







# Statement of financial position

as at 31 December 2015

(Expressed in Bahrain Dinars)

	Notes	Shareholders		General takaful		Family takaful		Total	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<b>ASSETS</b>									
<b>Cash and investments:</b>									
Statutory deposit	5	125,000	125,000	-	-	-	-	125,000	125,000
Cash and cash equivalents	6	1,208,440	938,583	3,114,638	1,033,981	847,819	1,371,043	5,170,897	3,343,607
Investment securities	7	2,420,460	3,116,834	958,361	910,079	1,735,654	1,103,519	5,114,475	5,130,432
Investment in equity-accounted joint venture	8	24,003	21,088	-	-	-	-	24,003	21,088
		<b>3,777,903</b>	4,201,505	<b>4,072,999</b>	1,944,060	<b>2,583,473</b>	2,474,562	<b>10,434,375</b>	8,620,127
Retakaful and takaful balances receivable	9	-	-	<b>7,812,919</b>	10,294,067	<b>378,373</b>	552,448	<b>8,191,292</b>	10,846,515
Due from retakaful companies									
in connection with outstanding claims	10	-	-	<b>8,105,700</b>	8,587,011	<b>586,192</b>	339,713	<b>8,691,892</b>	8,926,724
Deferred retakaful contribution	11	-	-	<b>2,075,252</b>	3,741,314	<b>84,912</b>	-	<b>2,160,164</b>	3,741,314
Deferred policy acquisition cost	12	<b>769,705</b>	-	-	713,967	-	81,638	<b>769,705</b>	795,605
Property and equipment	13	<b>2,331,839</b>	1,953,711	-	-	-	-	<b>2,331,839</b>	1,953,711
Receivable from takaful funds	14	<b>33,439</b>	707,076	-	-	-	-	<b>33,439</b>	707,076
Other receivables and prepayments	14	<b>85,403</b>	113,254	<b>67,230</b>	54,762	<b>9,632</b>	6,526	<b>162,265</b>	174,542
Amounts due from related parties	15	<b>585</b>	962	-	-	-	-	<b>585</b>	962
<b>TOTAL ASSETS</b>		<b>6,998,874</b>	6,976,508	<b>22,134,100</b>	25,335,181	<b>3,642,582</b>	3,454,887	<b>32,775,556</b>	35,766,576
<b>SHAREHOLDERS' EQUITY</b>									
Share capital	16	<b>6,250,000</b>	6,250,000	-	-	-	-	<b>6,250,000</b>	6,250,000
Statutory reserve	17	<b>480,066</b>	480,066	-	-	-	-	<b>480,066</b>	480,066
General reserve	17	<b>200,000</b>	200,000	-	-	-	-	<b>200,000</b>	200,000
Accumulated losses	17	<b>(1,036,159)</b>	(280,787)	-	-	-	-	<b>(1,036,159)</b>	(280,787)
Investment fair value reserve	17	<b>(74,368)</b>	(241,217)	<b>(35,792)</b>	(192,271)	<b>(37,293)</b>	6,442	<b>(147,453)</b>	(427,046)
		<b>5,819,539</b>	6,408,062	<b>(35,792)</b>	(192,271)	<b>(37,293)</b>	6,442	<b>5,746,454</b>	6,222,233
(DEFICIT)/SURPLUS IN PARTICIPANTS' FUND		-	-	<b>(1,425,425)</b>	(340,141)	<b>1,060,272</b>	918,338	<b>(365,153)</b>	578,197
<b>Takaful funds:</b>									
Gross outstanding claims	18	-	-	<b>12,116,302</b>	11,923,718	<b>732,458</b>	388,223	<b>12,848,760</b>	12,311,941
Unearned contributions reserve	20	-	-	<b>7,794,482</b>	8,222,100	<b>134,716</b>	-	<b>7,929,198</b>	8,222,100
Unearned retakaful commissions	21	-	-	<b>340,597</b>	739,641	<b>2,880</b>	315	<b>343,477</b>	739,956
Family takaful technical reserves		-	-	-	-	<b>902,107</b>	816,167	<b>902,107</b>	816,167
		-	-	<b>20,251,381</b>	20,885,459	<b>1,772,161</b>	1,204,705	<b>22,023,542</b>	22,090,164
Retakaful and takaful payables		<b>532,426</b>	-	<b>2,750,330</b>	3,658,042	<b>817,740</b>	1,176,676	<b>4,100,496</b>	4,834,718
Other liabilities and provisions	22	<b>437,683</b>	385,760	<b>588,767</b>	762,228	<b>1,102</b>	3,514	<b>1,027,552</b>	1,151,502
Employees' terminal benefits	23	<b>209,226</b>	182,686	-	-	-	-	<b>209,226</b>	182,686
Payable to shareholders		-	-	<b>4,839</b>	561,864	<b>28,600</b>	145,212	<b>33,439</b>	707,076
<b>TOTAL LIABILITIES</b>		<b>1,179,335</b>	568,446	<b>3,343,936</b>	4,982,134	<b>847,442</b>	1,325,402	<b>5,370,713</b>	6,875,982
<b>TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES</b>		<b>6,998,874</b>	6,976,508	<b>22,134,100</b>	25,335,181	<b>3,642,582</b>	3,454,887	<b>32,775,556</b>	35,766,576

These financial statements, set out on pages 38 to 88, were approved for issue by the Board of Directors on 23 February 2016 and signed on their behalf by:

Murad Ali Murad  
Chairman

Khalil Ebrahim Nooruddin  
Vice-Chairman

Younis J. Al Sayed  
Chief Executive

# Statement of income

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

	Notes	Shareholders		General takaful		Family takaful		Total	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<b>Revenues</b>									
Gross contributions	29	-	-	18,120,156	19,233,569	1,525,957	1,562,059	19,646,113	20,795,628
Retakaful share	29	-	-	(5,309,514)	(9,157,903)	(469,269)	(773,516)	(5,778,783)	(9,931,419)
Retained contributions		-	-	12,810,642	10,075,666	1,056,688	788,543	13,867,330	10,864,209
Movement in unearned contributions	29	-	-	(1,248,449)	(130,342)	(49,804)	-	(1,298,253)	(130,342)
Net earned contributions		-	-	11,562,193	9,945,324	1,006,884	788,543	12,569,077	10,733,867
Net commission and other takaful income/(expenses)	29	-	-	1,671,061	1,079,941	(86,248)	(118,220)	1,584,813	961,721
Total takaful revenue		-	-	13,233,254	11,025,265	920,636	670,323	14,153,890	11,695,588
<b>Expenses</b>									
Gross claims settled		-	-	(16,606,370)	(16,087,111)	(533,624)	(478,459)	(17,139,994)	(16,565,570)
Claims recovered from retakaful and other parties		-	-	7,802,230	7,602,646	437,685	397,456	8,239,915	8,000,102
Net movement in outstanding claims		-	-	(673,894)	(1,067,730)	(97,755)	(24,936)	(771,649)	(1,092,666)
Net claims incurred	29	-	-	(9,478,034)	(9,552,195)	(193,694)	(105,939)	(9,671,728)	(9,658,134)
Transfer to family takaful technical reserve		-	-	-	-	(111,999)	(26,381)	(111,999)	(26,381)
Write-offs of impaired takaful receivables		-	-	(943,053)	-	(89,420)	-	(1,032,473)	-
Provision for impaired takaful receivables	9	-	-	(346,467)	(100,000)	(13,816)	-	(360,283)	(100,000)
Total takaful expenses		-	-	(10,767,554)	(9,652,195)	(408,929)	(132,320)	(11,176,483)	(9,784,515)
Surplus from takaful operations before Wakala fees		-	-	2,465,700	1,373,070	511,707	538,003	2,977,407	1,911,073
Wakala fees	24	-	-	(3,365,052)	(2,319,215)	(389,119)	(468,618)	(3,754,171)	(2,787,833)
(Deficit)/surplus from takaful operations after Wakala fees		-	-	(899,352)	(946,145)	122,588	69,385	(776,764)	(876,760)
Wakala fees	24	3,754,171	2,787,833	-	-	-	-	3,754,171	2,787,833
Investment income	25	344,743	244,442	28,582	34,917	118,093	59,038	491,418	338,397
Mudarib share	24	26,096	17,585	(8,382)	(8,729)	(17,714)	(8,856)	-	-
		4,125,010	3,049,860	20,200	26,188	100,379	50,182	4,245,589	3,126,230
Management, general and administrative expenses and depreciation		(3,390,543)	(3,444,643)	-	-	-	-	(3,390,543)	(3,444,643)
Net acquisition costs	26	(929,710)	-	-	-	-	-	(929,710)	-
Impairment loss on investment securities	7	(1,135,781)	(442,421)	(206,132)	(44,421)	(81,033)	(14,460)	(1,422,946)	(501,302)
Other income (loss)	27	575,652	(6,499)	-	-	-	-	575,652	(6,499)
Net management, general and administrative expenses		(4,880,382)	(3,893,563)	(206,132)	(44,421)	(81,033)	(14,460)	(5,167,547)	(3,952,444)
Net (loss)/profit and (deficit)/surplus for the year		(755,372)	(843,703)	(1,085,284)	(964,378)	141,934	105,107	(1,698,722)	(1,702,974)
Earnings per share	28	(12.09 fils)	(13.50 fils)						

These financial statements, set out on pages 38 to 88, were approved for issue by the Board of Directors on 23 February 2016 and signed on their behalf by:

