	3,714,679	2,978,587	-	-	6,693,266
Investments	1,165,030	3,667,469	118,595	653,293	5,604,387
	18,045,365	9,008,722	139,326	653,293	27,846,706
LIABILITES					
Takaful liabilities - outstanding claims					
- Reported claims	8,914,357	-	332,249	-	9,246,606
Unearned commissions	207,715	124,853	-	-	332,568
Payables and accrued liabilities :					
Takaful and retakaful companies	1,800,291	894,235	-	-	2,694,526
Participants'	2,732,884	-	-	-	2,732,884
Others	2,494,939	-	-	-	2,494,939
	16,150,186	1,019,088	332,249	-	17,501,523
Net Exposure	1,895,179	7,989,634	(192,923)	653,293	10,345,183

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29 RISK MANAGEMENT (continued)

Price risk

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

The Group is exposed to market risk with respect to its investments in equities, managed funds and sukuks. The impact on investment fair value reserve and equity of a 1% increase/decrease in prices would be +/- of BD 62,826/- (2017: +/- of BD 56,044).

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 2018	31 December 2017
Kingdom of Bahrain	2,258,084	1,949,714
Other GCC countries	3,449,087	2,989,449
Asia	403,877	475,706
Other countries	171,546	189,518
	6,282,594	5,604,387

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 2018		At 31 December 2017	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
Cash and bank balances	9,260,284	9,260,284	5,534,986	5,534,986
Takaful and retakaful balances receivable	9,997,425	9,997,425	9,889,067	9,889,067
Retakaful share of outstanding claims	6,978,571	6,978,571	7,294,499	7,294,499
Other receivables and prepayments	1,235,585	1,235,585	361,687	361,687
Statutory deposit	125,000	125,000	125,000	125,000
Total financial assets	27,596,865	27,596,865	23,205,239	23,205,239

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

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29 RISK MANAGEMENT (continued)

Liquidity risk

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

ASSETS	31 December 2018			
	One year or less	More than one year	No term	Total
Cash and bank balances	9,260,284	-	125,000	9,385,284
Investments	2,356,096	3,926,499	-	6,282,595
Takaful and retakaful balances receivable	7,374,873	2,622,551	-	9,997,424
Retakaful share of outstanding claims	6,978,571	-	-	6,978,571
Deferred retakaful contribution	1,990,708	-	-	1,990,708
Deferred acquisition costs	600,206	-	-	600,206
Retakaful share of family takaful technical reserves	311,250	-	-	311,250
Property and equipment	-	-	1,949,641	1,949,641
Other receivables and prepayments	1,235,585	-	-	1,235,585
Receivable from takaful funds	1,061,074	-	-	1,061,074
	31,168,647	6,549,050	2,074,641	39,792,338

LIABILITIES	31 December 2018			
	One year or less	More than one year	No term	Total
Gross outstanding claims	10,520,927	-	-	10,520,927
Unearned contributions	9,355,821	-	-	9,355,821
Unearned retakaful commissions	313,639	-	-	313,639
Family takaful technical reserves	2,421,489	-	-	2,421,489
Payables and accrued liabilities	4,818,913	-	-	4,818,913
Other liabilities and provisions	2,594,464	-	-	2,594,464
Employees' terminal benefits	-	231,473	-	231,473
Payable to shareholders	1,061,074	-	-	1,061,074
	31,086,327	231,473	-	31,317,800

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29 RISK MANAGEMENT (continued)

Liquidity risk (continued)

	31 December 2017			
	One year or less	More than one year	No term	Total
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 policy 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

	31 December 2017			
	One year or less	More than one year	No term	Total
LIABILITES				
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
Payables and accrued liabilities	5,427,410	-	-	5,427,410
Other liabilities and provisions	1,273,169	-	-	1,273,169
Employees' terminal benefits	-	305,185	-	305,185
Payable to shareholders	916,585	-	-	916,585
	28,996,109	305,185	-	29,301,294

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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 9,005,000 as of 31 December 2018 (2017: BD 6,309,000). As at 31 December 2018 the surplus of available capital amounted to BD 442,000 compared to a deficit of BD (2,322,000) as at 31 December 2017, after considering the net admissible assets of General Participants and Family Takaful Funds to cover solvency margin BD 4,577,000 compared to BD 4,987,000 and the required margin of BD 3,986,000 (2017: BD 3,644,000)

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 187,249 at 2.20 fils per share (2017: BD 109,045 at 1.75 fils per share) is to be directly borne by the shareholders and, accordingly, the consolidated financial statements includes no provision for Zakah. Zakah base is calculated using the 'Net Invested Funds' method of calculating Zakah base. The components used in the computation of Zakah are share capital, statutory reserve, general reserve, retained earnings 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 (2017: Nil) from transactions which are not permitted under Shari'a.

