



His Royal Highness
Prince Khalifa bin Salman
Al Khalifa
Prime Minister



His Royal Majesty
King Hamad bin Isa
Al Khalifa
King of the Kingdom of Bahrain



His Royal Highness
Prince Salman bin Hamad
Al Khalifa
Crown Prince, Deputy Supreme
Commander and First Deputy
Prime Minister

Weaving golden glory in the fabric of time



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Al Bisht, the official representation of unconventional Arabic self-esteem, is a creation of contemporary artistic perfection. Expertly hand-woven, it originates as precious gold and silver strands that undergo a detailed process of innovation and precision, culminating in to a mesmerizing ensemble of prestige and class.



Since time immemorial the Arabian culture has been enriching the fabric of time. Weaving golden threads of honest passion and pinpointed perfection in the heirloom's of innovation, this culture has pioneered inspiring ethical brilliance.

Crafting Innovation

Creating pioneering firsts, one of the iconic conventions that have truly set Arabian culture gloriously apart from the rest of the world is the quintessential Arabian Traditional Dress. A symbol of prestige and respect, the golden attire, has preserved the timeless honorable values of the wholesome Arabic culture.

Motivated by these golden virtues, Takaful International has elevated Arabic culture to a whole new dimension by creating a tradition of firsts. It is the first to introduce the concept of takaful to Bahrain, first to create indigenous Arabian products and the first to win accreditation for its stability. Thus, making its internal and external stakeholders proud to be associated with the company.

Board of Directors



Dr. Abdunaser Mohammed Janahi Al Abbasi
*Chairman
(From 10th March 2014)



Bara'a A. Al-Qenaei
Chairman
(Till 26th
December 2013)



Dr. Hasan E. Kamal
Vice Chairman



Isa A. Al-Mannai
Managing
Director



**Abdul Rahman
Mohamed Turki**
Director



Najwa A. Abdulla
*Director



Saad E. Makki
Director

*Independent Director

Executive Management



Younis J. Al Sayed
Chief Executive



Essam M. Al-Ansari
General Manager



Abdulaziz A. Al-Othman
Deputy General
Manager



Ali E. Noor
Deputy General
Manager
Family Investment &
Takaful Centers



Ahmed E. Swailem
Assistant General
Manager
General Takaful

Sharia'a Supervisory Board

Dr. Shaikh Abdullatif M. Al-Mahmood

Chairman

Dr. Shaikh Abdulsattar A. Abughuda

Deputy Chairman

Shaikh Mohsin A. Al-Asfoor

Member

Management Team

C A Santosh S. Prabhu

Financial Controller

Haider G. Shehabi

Senior Manager - Legal Affairs & Collection
& Administration

Khalil A. Shams

Regional Manager

Lamia E. Hassam

Senior Manager - Internal Control &
Compliance

Fadhel M. Al-Showaikh

Senior Manager - Takaful Marine

Reema G. Nawrooz

Senior Manager - Family Takaful & Healthcare

S. Jaffer K. Hussain

Manager - Information Technology

Jijan A. Stephen

Manager - General Takaful

S. Noor M. Al Marzooq

Manager - Motor Claims

Fernando A. Bibat

Manager - Risk Management & Claims

Noor N. Al-Nasser

Manager - Corporate Communication

Salah M. AlAwadhi

Manager - Human Resources

Chintan Barot

Country Manager (Qatar)