Murad Ali Murad  
Chairman

Khalil Ebrahim Nooruddin  
Vice-Chairman

Younis J. Al Sayed  
Chief Executive

# Statement of other comprehensive income

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
<b>Net profit for the year</b>		<b>(755,372)</b>	(843,703)
<b>Other comprehensive income</b>			
<b>Items that will or may be reclassified to profit or loss:</b>			
Net realised fair value losses on sale of investment securities	7	<b>(108,313)</b>	(36,441)
Unrealised fair values gains on investment securities	7	<b>275,162</b>	62,056
<b>Total other comprehensive income for the year</b>		<b>166,849</b>	25,615
<b>Total comprehensive loss for the year</b>		<b>(588,523)</b>	(818,088)

# Statement of changes in shareholders' equity

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

	Notes	Share capital	Statutory reserve	General reserve	Retained earnings/ (Accumulated losses)	Investments fair value reserve	Total equity
At 31 December 2013		6,250,000	480,066	200,000	875,416	(266,832)	7,538,650
Dividends paid for 2013	16	-	-	-	(312,500)	-	(312,500)
Total comprehensive loss for the year		-	-	-	(843,703)	25,615	(818,088)
At 31 December 2014		6,250,000	480,066	200,000	(280,787)	(241,217)	6,408,062
Total comprehensive loss for the year		-	-	-	(755,372)	166,849	(588,523)
<b>At 31 December 2015</b>		<b>6,250,000</b>	<b>480,066</b>	<b>200,000</b>	<b>(1,036,159)</b>	<b>(74,368)</b>	<b>5,819,539</b>

# Statement of changes in participants' fund

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

	Notes			Investment fair value reserve		Total
		General takaful	Family takaful	General takaful	Family takaful	
At 31 December 2013		624,237	813,231	(36,425)	(2,150)	1,398,893
Realised fair value gains/(losses) on sale of investment securities	7	-	-	7,791	(1,082)	6,709
Unrealised fair value (losses)/gains on investment securities	7	-	-	(163,637)	9,674	(153,963)
(Deficit)/surplus for the year		(964,378)	105,107	-	-	(859,271)
At 31 December 2014		(340,141)	918,338	(192,271)	6,442	392,368
Realised fair value gains/(losses) on sale of investment securities	7	-	-	19,006	(4,300)	14,706
Unrealised fair value (losses)/gains on investment securities	7	-	-	137,473	(39,435)	98,038
(Deficit)/surplus for the year		(1,085,284)	141,934	-	-	(943,350)
<b>At 31 December 2015</b>		<b>(1,425,425)</b>	<b>1,060,272</b>	<b>(35,792)</b>	<b>(37,293)</b>	<b>(438,238)</b>



# Statement of cash flows

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

	Notes	2015	2014
<b>Operating activities</b>			
Net loss for the year		(755,372)	(843,703)
Deficit from participants' operations		(943,350)	(859,271)
Adjustments for:			
Profits on Ijarah Muntahia Bittamleek facility	27	(605,300)	-
Profits on disposal of property and equipment	27	(32,004)	-
Realised (gains)/losses on sale of investment securities		(244,304)	29,732
Impairment loss on investment securities	7	520,843	501,302
Write-offs of impaired retakaful and takaful receivables		1,032,473	-
Provision for impaired retakaful and takaful receivables	9	360,283	100,000
Investment income		(244,199)	(338,397)
Depreciation	13	270,065	295,737
Capital work-in-progress written off	13	74,665	-
Share of (profits)/losses of equity accounted joint venture	25	(2,915)	30,957
Finance costs		25,483	-
Changes in operating assets and liabilities:			
Retakaful and takaful balance receivables		1,262,467	(245,469)
Other receivables and prepayments		12,277	735,800
Amount due from related parties		377	22,167
Due from retakaful companies in connection with outstanding claims		234,832	(2,586,146)
Gross outstanding claims		536,819	3,678,811
Retakaful and takaful balance payables		(734,222)	744,563
Movement in unearned contributions		1,288,248	84,355
Movement in unearned commissions		(370,579)	(16,908)
Transfer to family takaful technical reserve		85,940	(27,307)
Other liabilities and provisions		(123,950)	(734,269)
Employees' leaving indemnity, net		26,540	25,173
Net cash provided by operating activities		1,675,117	597,127
<b>Investing activities</b>			
Investment income received		244,199	338,397
Purchase of property and equipment	13	(191,215)	(79,144)
Expenditure incurred on capital work-in-progress	13	(31,821)	(6,000)
Purchase of investment securities	7	(3,043,261)	(4,447,116)
Proceeds from disposal of property and equipment		137,482	-
Proceeds from the sale of investment securities		3,062,272	4,006,698
Net cash provided/(used in) by investing activities		177,656	(187,165)
<b>Financing activities</b>			
Finance costs paid		(25,483)	-
Dividends paid	16	-	(312,500)
Net cash used in financing activities		(25,483)	(312,500)
<b>Net increase in cash and cash equivalents</b>		<b>1,827,290</b>	<b>97,462</b>
Cash and cash equivalents, beginning of the year		3,343,607	3,246,145
Cash and cash equivalents, end of the year	6	5,170,897	3,343,607

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain 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 activities of the Company are organised on the principles of Shari'a. The principal activity of the Company is to manage the General and Family takaful activities and investments by adopting wakala and mudarabha models respectively, on behalf of the participants in accordance with the Islamic Shari'a principles. 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 Company is in the Kingdom of Bahrain.

## 2 Basis of presentation

### Statement of compliance

The 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.

### Functional currency

Bahrain Dinars is the Company's functional currency and also the currency in which the Company's share capital is denominated. Accordingly, the financial statements have been prepared in Bahrain Dinars.

### Basis of presentation

The financial statements have been prepared under the historical cost convention and using going concern assumption except for investment securities which are stated at their fair values.

The preparation of 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 Company's accounting policies.

### Standard issued and effective in 2015 but not relevant

The following new standards is mandatory for accounting periods beginning on or after 1 January 2015 or subsequent periods, but are not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
FAS 27	Investment Accounts	1 January 2015

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 3 Significant accounting policies

### i) Accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Takaful operations

As an Islamic insurance provider, the Company issues contracts that are based on co-operative activity by risk sharing or financial risk, or both. The Company 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 Company 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 Company. 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 represent the total business written in the year, including contributions on annual takaful contracts covering part or all of the year. In addition, gross contributions include certain contributions derived from local inward business under co-takaful arrangements. Gross contributions in respect of annual takaful contracts are recognised in the statement of income at takaful contract inception. In respect of longer term takaful contracts, contributions are spread over the tenure of the takaful contracts on a straight-line basis and the unexpired portion of such contributions is included within "unearned contributions" in the statement of financial position for the initial period of the year and the balance unexpired portion of such contribution is included in the other payables.

Unearned contributions represent the portion of contributions received on in-force contracts that relate to unexpired risks at the statement of financial position date.

In accordance with the provisions of Volume 3 of the Insurance Rulebook issued by the Central Bank of Bahrain, unearned contributions in respect of annual takaful contracts at the statement of financial position date have been calculated on retained contributions in order to spread the contributions earned over the tenure of the takaful contracts, as follows:

- by the '24th method' for all annual takaful contracts, except for marine cargo business; and
- by the '6th method' for marine cargo business.

Retakaful share represents amounts paid to retakaful companies in accordance with retakaful contracts entered into by the Company. In respect of proportional retakaful contracts and non-proportional retakaful contracts, the amounts are recognised in the statement of income in accordance with the terms of these contracts.

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

The Company defers commission income and expense:

- by the '24th method' for all annual insurance contracts, except for marine cargo business; and
- by the '6th method' for marine cargo business.

in order to spread the commission income and expense earned over the terms of the insurance contracts.

### 3 Significant accounting policies (continued)

#### General takaful (continued)

Gross claims settled are charged to the statement of income in the year in which the claims payable to policyholders and third parties is determined as per the terms of the takaful contracts. This includes the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial period.

Claims recovered from retakaful and other parties include amounts recovered from retakaful companies in respect of the gross claims paid by the Company, in accordance with the retakaful contracts held, together with salvage and other claims recoveries.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date, whether reported or not. Provisions for gross outstanding claims is based on estimates of the outstanding loss which will eventually be payable on each reported claim, established by management based on currently available information and past experience modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Outstanding claim provisions are not discounted for their value of money.

Liability adequacy tests are performed at each 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 statement of income by establishing a provision for losses arising from liability adequacy tests.

#### Family takaful

Family takaful technical reserves represent the present value of future benefit obligations in respect of family takaful contracts in force at the 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 Company'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 4.25% per annum (2014: 4.25% per annum).

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

Gross contributions are recognised in the statement of income on the due date of the premium.

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.

Retakaful share represents amounts paid to retakaful companies in accordance with retakaful contracts entered into by the Company. In respect of proportional retakaful contracts and non-proportional retakaful contracts, the amounts are recognised in the statement of income in accordance with the terms of these contracts.

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

Claims settled are charged to the statement of income, in the year in which claims arise.

Gross claims recovered include amounts recovered from retakaful companies in respect of the gross claims paid by the Company in accordance with the retakaful contracts held.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 3 Significant accounting policies (continued)

### Financial assets

#### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers and also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective profit rate method, less provision for impairment.

The Company's loans and receivables comprises of retakaful and takaful receivables, due from retakaful companies in connection with outstanding claims and cash and cash equivalents in the statement of financial position.