34 CONTINGENT LIABILITIES

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

35 COMMITMENTS

a) Operating lease commitments

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

	31 December 2018	31 December 2017
Not later than 1 year	36,032	33,132

b) Other commitments

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

	31 December 2018	31 December 2017
Available-for-sale investments	-	6,387

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36 QARD AL HASSAN

In accordance with the capital adequacy requirements of the Central Bank of Bahrain' Insurance Rulebook, there is no Qard apportionment made through the Insurance Firm Return for the year ended 31 December 2018.

37 TOTAL COMPREHENSIVE INCOME

	For the year ended 31 December 2018				For the year ended 31 December 2017			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Net profit and surplus / (deficit) for the year	651,194	707,661	(512,033)	846,822	53,371	(268,752)	(557,426)	(772,807)
Other comprehensive income / (loss) to be reclassified to statement of profit or loss in subsequent periods:								
<i>Available-for-sale investments:</i>								
Fair value changes arising during the year	(229,652)	(16,009)	(55,810)	(301,471)	55,479	8,926	(9,281)	55,124
Recycled to interim condensed consolidated statement of profit or loss on disposal/ impairment	130,036	18,338	17,510	165,884	31,283	(421)	20,036	50,898
Other comprehensive income / (loss) for the year to be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods	(99,616)	2,329	(38,300)	(135,587)	86,762	8,505	10,755	106,022
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	551,578	709,990	(550,333)	711,235	140,133	(260,247)	(546,671)	(666,785)
Attributable to:								
Shareholders of the parent	551,115	709,990	(550,333)	710,772	109,902	(260,247)	(546,671)	(697,016)
Non-controlling interests	463	-	-	463	30,231	-	-	30,231
	551,578	709,990	(550,333)	711,235	140,133	(260,247)	(546,671)	(666,785)

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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 2018 and 31 December 2017:

	31 December 2018		
	Available- for-sale	Receivables	Total
Statutory deposit	-	125,000	125,000
Cash and bank balances	-	9,260,284	9,260,284
Investments	6,282,594	-	6,282,594
Takaful and retakaful balances receivable	-	9,997,425	9,997,425
Retakaful share of Takaful Liabilities			
- Outstanding claims - Reported claims	-	6,017,164	6,017,164
Other receivables and prepayments	-	1,235,585	1,235,585
	6,282,594	26,635,458	32,918,052

	Financial Liabilities
Takaful Liabilities	
- Outstanding Claims - Reported claims	8,413,931
Takaful and retakaful payables	4,818,913
Other liabilities and provisions	2,594,464
Employees' terminal benefits	231,473
	16,058,781

	31 December 2017		
	Available- for-sale	Receivables	Total
Statutory deposit	-	125,000	125,000
Cash and bank balances	-	5,534,986	5,534,986
Investments	5,604,387	-	5,604,387
Takaful and retakaful balances receivable	-	9,889,067	9,889,067
Retakaful share of Takaful Liabilities			
- Outstanding claims - Reported claims	-	6,693,266	6,693,266
Other receivables and prepayments	-	361,687	361,687
	5,604,387	22,604,006	28,208,393

	Financial Liabilities
Takaful Liabilities	
- Outstanding Claims - Reported claims	9,246,606
Takaful and retakaful payables	5,427,410
Other liabilities and provisions	1,273,169
Employees' terminal benefits	305,185
	16,252,370

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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 2018			Total
	Level 1	Level 2	Level 3	
Available-for-sale investments				
Quoted equities				
Banking	2,394,336	-	-	2,394,336
Infrastructure	1,909,149	-	-	1,909,149
Consumer Service	217,779	-	-	217,779
Others	319,807	-	-	319,807
Unquoted equity investments				
Infrastructure	-	377,500	-	377,500
Consumer Service	-	299,017	-	299,017
Insurance	-	200,268	-	200,268
Other managed funds				
Consumer Service	-	342,165	-	342,165
Infrastructure	-	175,570	-	175,570
Industrial	-	47,003	-	47,003
	4,841,071	1,441,522	-	6,282,594

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38 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

Date of valuation was 31 December 2018 for the current year and 31 December 2017 for the comparative years 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 2018, 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 (2017 : 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.