Noor R. Al Haji

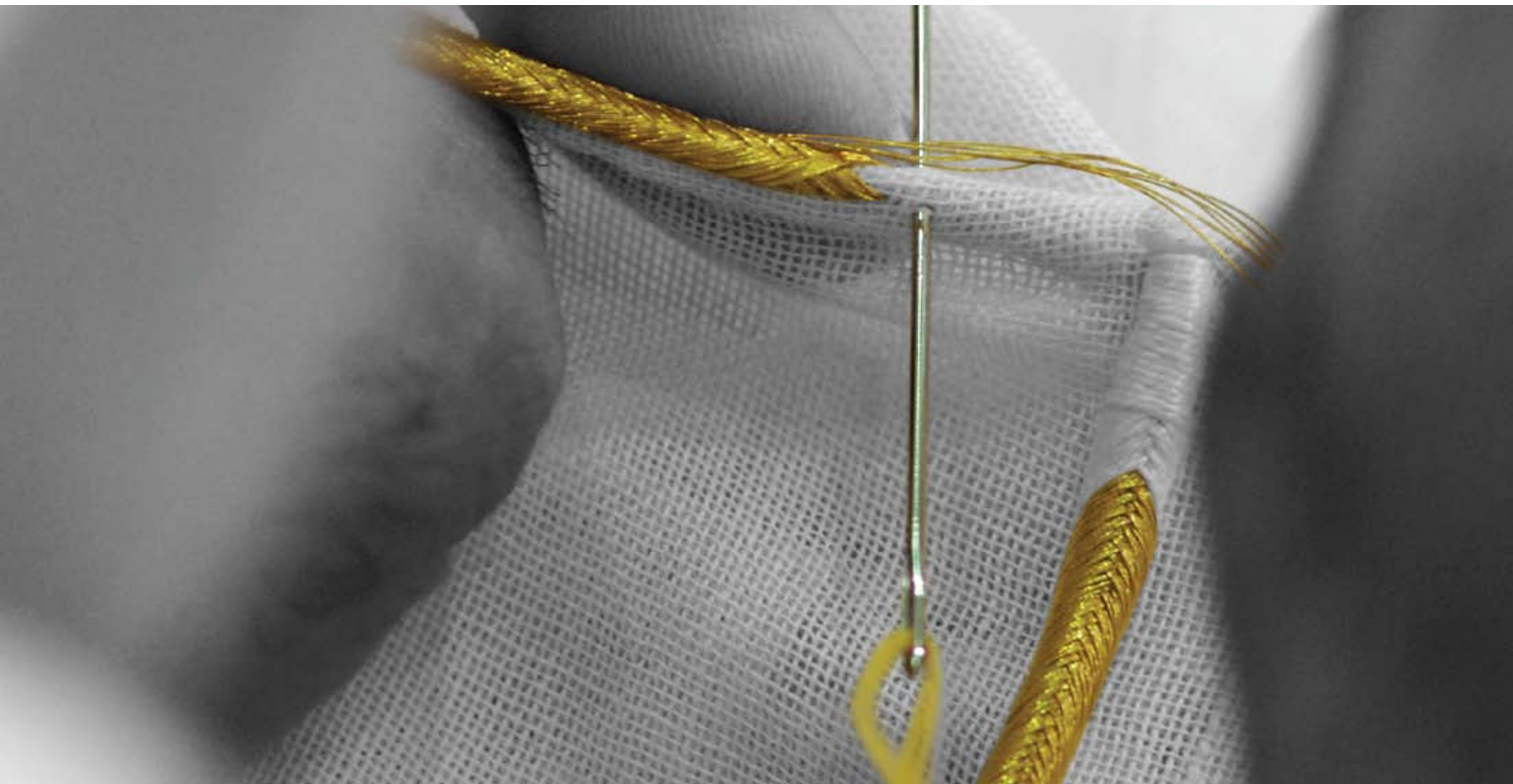
Manager - Commercial Account

Outline of Ingenuity

The fundamentals of the traditional Arabic culture are created by meticulously selecting the best moral fabric, that have pure Islamic values interwoven with a symbiotic harmony of sturdy excellence that endures, protecting wellbeing and weathering the ups and downs of life.

Takaful International was created with a moral fabric of pure Takaful principles as its fundamental framework, based on mutual co-operation and unity. Absorbing Sharia'a compliant rules and regulations at our core we have shaped a corporate culture that has always kept its participants interests at the forefront. A foundation that establishes a sense of comfort in the minds of our participants, when dealing with us.

Creating a strong framework of fabric is the first step of the process. Using state-of-the-art tools and quality cloth, Al Tarkeeb forms the foundation of creating this celebrated work of art.



Vision, mission & values

By adhering to our values, working towards achieving our mission and successfully attaining our vision we strive to make Takaful International the tree of life.

Vision

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

Mission

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

Values

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

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

Diversified protections

Takaful the first Islamic insurance company in the region, which provided services that suit the Islamic values and cater to the requirements of the modern era.