#### Retakaful and takaful receivables

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consists of balances due from retakaful companies on settlement of claims and other receivables such as retakaful commissions and amounts recoverable from retakaful companies in connection with outstanding claims, that are dependent on the expected claims and benefits arising under the related takaful 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.

Retakaful and takaful balances receivable are stated at cost less any impairment losses. Amounts receivable from retakaful companies relating to claims are estimated in a manner consistent with the claim liability associated with the retakaful companies.

The Company assesses its retakaful assets for impairment on a quarterly basis. If there is objective evidence that the retakaful asset is impaired, the Company reduces the carrying amount of the retakaful asset to its recoverable amount and recognises that impairment loss in the statement of income. Objective evidence for impairment is assessed as a result of an event that occurred after initial recognition of the retakaful asset that the Company may not be able to receive all the amounts due under the terms of the contract and that the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful Company.

#### Investment securities

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit rates, are classified as non-current assets unless management has the express intention of holding the investment for less than 12 months from the statement of financial position date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Investments are initially recognised at cost but are subsequently carried at fair value. Any unrealised gains and losses arising from changes in the fair value of investments are taken to a fair value reserve in owner's equity. When investments are sold or assessed as impaired, the accumulated fair value adjustments are included in the statement of income as gains or losses from investments.

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. The cost of purchase includes transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has substantially transferred all the risks and rewards of ownership.

#### Investment fair value reserve

Investments classified as investment securities are re-measured at their fair values and the net difference arising between the carrying amounts and their fair values are credited to a separate component of Owner's equity in a fair value reserve. Gains and losses arising from changes in fair value of investment securities are recognised in the fair value reserve in the statement of changes in equity. On sale of investment securities the component in the investment fair value reserve is transferred to the statement of income in the year of de-recognition.

### 3 Significant accounting policies (continued)

#### Financial assets (continued)

##### Impairment of assets

The Company assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

##### a) Impairment of investment securities

In the case of investments in equity securities classified as investment securities and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for investment securities, the cumulative loss measured and the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of changes in shareholders' equity is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity securities are not subsequently reversed through the statement of income. For investment securities carried at cost, the Company makes an assessment of whether there is an objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognised if the estimated recoverable amount is assessed to be below the cost of the investment.

##### b) Impairment of other non-financial assets

The carrying amount of the Company's assets or its cash generating unit, other than financial assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset that generates cash flows that largely are independent from other assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

#### Financial liabilities

The financial liabilities of the Company 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 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 statement of income by establishing a provision for losses arising from liability adequacy tests.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 3 Significant accounting policies (continued)

### Provisions

The Company has recognised provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, reflecting current market assessments of the time value of money and risks specific to the liability.

### Property and equipment and accumulated depreciation

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, with the exception of freehold land which is not depreciated. Freehold land is not depreciated as it is deemed to have an infinite life. Cost includes all costs directly attributed to bringing the asset to working condition for its intended use.

Depreciation is calculated on the straight-line method to write-off the cost of property and equipment to their estimated residual values over their expected useful lives as follows:

Buildings on freehold land	30 years
Furniture and fixtures	5-10 years
Office equipment	5 years
Motor vehicles	4 years

The estimated useful lives of the leasehold buildings are determined based on the remaining lease period of the land on which the buildings are constructed.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining net profit.

Repairs and renewals are charged to the statement of income when the expenditure is incurred.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written-down to their recoverable amounts.

### Capital work-in-progress

Expenditure incurred on the construction of new facilities prior to the commencement of commercial use is capitalised. Capital work in progress is transferred to property and equipment and depreciated at the time of commencement of their commercial use.

### Investment in joint venture

The Company's interests in jointly controlled entities, being entities in which two or more parties contractually agree to share control over an economic activity, are accounted for using the equity method of accounting, as the Company's management believes that it exercises joint control, that is the power, directly or indirectly, to jointly govern the financial and operating policies of the jointly controlled entities. Equity accounting involves recording the interest in the jointly controlled entity, initially at cost, and adjusting it for the post-acquisition changes in the Company's share of the results of operations of the jointly controlled entity. The equity method is applied from the date on which the Company assumes joint control over an entity, and ceases when joint control is relinquished.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 3 Significant accounting policies (continued)

### Employees' terminal benefits

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Post-employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Company's contributions are charged to the statement of income in the year to which they relate. In respect of this plan, the Company has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Company accrues for its liability in this respect on an annual basis.

#### Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

#### Islamic financing

Islamic financing towards Ijarah Muntahia Bittamleek facility are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, these are stated at amortised cost, and any differences between proceeds (net of transaction costs) and the repayment amounts are recognised in the statement of income over the period of the financing.

#### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprises of cash on hand and call, current account balances with bank and bank fixed deposits with original maturities of three months or less.

#### Dividends and board remuneration

Dividends and board remuneration are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends and board remuneration, this is when approved by the shareholders at the Annual General Meeting.

#### Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of income.

#### Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.



# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 3 Significant accounting policies (continued)

### Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

### Other income

Other income is accounted for on the accruals basis, unless collectibility is in doubt.

### Earnings prohibited by Shari'a

The Company 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 Company uses these funds for charitable purposes.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision maker have been identified as the Chief Executive Officer of the Company.

## 4 Critical accounting judgments and key source of estimation uncertainty

The preparation of the financial statements in accordance FAS issued by AAOIFI requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

- ultimate liability arising from claims made under insurance contracts;
- power to exercise significant influence;
- economic useful lives of property and equipment;
- fair value of investments;
- impairment of investment securities;
- fair value measurement;
- legal proceedings;
- provisions;
- contingencies; and
- going concern.

### 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 Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The estimations for claims incurred but not reported (IBNR) uses statistical models including an estimation made to meet certain contingencies such as unexpected and unfavourable court judgments which may require a higher payout than originally estimated and settlement of claims, which may take longer than expected, resulting in actual payouts being different than estimated.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 4 Critical accounting judgments and key source of estimation uncertainty (continued)

### Power to exercise significant influence

Where the Company holds less than 20% of voting rights in an investment but the Company has the power to exercise significant influence, such an investment is treated as an associate. In the opposite situation where the Company holds more than 20% of the voting rights and the Company does not exercise significant influence, the investment is treated as an investment security, since the Company's control is considered temporary in nature. Where the Company holds more than 50% of the voting rights and exercises only temporary control or joint control, the investment is treated either as investment in a joint venture or investment securities.

### Economic useful lives of property and equipment

The Company's property and equipment are depreciated on a straight-line basis over their economic useful lives. Useful economic lives of property and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

### Fair value of investments

The Company determines fair values of investment designated as investment securities that are not quoted in active markets by using valuation techniques which include net asset valuation and recent transaction prices. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In the absence of alternative information the Company management estimate fair values based on information from and discussions with representatives of the management of the investee companies, and based on the latest available audited and un-audited financial statements.

### Impairment of investment securities

The Company determines that investment securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment and is assessed for each investment separately. In case of quoted equity securities, the Company considers a decline of more than 30% in the fair value below cost to be significant and considers a decline below cost which persists for more than 6 months as prolonged.

Where fair values are not readily available and the investment securities are carried at cost, the recoverable amount of such investment is subject to a test for impairment. In making a judgment of impairment, in investments in funds in the real estate sector, the Company evaluates among other factors, evidence of deterioration in the financial health of the project, impacts of delays in execution, industry and sector performance, changes in technology, and operational and financing cash flows.

### Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 4 Critical accounting judgments and key source of estimation uncertainty (continued)

### Fair value measurement (continued)

The financial assets, financial liabilities and non-financial assets of the Company that either require fair value measurements or only fair value disclosures as at 31 December 2015 is shown in Note 30.

### Legal proceedings

The Company recognises provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements could have a material effect on the Company's financial position. Application of these accounting principles to legal cases requires the Company's management to make determinations about various factual and legal matters beyond its control.

The Company reviews outstanding legal cases following developments in the legal proceedings at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claims or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claims or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment.

### Provisions

The Company creates provision for impaired trade receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2015, in the opinion of the Company's management, a provision of BD 622,811 is required against impaired general takaful receivables (2014: BD262,528). When evaluating the adequacy of a provision for impaired trade receivables, management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the provisions for impaired trade receivables recorded in the financial statements.

### Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

### Going concern

The management of the Company reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Company ensure that they provide adequate financial support to fund the requirements of the Company to ensure the going concern status of the Company.

## 5 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, cannot be withdrawn except with the approval of the Central Bank of Bahrain. A sum of BD125,000 (2014: BD125,000) has been deposited with Bahrain Islamic Bank B.S.C. in the name of the Company and for the order of Central Bank of Bahrain.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 6 Cash and cash equivalents

	31 December 2015				31 December 2014			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Call account and islamic deposit balances	167,229	2,069,784	734,715	2,971,728	685,795	-	1,052,645	1,738,440
Balances with banks	1,039,986	1,042,383	113,104	2,195,473	251,554	1,031,956	318,398	1,601,908
Cash on hand	1,225	2,471	-	3,696	1,234	2,025	-	3,259
Closing balance	1,208,440	3,114,638	847,819	5,170,897	938,583	1,033,981	1,371,043	3,343,607

Call account balances and deposits earn effective profit rates ranging between 1.25% and 3.8% per annum (2014: between 1.3% and 4% per annum).

The savings account balances with banks earn effective profit rates ranging between 0.15% and 0.25% per annum (2014: between 1% and 2% per annum).

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

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 7 Investment securities

	31 December 2015				31 December 2014			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General Takaful	Family takaful	Total
Opening balance	3,116,834	910,079	1,103,519	5,130,432	3,345,002	1,479,017	518,668	5,342,687
Additions during the year	1,437,626	158,726	1,446,909	3,043,261	3,658,165	56,110	732,841	4,447,116
Disposals during the year	(1,825,005)	(254,924)	(738,039)	(2,817,968)	(3,469,527)	(424,781)	(142,122)	(4,036,430)
Realised fair value (losses)/gains on sale investment securities (Note 25)	(108,313)	19,006	(4,300)	(93,607)	(36,441)	7,791	(1,082)	(29,732)
Impairment loss for the year	(475,844)	(11,999)	(33,000)	(520,843)	(442,421)	(44,421)	(14,460)	(501,302)
Unrealised fair value gains/(losses) recognised in investment fair value reserve	275,162	137,473	(39,435)	373,200	62,056	(163,637)	9,674	(91,907)
Closing balance	2,420,460	958,361	1,735,654	5,114,475	3,116,834	910,079	1,103,519	5,130,432

Details of unrealised fair value losses on investment securities previously recognised in statement of other comprehensive income and now recognised in statement of income due to impairment of these securities is as follows:

	31 December 2015	31 December 2014
Impairment losses on investment securities	902,103	-

### Analysis of investment securities

	31 December 2015				31 December 2014			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General Takaful	Family takaful	Total
Shares listed on stock exchanges	635,154	57,032	103,314	795,500	1,204,726	45,405	-	1,250,131
Quoted managed funds	1,226,164	246,110	1,372,895	2,845,169	823,727	137,297	812,636	1,773,660
Unquoted managed funds	369,235	655,219	259,445	1,283,899	522,887	727,377	290,883	1,541,147
Unquoted equity investments	189,907	-	-	189,907	565,494	-	-	565,494
Closing balance	2,420,460	958,361	1,735,654	5,114,475	3,116,834	910,079	1,103,519	5,130,432

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 7 Investment securities (continued)

Included within the investment securities are shares with a carrying value of BD53,030 (2014:BD139,304) held in the name of a related party for the beneficial interest of the Company.

Investments have been categorised into agency rated / quoted investments and as per the Company's internal investment grade policy as follows:

	31 December 2015								
	Shareholders			General takaful			Family takaful		
	Agency rated/Quoted investment	Company's Internal investment grade policy	Total	Agency rated/Quoted investment	Company's Internal investment grade policy	Total	Agency rated/Quoted investment	Company's Internal investment grade policy	Total
Shares listed on stock exchanges	635,154	-	635,154	57,032	-	57,032	103,314	-	103,314
Quoted managed funds	880,437	345,727	1,226,164	246,110	-	246,110	1,372,895	-	1,372,895
Unquoted managed funds	-	369,235	369,235	-	655,219	655,219	-	259,445	259,445
Unquoted equity investments	-	189,907	189,907	-	-	-	-	-	-
	<b>1,515,591</b>	<b>904,869</b>	<b>2,420,460</b>	<b>303,142</b>	<b>655,219</b>	<b>958,361</b>	<b>1,476,209</b>	<b>259,445</b>	<b>1,735,654</b>

	31 December 2014								
	Shareholders			General takaful			Family takaful		
	Agency rated/Quoted investment	Company's Internal investment grade policy	Total	Agency rated/Quoted investment	Company's Internal investment grade policy	Total	Agency rated/Quoted investment	Company's Internal investment grade policy	Total
Shares listed on stock exchanges	1,204,726	-	1,204,726	45,405	-	45,405	-	-	-
Quoted managed funds	823,727	-	823,727	137,297	-	137,297	812,636	-	812,636
Unquoted managed funds	-	522,887	522,887	-	727,377	727,377	-	290,883	290,883
Unquoted equity investments	-	565,494	565,494	-	-	-	-	-	-
	<b>2,028,453</b>	<b>1,088,381</b>	<b>3,116,834</b>	<b>182,702</b>	<b>727,377</b>	<b>910,079</b>	<b>812,636</b>	<b>290,883</b>	<b>1,103,519</b>

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 7 Investment securities (continued)

The investment securities include unquoted equity shares which do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, and are therefore stated at cost. In the opinion of the Company's management, the fair values of these unquoted equity shares are not expected to be significantly different from their carrying amounts.

Investment securities are denominated in the following currencies:

Currency	31 December 2015	31 December 2014
United States Dollars	3,071,281	2,931,180
Bahrain Dinar	1,363,926	803,072
Kuwait Dinars	79,355	638,458
Indian Rupees	349,830	477,404
Saudi Arabian Riyal	116,002	116,346
United Arab Emirates Dirhams	78,653	88,067
Qatar Riyals	31,657	29,160
British Pound	21,209	23,938
Euros	2,562	22,807
	<b>5,114,475</b>	5,130,432

During the year, the Company has performed an impairment test of its investment securities and concluded that certain of those investments are impaired. Accordingly, the impairment loss of BD1,422,946 (2014: BD501,302) has been charged to the statement of income.

The maximum exposure to market risk at the reporting date is the carrying value of the financial assets classified as investment securities.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 8 Investment in equity-accounted joint venture

	31 December 2015	31 December 2014
At 1 January	21,088	52,045
Share of profits/(losses) in equity-accounted joint venture (Note 25)	2,915	(30,957)
At 31 December	24,003	21,088

The Company has a 60% (2014: 60%) interest in a joint venture, Health 360 Ancillary Services W.L.L., a separate third party administration company ("TPA") incorporated and operating in the Kingdom of Bahrain. The primary activity of Health 360 Ancillary Services W.L.L. is the provision of insurance ancillary services.

The contractual arrangement provides the Company with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with Health 360 Ancillary Services W.L.L. This joint arrangement is classified as a joint venture and has been included in the financial statements using the equity method.

Summarised financial information in relation to the joint venture is presented below:

	Year ended 31 December 2015	Year ended 31 December 2014
Total income	209,926	146,773
Management, general and administrative expenses and depreciation	(204,204)	(200,638)
Net profit/(loss) for the year	5,722	(53,865)
Cash flows from operating activities	27,974	(34,816)
Cash flows from investing activities	(1,699)	(7,947)
Cash flows from financing activities	4,326	1,958
Net cash inflows/(outflows)	30,601	(40,805)
<b>Assets</b>		
Non-current assets	19,712	24,276
Current assets	85,229	61,496
	104,941	85,772
<b>Liabilities:</b>		
Current liabilities	(54,118)	(45,488)
<b>Non-current liabilities:</b>		
Non-current liabilities	(9,955)	(5,138)



# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 9 Retakaful and takaful receivables

	31 December 2015			31 December 2014		
	General takaful	Family takaful	Total	General Takaful	Family takaful	Total
Due from takaful companies	3,293,060	-	3,293,060	3,090,019	-	3,090,019
Due from retakaful companies	889,509	226,153	1,115,662	1,532,620	283,183	1,815,803
Due from takaful participants	2,081,177	66,012	2,147,189	3,567,230	206,484	3,773,714
Other receivables	1,549,173	86,208	1,635,381	2,104,198	62,781	2,166,979
Closing balance	7,812,919	378,373	8,191,292	10,294,067	552,448	10,846,515

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

At 31 December 2015, in the opinion of the Company's management, a provision of BD622,811 is required towards impairment of retakaful and takaful receivables (2014: BD262,528). The movement in the provision for impaired retakaful and takaful receivables is as follows:

	31 December 2015	31 December 2014
At 1 January	262,528	163,002
Charge for the year	360,283	100,000
Written-off for the year	-	(474)
At 31 December	622,811	262,528

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

Age in days	General takaful				Family takaful			
	Current		Overdue and not impaired		Current		Overdue and not impaired	
	2015	2014	2015	2014	2015	2014	2015	2014
0 to 90 days	2,325,082	4,205,471	-	-	148,127	216,852	-	-
91 to 180 days	-	-	1,173,971	3,560,776	-	-	101,453	34,360
181 to 365 days	-	-	1,483,952	1,359,923	-	-	22,957	102,651
More than 365 days	-	-	2,829,914	1,167,897	-	-	105,836	198,585
	2,325,082	4,205,471	5,487,837	6,088,596	148,127	216,852	230,246	335,596

The net retakaful and takaful receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over retakaful and takaful receivables. In the opinion of the Company's management, the fair values of the retakaful and takaful receivables are not expected to be significantly different from their carrying values.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 10 Due from retakaful companies in connection with outstanding claims

	General takaful					Family takaful		
	Fire, general accident and engineering	Marine	Motor	Medical	2015 Total	2014 Total	2015 Total	2014 Total
Opening balance	3,215,734	54,017	4,662,830	654,430	<b>8,587,011</b>	6,166,509	<b>339,713</b>	174,069
Claims incurred	1,690,954	87,653	3,683,736	1,643,119	<b>7,105,462</b>	10,023,148	<b>371,479</b>	563,100
Claims recovered	(2,337,349)	(121,185)	(3,369,424)	(1,758,815)	<b>(7,586,773)</b>	(7,602,646)	<b>(125,000)</b>	(397,456)
Closing balance	2,569,339	20,485	4,977,142	538,734	<b>8,105,700</b>	8,587,011	<b>586,192</b>	339,713

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 Company to obtain collateral over dues from retakaful companies in connection with outstanding claims.