The following products and services are tailor made for our customers so that they sufficiently cater to their requirements:

1 E-Takaful (Online Takaful)

2 Takaful Hotline (80008050)

3 Motor Takaful (Sayartak)

- Motor Third Party
- Motor Third Party (Fire & Theft)
- Motor Comprehensive Takaful with various a la carte options for coverage enhancement

4 Family Takaful and Healthcare

- Family Takaful (Osratok)
- Group Family Takaful
- Education Takaful (Taleemi)
- Saving Takaful (Edikhari)
- Group Health Takaful (Sehatak)
- Annuity Certain Takaful Plan (Damani)
- Regular Pay-Back Takaful (Sandooki)

5 General Takaful

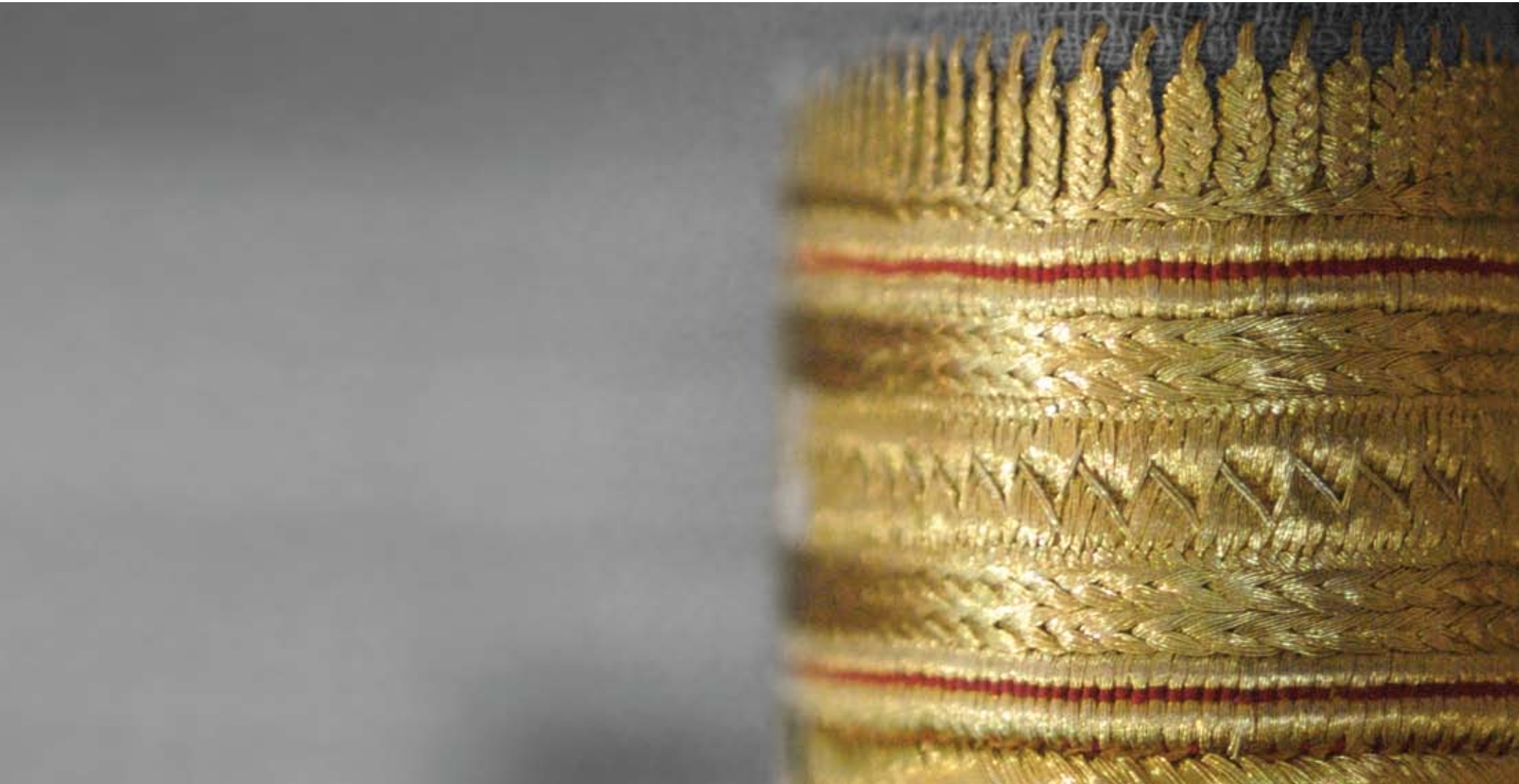
A. Commercial & Major Accounts:

- Property Takaful
- Marine & Aviation Takaful
- Engineering Takaful
- Financial Institutions Takaful
- Directors & Officers Liability
- Professional Indemnity
- General Accident

B. Personal Lines:

- Travel Takaful
- Home Takaful
- Property Takaful
- Personal Accident Takaful
- Domestic Servant Takaful
- Haj & Umrah Takaful

Embroidering the Al Bisht with threads of gold and silver, the craftsmen adorn the cloak with gorgeous designs, **in the Al Hela stage**. Hand-sewn with pin pointed precision, this delicate craftsmanship makes the bisht the only one of its kind.