In the opinion of the Company's management, the fair values of the dues from retakaful companies in connection with outstanding claims are not expected to be significantly different from their carrying values.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 11 Deferred retakaful contributions

The movement in deferred retakaful contributions during the year is:

	General takaful				Family takaful		
	Motor and general accident	Fire	Marine	Medical	2015 Total	2014 Total	2015 Total
Opening balance	1,330,711	841,234	162,041	1,407,328	<b>3,741,314</b>	3,616,761	-
Retakaful contributions deferred	1,000,284	894,542	127,436	52,990	<b>2,075,252</b>	3,741,314	<b>84,912</b>
Retakaful contributions released	(1,330,711)	(841,234)	(162,041)	(1,407,328)	<b>(3,741,314)</b>	(3,616,761)	-
Closing balance	1,000,284	894,542	127,436	52,990	<b>2,075,252</b>	3,741,314	<b>84,912</b>

## 12 Deferred policy acquisition costs

The movement in deferred policy acquisition costs during the year is:

	General takaful				Family takaful			
	Motor and general accident	Fire	Marine	Medical	2015 Total	2014 Total	2015 Total	2014 Total
Opening balance	365,690	129,340	10,324	208,613	<b>713,967</b>	760,405	<b>81,638</b>	44,157
Commission incurred	-	-	-	-	-	713,967	-	81,638
Commission paid	(365,690)	(129,340)	(10,324)	(208,613)	<b>(713,967)</b>	(760,405)	<b>(81,638)</b>	(44,157)
Closing balance	-	-	-	-	-	713,967	-	81,638

	Motor and general accident	Fire	Marine	Medical	Family Takaful	2015 Total	
Commission incurred		438,235	140,617	5,505	103,822	81,526	<b>769,705</b>

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 13 Property and equipment

	Freehold land	Buildings on freehold Land	Furniture and fixtures	Office equipment	Motor vehicles	Capital work-in-progress	Total
<b>Cost</b>							
At 31 December 2013	492,148	1,266,765	879,317	1,209,196	132,530	60,963	4,040,919
Additions	-	-	8,653	14,241	56,250	6,000	85,144
At 31 December 2014	492,148	1,266,765	887,970	1,223,437	188,780	66,963	4,126,063
Additions	579,720	120,280	1,150	94,365	1,000	31,821	828,336
Transfers	-	-	-	-	-	(74,665)	(74,665)
Disposals	-	(131,844)	-	-	(84,500)	-	(216,344)
<b>At 31 December 2015</b>	<b>1,071,868</b>	<b>1,255,201</b>	<b>889,120</b>	<b>1,317,802</b>	<b>105,280</b>	<b>24,119</b>	<b>4,663,390</b>
<b>Accumulated depreciation</b>							
At 31 December 2013	-	337,283	560,505	899,259	79,568	-	1,876,615
Charge for the year	-	42,202	76,991	144,634	31,910	-	295,737
At 31 December 2014	-	379,485	637,496	1,043,893	111,478	-	2,172,352
Charge for the year	-	44,872	76,473	118,915	29,805	-	270,065
Disposals for the year	-	(36,742)	-	-	(74,124)	-	(110,866)
<b>At 31 December 2015</b>	<b>-</b>	<b>387,615</b>	<b>713,969</b>	<b>1,162,808</b>	<b>67,159</b>	<b>-</b>	<b>2,331,551</b>
<b>Net book amount</b>							
<b>At 31 December 2015</b>	<b>1,071,868</b>	<b>867,586</b>	<b>175,151</b>	<b>154,994</b>	<b>38,121</b>	<b>24,119</b>	<b>2,331,839</b>
At 31 December 2014	492,148	887,280	250,474	179,544	77,302	66,963	1,953,711

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

The Company operates its branches from premises leased at a monthly rental of BD9,435 (2014: BD10,966 per month) (Note 36).

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 14 Receivable from takaful funds and other receivables and prepayments

### a) Receivable from takaful funds

Receivable from takaful funds includes amounts due from General takaful and Family takaful policyholders on account of wakala fees and inter-entity balances but does not include Qard Al Hassan (Note 37).

### b) Other receivables and prepayments

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

The carrying values of other receivables and prepayments reasonably approximate their fair values as at 31 December 2015.

## 15 Transactions and balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and executive management of the Company. The Company's transactions with related parties are authorised by the management.

A summary of the transactions with related parties, included in these financial statements is:

	31 December 2015	31 December 2014
<b>Investment with related parties</b>		
Statutory deposit	125,000	125,000
Call deposits	150,000	300,000
Investment securities	282,197	745,415
	<b>557,197</b>	1,170,415

### Call deposits

BD150,000 (2014: BD300,000) representing 4.84% (2014: 16%) of the total deposits are placed with a shareholder.

### Due from a shareholder

At 31 December 2015, an amount of BD585 (2014: BD962) is due from a shareholder representing 0.008% (2014: 0.01%) of total shareholders' assets and 0.01% (2014: 0.02%) of equity.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 15 Transactions and balances with related parties (continued)

The following are the transactions and balances entered into with the related parties during the year ended and as at 31 December 2015:

	Key management personnel
<b>Income</b>	
Gross contributions	1,078,497
<b>Expenses</b>	
Key management remuneration	424,186
Board sitting fees, committee and sub-committee fees, travel allowance and other expenses	60,894

The following are the transactions and balances entered into with the related parties during the year ended and as at 31 December 2014:

	Key management personnel
<b>Income</b>	
Gross contributions	794,373
<b>Expenses</b>	
Key management remuneration	421,360
Board sitting fees, committee and sub-committee fees, travel allowance and other expenses	39,952

A summary of the related party balances is as follows:

Amounts due from related parties	31 December 2015	31 December 2014
Investors Bank	585	962

Amounts due from a related party are unsecured, bear no profit, have no fixed repayment terms and are authorised by the Company's management.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 16 Share capital

	31 December 2015	31 December 2014
<b>Authorised share capital:</b>		
<b>Ordinary shares</b>		
200,000,000 ordinary shares of 100 fils each (2014: 200,000,000 ordinary shares of 100 fils each)	20,000,000	20,000,000
<b>Issued and fully paid-up capital:</b>		
<b>Ordinary shares</b>		
62,500,000 ordinary shares of 100 fils each (2014: 62,500,000 ordinary shares of 100 fils each)	6,250,000	6,250,000

### 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 2015 and 2014 respectively is as follows:

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

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 16 Share capital (continued)

### Additional information on shareholding pattern (continued)

ii) The Company 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 2015		
	Number of shareholders	Number of shares	Percentage of total outstanding Shares
Less than 1%	225	8,815,776	14.11%
1% up to less than 5%	3	4,764,706	7.62%
5% up to less than 10%	2	9,116,187	14.59%
10% up to less than 50%	2	39,803,331	63.68%
	<b>232</b>	<b>62,500,000</b>	<b>100.00%</b>

	31 December 2014		
	Number of shareholders	Number of shares	Percentage of total outstanding Shares
Less than 1%	225	8,440,776	13.51%
1% up to less than 5%	1	989,257	1.58%
5% up to less than 10%	1	5,250,000	8.40%
10% up to less than 20%	4	33,599,481	53.76%
20% up to less than 50%	1	14,220,486	22.75%
	<b>232</b>	<b>62,500,000</b>	<b>100.00%</b>

iv) The percentage of shares held by the directors to the total number of shares at 31 December 2015 was Nil (2014: 1.11%).



# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 16 Share capital (continued)

### Additional information on shareholding pattern (continued)

#### v) Dividends

No dividend was paid by the Company for the year ended 31 December 2014 (31 December 2014: Dividend of BD312,500 was paid by the Company for the year ended 31 December 2013) and no stock dividend was approved by the shareholders in the Annual General Meeting held on 7 April 2015 (2014: 31 March 2014).

#### Proposed by the Board of Directors

The Board of Directors of the Company do not propose to pay any cash dividend for the year ended 31 December 2015 (2014: No cash dividend was paid for the year ended 31 December 2014). The proposed dividend only becomes payable once it has been approved by the shareholders' in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these financial statements.

## 17 Reserves

#### a) Statutory reserve

In accordance with the provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001 and the Company's Memorandum and Article of Association, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. As the Company has incurred losses during the year ended 31 December 2015, no amount has been transferred to the statutory reserve (2014: BDNil).

#### b) General reserve

This represents an appropriation of the retained earnings for the purpose of meeting potential future commitments of a general nature.

#### c) Investment fair value reserve

This represents the unrealised gains or losses on the valuation of investment securities.

#### d) Retained earnings

This represents all other net gains and losses and transactions with shareholders not recognised elsewhere.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 18 Gross outstanding claims

The movement in gross outstanding claims during the year is:

	General takaful				Family takaful			2014 Total
	Fire, general accident and engineering	Marine and aviation	Motor	Medical	2015 Sub-total	2015 Sub-total	2015 Total	
Opening balance	3,821,482	105,003	6,871,995	1,125,238	11,923,718	388,223	12,311,941	8,633,130
Claims incurred	1,903,783	152,776	9,847,248	4,895,148	16,798,955	877,859	17,676,814	20,244,381
Claims paid	(2,616,260)	(218,963)	(9,081,923)	(4,689,225)	(16,606,371)	(533,624)	(17,139,995)	(16,565,570)
Closing balance	3,109,005	38,816	7,637,320	1,331,161	12,116,302	732,458	12,848,760	12,311,941

### Breakdown of Claims

	General takaful				Family takaful			2014 Total
	Fire, general accident and engineering	Marine and aviation	Motor	Medical	2015 Sub-total	2015 Sub-total	2015 Total	
Current year claims	494,301	15,550	2,864,439	407,501	3,781,791	116,378	3,898,169	4,742,396
Prior year claims	2,172,593	10,445	1,431,262	-	3,614,300	-	3,614,300	2,655,837
Incurred but not yet reported	442,109	12,821	3,341,620	923,661	4,720,211	616,080	5,336,291	4,913,708
Closing balance	3,109,003	38,816	7,637,321	1,331,162	12,116,302	732,458	12,848,760	12,311,941

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 19 Claims history

Each year the Company 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 Company's ability to accurately estimate claims.

### General takaful gross claims

Accident year	2011	2012	2013	2014	2015	Total
Estimate of ultimate claims costs:						
At end of reporting year	6,082,640	7,576,456	10,169,371	11,022,335	9,001,086	43,851,888
One year later	6,438,640	8,887,815	12,067,920	13,006,140	-	40,400,515
Two years later	8,254,574	8,883,212	12,706,103	-	-	29,843,889
Three years later	8,279,224	9,117,117	-	-	-	17,396,341
Four years later	8,334,946	-	-	-	-	8,334,946
Current estimate of cumulative claims	8,334,946	9,117,117	12,706,103	13,006,140	9,001,086	52,165,392
Cumulative payments to date	(8,178,143)	(8,939,312)	(11,764,942)	(11,038,757)	(5,125,282)	(45,046,436)
Sub-total	156,803	177,805	941,161	1,967,383	3,875,804	7,118,956
Reserve in respect of prior years						276,925
Incurred but not yet reported						4,720,211
Total reserve included in the statement of financial position						12,116,092

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 20 Unearned contributions reserve

The movement in the unearned contributions reserve during the year is:

	General takaful				2015 Total	2014 Total
	Motor and general accident	Fire	Marine	Medical		
Opening balance	5,077,563	1,054,758	179,124	1,910,655	8,222,100	8,013,192
Additions during the year	4,970,345	1,048,690	145,603	1,629,844	7,794,482	8,222,100
Releases	(5,077,563)	(1,054,758)	(179,124)	(1,910,655)	(8,222,100)	(8,013,192)
Closing balance	4,970,345	1,048,690	145,603	1,629,844	7,794,482	8,222,100

## 21 Unearned retakaful commissions

The movement in unearned retakaful commissions during the year is:

	General takaful				Family Takaful		2015 Total	2014 Total
	Motor and general accident	Fire	Marine	Medical	2015 Sub-total	2015 Sub-total		
Opening balance	193,539	213,032	33,518	299,552	739,641	315	739,956	765,821
Commissions received	151,991	163,348	23,513	1,745	340,597	2,880	343,477	739,956
Commissions realised	(193,539)	(213,032)	(33,518)	(299,552)	(739,641)	(315)	(739,956)	(765,821)
Closing balance	151,991	163,348	23,513	1,745	340,597	2,880	343,477	739,956

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 22 Other liabilities and provisions

	31 December 2015				31 December 2014			
	Share-holders	General takaful	Family takaful	Total	Share-holders	General takaful	Family takaful	Total
Staff related accruals	128,750	-	-	128,750	171,588	-	-	171,588
Unclaimed share of profit	144,130	7,588	-	151,718	114,135	7,588	-	121,723
Accruals and other payables	164,803	581,179	1,102	747,084	100,037	754,640	3,514	858,191
	<b>437,683</b>	<b>588,767</b>	<b>1,102</b>	<b>1,027,552</b>	<b>385,760</b>	<b>762,228</b>	<b>3,514</b>	<b>1,151,502</b>

The carrying amounts of other liabilities and provisions disclosed above reasonably approximate their fair values as at 31 December 2015.

The table below analyses the Company's borrowings into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not considered significant by management.

	At 31 December 2015		
	Up to 3 months	Between 3 and 12 months	Total
Staff related accruals	128,750	-	128,750
Unclaimed share of profit	151,718	-	151,718
Accruals and other payables	154,746	592,338	747,084
	<b>435,214</b>	<b>592,338</b>	<b>1,027,552</b>

	At 31 December 2014		
	Up to 3 months	Between 3 and 12 months	Total
Staff related accruals	171,588	-	171,588
Unclaimed share of profit	114,135	-	114,135
Accruals and other payables	185,917	679,862	865,779
	<b>471,640</b>	<b>679,862</b>	<b>1,151,502</b>

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 23 Employees' terminal benefits

### Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2015 amounted to BD169,594 (2014: BD145,500).

### Expatriate employees

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

	31 December 2015	31 December 2014
Opening balance	182,686	157,513
Accruals for the year	43,747	45,556
Payments during the year	(17,207)	(20,383)
Closing balance	209,226	182,686
The number of staff employed by the Company	114	136

## 24 Wakala fee and mudarib share

The shareholders manage the general and family takaful operations for the participants' and charge 18% (2014: 12%) and 25% (2014: 30%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 25% (2014: 25%) and 15% (2014: 15%) 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% (2014: 30%) and 25% (2014: 25%) respectively.

## 25 Investment income

	Year ended 31 December 2015			Year ended 31 December 2014		
	Share- holders	General takaful	Family takaful	Share- holders	General takaful	Family takaful
Deposit income	12,215	7,672	23,491	5,448	4,173	30,790
Investment income	425,906	1,347	94,600	295,521	1,921	81
Dividend income	12,020	557	4,302	10,871	21,032	29,249
Share of profits/(losses) of equity accounted joint venture (Note 8)	2,915	-	-	(30,957)	-	-
Realised fair value (losses)/gains on sale of investment securities (Note 7)	(108,313)	19,006	(4,300)	(36,441)	7,791	(1,082)
	344,743	28,582	118,093	244,442	34,917	59,038

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 26 Net acquisition costs

In lieu with the change in policy as promulgated by Central Bank of Bahrain in the CBB Rule Book Volume 3 and CBB directives, the net acquisition costs are reported in the shareholders' fund for the year ended 31 December 2015 in comparison to previous years where it has been accounted under the General and Family Takaful funds.

## 27 Other income /(loss)

	Year ended 31 December 2015	Year ended 31 December 2014
Profits on Ijarah Muntahia Bittamleek facility	605,300	-
Finance costs on Ijarah Muntahia Bittamleek facility	(25,483)	-
Profits on sale of property and equipment	32,004	-
Rental income	27,300	27,300
Foreign exchange losses, net	(18,751)	(5,112)
Other expenses	(44,718)	(28,687)
	<b>575,652</b>	<b>(6,499)</b>

During the year ended 31 December 2015, the Company has sold one of its building located in Salmabad, Kingdom of Bahrain to Kuwait Finance House for a consideration of BD700,000. The carrying value of the building in the books of records of the Company amounted to BD94,700, resulting in a gain of BD605,300. Further, the Company has obtained an IMB facility from Kuwait Finance House amounting to BD700,000 to finance the IMB transaction towards acquisition of building. The facility bears an effective profit rate of 5% per annum. This loan is repayable in 36 equal monthly installments, the last installment falling due in February 2018. The loan is secured against the buildings on freehold land against which the loan is obtained. However, this loan has been fully repaid during November 2015 and accordingly the gains arising and related interest costs have been recorded during the year.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 28 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 2015	Year ended 31 December 2014
Net profit attributable to the shareholders	(755,372)	(843,703)
Weighted average number of ordinary shares issued	62,500,000	62,500,000
Earnings per share	(12.09 fils)	(13.50 fils)

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

## 29 Segmental underwriting results

### Business segments – primary reporting segment

The Company's primary segment reporting format is business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Company's primary business segments are:

Motor and general accident	:	Motor, general accidents, engineering and aviation
Fire	:	Fire and allied perils
Marine and aviation	:	Marine cargo, marine hull
Medical takaful	:	Medical expense cover



# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 29 Segmental underwriting results (continued)

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

	Year ended 31 December 2015				
	Motor, general accident, engineering and aviation	Fire	Marine	Medical	Total
Gross contributions	10,413,727	2,901,512	488,076	4,316,841	18,120,156
Retakaful share	(2,291,082)	(2,521,862)	(410,662)	(85,908)	(5,309,514)
Retained contributions	8,122,645	379,650	77,414	4,230,933	12,810,642
Movement in unearned contributions	(221,775)	21,477	(1,082)	(1,047,069)	(1,248,449)
Net earned contributions	7,900,870	401,127	76,332	3,183,864	11,562,193
Net commissions and other takaful income	354,998	442,494	129,616	743,953	1,671,061
Net claims incurred	(6,305,028)	(34,964)	(65,123)	(3,072,919)	(9,478,034)
Write-offs of impaired takaful receivables	(246,814)	(121,590)	(28,330)	(546,319)	(943,053)
Provision for impaired takaful receivables	(385,819)	-	-	39,352	(346,467)
Wakala fees	1,318,207	687,067	112,495	347,931	2,465,700
	(2,020,844)	(580,302)	(73,211)	(690,695)	(3,365,052)
Deficit from takaful operations	(702,637)	106,765	39,284	(342,764)	(899,352)

### Identifiable assets and liabilities as on 31 December 2015

Identifiable assets	7,501,515	3,153,260	724,723	6,296,129	17,675,627
Identifiable liabilities	9,885,287	3,793,326	434,492	3,823,411	17,936,516

Assets amounting to BD 4,458,473 and liabilities amounting to BD 4,197,584 are not specifically identifiable in general takaful business.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 29 Segmental underwriting results (continued)

	Year ended 31 December 2014				
	Motor, general accident, engineering and aviation	Fire	Marine	Medical	Total
Gross contributions	10,438,619	2,847,477	558,902	5,388,571	19,233,569
Retakaful share	(2,643,947)	(2,389,904)	(500,812)	(3,623,240)	(9,157,903)
Retained contributions	7,794,672	457,573	58,090	1,765,331	10,075,666
Movement in unearned contributions	(128,995)	(125,157)	(10,208)	134,018	(130,342)
Net earned contributions	7,665,677	332,416	47,882	1,899,349	9,945,324
Net commissions and other takaful income	(109,063)	299,357	112,160	777,487	1,079,941
Net claims incurred	(6,695,710)	(233,605)	(21,099)	(2,601,781)	(9,552,195)
Provision for impaired takaful receivables	(75,000)	-	-	(25,000)	(100,000)
Wakala fees	785,904	398,168	138,943	50,055	1,373,070
	(1,385,835)	(284,747)	(55,890)	(592,743)	(2,319,215)
Deficit from takaful operations	(599,931)	113,421	83,053	(542,688)	(946,145)
<b>Identifiable assets and liabilities as on 31 December 2014</b>					
Identifiable assets	8,436,332	3,501,995	858,287	7,476,445	20,273,059
Identifiable liabilities	10,987,831	4,100,257	575,488	4,743,123	20,406,699

Assets amounting to BD 5,062,122 and liabilities amounting to BD 5,460,894 are not specifically identifiable in general takaful business.

The surplus arising from the family takaful operations are disclosed separately in the statement of income. The assets and liabilities of family takaful operations are disclosed separately in the statement of financial position.

The activities of the Company are restricted to carrying out takaful, on the principles of Shari'a significant portion of which is concentrated in the GCC countries which are subject to similar risks and rewards. Accordingly, no segmental information relating to products and services has been presented.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 29 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 Company's activities 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 with operations in the State of Qatar as well.

The geographical segment reporting of the Company as at 31 December 2015 and 2014 is as follows:

	Gross contributions by location		Non-current assets by location of assets	
	2015	2014	2015	2014
Kingdom of Bahrain	18,347,426	19,643,199	2,274,912	1,877,404
State of Qatar	1,298,687	1,152,429	56,927	76,307

## 30 Financial assets and liabilities and risk management

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

### Capital management

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2015 and 2014.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, retakaful and takaful payables, other liabilities and provisions less cash and cash equivalents. Capital includes share capital and reserves attributable to the shareholders of the Company.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

	31 December 2015	31 December 2014
Retakaful and takaful payables	4,100,496	4,834,718
Other liabilities and provisions	1,027,552	1,151,502
Less: cash and cash equivalents	(5,170,897)	(3,343,607)
Net (surplus)/debt	(42,849)	2,642,613
Share capital	6,250,000	6,250,000
Statutory reserve	480,066	480,066
General reserve	200,000	200,000
Accumulated losses	(1,036,159)	(280,787)
Investment fair value reserve	(147,453)	(427,046)
Total capital	5,746,454	6,222,233
Total capital and net debt	5,703,605	8,864,846
Gearing ratio	-	29.81%

As at 31 December 2015, the Company has net surplus and hence the gearing ratio has not been calculated.

### Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Retakaful and takaful receivables
- Dues from retakaful companies in connection with outstanding claims
- Other receivables and prepayments
- Statutory deposit
- Cash and cash equivalents
- Investment securities
- Retakaful and takaful payables
- Other liabilities and provisions

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

A summary of the financial instruments held by category is provided below as at 31 December 2015:

Financial assets	Loans and receivables	Investment securities
Cash and cash equivalents	5,170,897	-
Retakaful and takaful receivables	8,191,292	-
Dues from retakaful companies in connection with outstanding claims	8,691,892	-
Other receivables and prepayments	162,265	-
Amounts due from related parties	585	-
Statutory deposit	125,000	-
Investment securities	-	5,114,475
<b>Total financial assets</b>	<b>22,341,931</b>	<b>5,114,475</b>
		Financial liabilities at amortised cost
Retakaful and takaful payables		4,100,496
Other liabilities and provisions		1,027,552
<b>Total financial liabilities</b>		<b>5,128,048</b>

A summary of the financial instruments held by category is provided below as at 31 December 2014:

Financial assets	Loans and receivables	Investment securities
Cash and cash equivalents	3,343,607	-
Retakaful and takaful receivables	10,846,515	-
Dues from retakaful companies in connection with outstanding claims	8,926,724	-
Other receivables and prepayments	174,542	-
Amounts due from related parties	962	-
Statutory deposit	125,000	-
Investment securities	-	5,130,432
<b>Total financial assets</b>	<b>23,417,350</b>	<b>5,130,432</b>
		Financial liabilities at amortised cost
Retakaful and takaful payables		4,834,718
Other liabilities and provisions		1,151,502
<b>Total financial liabilities</b>		<b>5,986,220</b>

## 30 Financial assets and liabilities and risk management (continued)

### Risk management

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, 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 Company's finance function. The Board receives monthly reports from the Company 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 Company'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 Company's competitiveness and flexibility.

The Company is exposed through its operations to the following financial risks:

- Takaful risk
- Retakaful risk
- Liquidity risk
- Regulatory risk
- Investment risk
- Legal risk
- Reputation risk
- Credit risk
- Currency rate risk
- Profit margin risk
- Fair value risk
- Profit rate risk

### Takaful risk

The risks under each takaful contract are 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 likelihood of this risk occurring is unpredictable. The principal risks that the Company faces under such contracts are the occurrence of an insured event and the severity of the reported claim. The Company's risk managed by diversification of takaful risks over a large portfolio of contracts, as a diversified portfolio is less likely to be affected by any single unexpected event or series of events.

The Company does not have any single takaful contract, or 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 Company to potentially large claims. The Company's takaful risk is not exposed to unexpected changes in trends or in participants' behaviour or to major changes in financial market conditions. The Company has adequately provided for takaful risks that may involve significant litigation.

The primary control in respect of takaful risk is the cession of risks to third parties through retakaful. The majority of retakaful business ceded is placed on either a proportional or non-proportional basis, with retention limits varying by lines of business. The placements of retakaful contracts are diversified so that the Company is not dependent on a single retakaful Company or a retakaful contract.

Delegate authorities pertaining to underwriting and retention policies and procedures regulate who is authorised and accountable for concluding takaful and retakaful contracts and under what conditions. Compliance with these authorities is regularly checked and developments in the global, regional and local markets are closely monitored, reacting where necessary with appropriate change in underwriting authorities when required.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

### Retakaful risk

Retakaful is used to manage takaful risk. Although the Company has retakaful arrangements, this does not, however, discharge the Company's liability as primary insurer and thus a credit risk remains with respect to retakaful ceded if any retakaful Company is unable to meet its obligations to the Company under such retakaful arrangements, the Company remains liabilities for the gross claim. The Company minimises such credit risk by entering into retakaful arrangements with counterparties 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.

### Geographical region

A geographical analysis of the Company's net retakaful exposure at 31 December 2015 and 2014 is provided below:

	2015		2014	
	General takaful	Family takaful	General takaful	Family takaful
Middle East	860,600	223,248	927,250	40,782
Europe	60,064	3,799	358,473	242,401
Rest of the world	11,603	-	246,897	-
	932,267	227,047	1,532,620	283,183

The five largest reinsurers account for 30% of the maximum credit exposure at 31 December 2015 (2014: 17%).

### Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities, retakaful assets and takaful liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its takaful and investment contracts. The most important components of financial risk are profit rate risk, equity price risk, currency rate risk, credit risk and liquidity risk.

These risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The Company manages these positions within an Asset Liability Management (ALM) framework that ensures that its insurance funds are invested in short-term instruments to meet its takaful liabilities.

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

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

### Market risk

**Market 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 Company is exposed to market risk with respect to its investments in equities, managed funds and bonds. The impact on investment fair value reserve and equity of a 1% increase/decrease in prices would be +/- of BD51,144 (2014: +/- of BD51,304).

The management has set up an investment policy to manage its investment portfolio. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international equity and bond markets. In addition, the Company 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 Company's investment securities is:

	31 December 2015	31 December 2014
Kingdom of Bahrain	2,152,857	1,330,177
Other GCC countries	1,673,620	2,201,615
Asia/BRIC	778,298	1,062,854
UK and Europe	-	23,937
United States	92,595	93,513
Other countries/global	417,105	418,336
	5,114,475	5,130,432

**Credit risk** is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company 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 Company, other than those related to retakaful contracts as described in takaful risk above, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The Company 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. Further disclosures regarding other receivables, which are neither past due nor impaired, are provided in Note 9 and Note 10 to these financial statements.



# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

Financial assets	At 31 December 2015	
	Carrying value	Maximum exposure
Cash and cash equivalents	5,170,897	5,167,201
Retakaful and takaful receivables	8,191,292	8,191,292
Dues from retakaful companies in connection with outstanding claims	8,691,892	8,691,892
Other receivables and prepayments	162,265	111,586
Amounts due from related parties	585	585
Statutory deposit	125,000	125,000
<b>Total financial assets</b>	<b>22,341,931</b>	<b>22,287,556</b>

Financial assets	At 31 December 2014	
	Carrying value	Maximum exposure
Cash and cash equivalents	3,343,607	3,340,348
Retakaful and takaful receivables	10,846,515	10,846,515
Dues from retakaful companies in connection with outstanding claims	8,926,724	8,926,724
Other receivables and prepayments	174,542	102,755
Amounts due from related parties	962	962
Statutory deposit	125,000	125,000
<b>Total financial assets</b>	<b>23,417,350</b>	<b>23,342,304</b>

The Company seeks to limit its credit risk with respect to participants by setting credit limits and monitoring outstanding receivables. Due from participants consist of balances due from participants mainly in the Kingdom of Bahrain. Five (2014: Five) participants account for 21% (2014: 19%) of the total participants balances receivable at 31 December 2015.

A significant amount of cash and cash equivalent is held with the following institutions:

	Rating as at 31 December 2015	Balance as at 31 December 2015	Rating as at 31 December 2014	Balance as at 31 December 2014
Al Salam Bank	S&P BB+	1,979,546	S&P BB+	412,839
Bahrain Islamic Bank	Moody's Ba3	924,495	Moody's Ba3	425,730
Kuwait Finance House	Moody's A1	180,000	Moody's A1	45,548

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

**Currency rate** risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's foreign currency transactions are predominantly in Bahrain Dinars and other GCC currencies which are effectively pegged to the United States Dollars. Accordingly, the management does not consider the Currency to have a significant currency rate risk.

As at 31 December 2015 and 2014, the Company's financial assets and financial liabilities were denominated in the following currencies:

### Financial assets

	United States Dollars		Bahrain Dinars		Kuwait Dinar		British Pound		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cash and cash equivalents	676,784	807,203	3,905,040	1,921,400	-	-	-	-	589,073	615,004	5,170,897	3,343,607
Retakaful and takaful receivables	1,067,919	1,390,752	7,027,494	8,911,876	-	29,504	-	-	95,879	514,383	8,191,292	10,846,515
Dues from retakaful companies in connection with outstanding claims	3,211,405	3,646,730	4,005,812	3,784,658	-	69,758	-	-	1,474,675	1,425,578	8,691,892	8,926,724
Other receivables and prepayments	-	-	162,265	174,542	-	-	-	-	-	-	162,265	174,542
Amounts due from related parties	-	-	585	962	-	-	-	-	-	-	585	962
Investment Securities	3,071,281	2,931,180	1,363,926	803,072	79,355	638,458	21,209	23,937	578,704	733,785	5,114,475	5,130,432
Statutory deposit	-	-	125,000	125,000	-	-	-	-	-	-	125,000	125,000
<b>Total</b>	<b>8,027,389</b>	<b>8,775,865</b>	<b>16,590,122</b>	<b>15,721,510</b>	<b>79,355</b>	<b>737,720</b>	<b>21,209</b>	<b>23,937</b>	<b>2,738,331</b>	<b>3,288,750</b>	<b>27,456,406</b>	<b>28,547,782</b>

### Financial liabilities

	United States Dollars		Bahrain Dinars		Kuwait Dinar		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Retakaful and takaful payables	1,199,868	1,605,178	2,651,215	3,007,775	-	-	249,413	221,765	4,100,496	4,834,718
Other liabilities and provisions	-	-	1,027,552	1,151,502	-	-	-	-	1,027,552	1,151,502
<b>Total</b>	<b>1,199,868</b>	<b>1,605,178</b>	<b>3,678,767</b>	<b>4,159,277</b>	<b>-</b>	<b>-</b>	<b>249,413</b>	<b>221,765</b>	<b>5,128,048</b>	<b>5,986,220</b>

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

### Profit margin risk

Profit margin risk arises from the possibility that changes to margin will effect either future profitability or the fair value of financial instruments. The Company is exposed to profit margin risk on its investments and deposits. The Company limits profit margin risk by monitoring changes in margin prices in the currencies in which deposits and investments are denominated.

	Less than three months	more than three months	Total
Statutory deposits	-	125,000	125,000
Call account and islamic deposit balances	1,557,793	1,413,935	2,971,728
<b>At 31 December 2015</b>	<b>1,557,793</b>	<b>1,538,935</b>	<b>3,096,728</b>
At 31 December 2014	609,923	1,253,517	1,863,440

The effective profit rates by major class of currencies for each major class of profit-bearing financial instruments are as follows:

	2015		2014	
	Effective rate of return		Effective rate of return	
	US\$	BD	US\$	BD
Statutory deposits	-	1.20%	-	2.10%
Call account and islamic deposits	3.57%	1.68%	3.88%	1.79%

**Regulatory risk** is the risk of non-compliance with regulatory and legal requirements in the Kingdom of Bahrain and the State of Qatar. The Company's Compliance Department is currently responsible for ensuring all regulations are adhered to.

**Investment risk** is defined as the uncertainty about the future benefits to be realised from an investment. The Company has well-defined policies for managing investment risk. These policies cover investment authority limits and investment assessment practices. The Investment Department, the Risk Department and the Finance Department study the impact of transactions on the Company's statement of financial position and monitors the investment portfolio on a continuous basis. Every investment application is reviewed by a designated body depending on the size and the nature of the transaction. Fair valuation is generally conducted on a quarterly basis. The Company has a policy to ensure the conservatism convention and to make the necessary provisions when they are warranted.

**Liquidity risk** is defined as the risk that funds will not be available to meet liabilities as they fall due. The Finance Department and Investment Committee has the overall responsibility for managing the funds and the liquidity of the Company. The day-to-day management of liquidity is the responsibility of the Finance Department along with Chief Executive Officer. The Board provides broad guidelines as regards minimum liquid assets that need to be maintained and uses the assets maturity profile for managing the liquidity risk.

The table setting out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities is disclosed in Note 22.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

### Fair value measurement

**Fair value** is the amount 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.

Financial instruments not measured at fair value on recurring basis include retakaful and takaful receivables excluding prepayments, cash and cash equivalents and retakaful and takaful payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2015.

The following table sets out the fair value hierarchy of financial instruments measured at fair value on recurring basis along with valuation techniques and significant unobservable input used in determining the fair value measurement of financial instruments as well as the inter-relationship between observable inputs and fair value:

	Fair value at 31 December 2015	Level of Hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
<b>Financial assets</b>					
Quoted investments	3,640,669 (2014: BD3,023,791)	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted investments and managed funds	1,473,806 (2014: BD2,106,641)	L3	Net assets valuation and financial updates received from the fund managers	Expected revenue and profit growth rates taking into account management knowledge and experience of market conditions similar to industry trends	The higher the revenue growth rate, the higher the fair value

There are no transfers between levels during the period

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 30 Financial assets and liabilities and risk management (continued)

### Fair value measurement (continued)

The reconciliation of the opening and closing fair value balance of level 3 investment securities is provided below:

	31 December 2015	31 December 2014
Opening balance	2,106,641	2,832,924
Additions during the year	16,797	956,429
Disposals during the year	(386,683)	(1,084,670)
Impairment loss for the year	(378,475)	(606,369)
Unrealised fair value gain included in other comprehensive income	18,805	343
Realised fair value gains on sale of investment securities for the year	96,721	7,984
Closing balance	1,473,806	2,106,641

In the opinion of Company's management, a reasonable possible change in one significant observable input, holding other input constant of level 3 financial instruments is not expected to have a significant impact on the profit or loss and other comprehensive income as well as fair values of level 3 financial instruments as at 31 December 2015.

**Legal risk** includes the risk of unexpected losses from transactions and/or contracts not being enforceable under applicable laws or from unsound documentation. The Company deals with several external law firms to support it in managing the legal risk.

**Reputation risk** is the risk that negative perception regarding the Company's business practices or internal controls, whether true or not, will cause a decline in the Company's investor base and lead to costly litigations which could have an adverse impact on the liquidity of the Company. The Board represented by the Board Executive Committee examines the issues that are considered to have reputation repercussions for the Company and issues directives to address these.

## 31 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 BD5,918,000. After considering the net admissible assets of General Participants and Family Takaful Funds to cover solvency margin BD(5,096,000) and the required solvency margin of BD 3,791,000, the net capital is BD(2,969,000).

## 32 Sharia'a Supervisory Board

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

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

## 33 Zakah

Zakah of BD91,812 at 1.47 fils per share (2014: BD121,028 at 1.94 fils per share) is to be directly borne by the shareholders and, accordingly, the financial statements includes no provision for Zakah. The components used in the computation of Zakah are share capital, statutory reserve, general reserve and retained earnings, participants' equity and property and equipment. The basis of computation is approved by the Sharia'a Supervisory Board and the amounts payable are notified to the shareholders.

## 34 Earnings prohibited under Sharia'a

There were no earnings retained during the year (2014: Nil) from transactions which are not permitted under Sharia'a.

## 35 Contingent liabilities

The Company is a defendant in a number of cases brought by takaful contract holders in respect of claims which the Company 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.

## 36 Commitments

### a) Operating lease commitments

The minimum lease commitments under cancellable operating leases (Note 13) are as follows:

	31 December 2015	31 December 2014
Not later than 1 year	76,440	100,346

### b) Other commitments

The commitments towards investment securities (Note 8) are as follows:

	31 December 2015	31 December 2014
Investment securities	34,499	109,598

## 37 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 2015.

## 38 Events after reporting date

No events have occurred subsequent to 31 December 2015 and before the date of the report that would have a significant effect on these financial statements.

# Notes to the financial statements

for the year ended 31 December 2015

(Expressed in Bahrain Dinars)