Prestige of Protection

Elevating the invaluable moral fabric of values, the second stage of evolution of the Takaful weave is embroidered with exclusive elegance that adds external beauty to the internal purity of the entire ensemble. Making it a true symbol of prestigious Arabic sophistication.

The pure principles of Takaful create a strong base for us to build up on and design products and services that have multi-dimensional advantages. Through constant interaction with our participants and strategic market insights we create facilities that serve to provide a stable peace of mind for our participants and also create a foundation for them to pursue their dreams and ornament their life with glorious success.

Board of Directors' Report

"In The Name of Allah,
The Most Compassionate, The Most Merciful,"



2013 financial results underline the soundness of the company's long-term strategies of diversified business operations, a prudent approach for the underwriting operations and conservative investment strategies.

Dear Shareholders,

On behalf of the Board of Directors, I am glad to present the 24th Annual Report of Takaful International Company together with the audited financial statements of the Company prepared in compliance with the Accounting and Auditing Standards for Islamic Financial Institutions (AAOIFI), and the Central Bank of Bahrain (CBB) Law for the financial year ended 31 December 2013.

The global economic scenario during the financial year 2013 continued to be fraught with challenges. Major economies witnessed slower growth and the Eurozone was full of uncertainty. The Middle East region had shown promising signs of economic and political improvements, despite lingering uncertainties in some economies; the GCC region had especially reported healthy financial results and return of the expansion cycle that had been affected by the global financial crisis and political uprising. This had been evidenced in Takaful International's growth in business in both Bahrain as well as its operations in Qatar.

The year 2013 financial report highlights, the results of the company's long-term strategies which includes diversification of its

operations in various lines of insurance business as well as across the region. It also reflects the results of the company's prudent approach for underwriting business along with its conservative investment strategies, thereby, helping capital protection and growth in the assets of the company. All this could be achieved with the directions of our Board and its sound corporate governance practices.

Alhamdulillah, we are happy to report that overall results of the company had shown positive financial growth. The top line of the company reported growth of 12% in its Gross Written Contributions during the year 2013, BHD 20,256,022 as compared to BHD 18,138,798 during the previous year. The net surplus from Takaful operations BD 69,089 was lower than the previous year. On the other hand, the shareholders' net profit for the year had shown some improvement, BD 231,335 for the year 2013 compared to BD 204,801, 13% growth over the previous year. The company recorded a good growth in the return on investments; BD 309,569 for the year 2013 compared to BD 250,110 in the previous year a growth of around 24% which was an achievement.

We are also delighted to report on the growth of the operations and expansion of our Qatar branch. The level of business continues to

**Gross written
contributions
for the year 2013**

BD 20,256,022

enhance as the team's experience and connection in the Qatari local market progresses. The branch was able to achieve an overall growth of around 52% in its Gross Written Contributions as compared to the previous year. The company follows a conservative underwriting and claims management policies which have helped the company in good underwriting results.

The Bahrain operations continued to grow and the company could reach a wider spread of costumers through the opening of new points-of-sale offices, designed to facilitate distribution of a wide range of personal and commercial line products. The company also continued to improve on the other customer service channels, including its call centre, online access and mobile application.

Overall, we are happy to present the results of our company illustrating positive progress which is in line with its business and strategic plans and that it has successfully achieved its planned objectives and goals for the year 2013.

To affirm its position and market strength, Takaful International financial standing was reviewed and rated by A.M Best and was awarded a financial strength rating of B++ "Secure" with a Stable outlook. Based on the review issued by the rating agency, Takaful International's rating reflects the company's sound domestic profile, satisfactory risk-adjusted capitalization and excellent track record of technical profitability.

Looking forward, Takaful is confidently prepared for facing the business challenges during the year 2014 and our goals are quite ambitious, as we remain focused on creating a long-term value to the shareholders and policyholders equally. With the support of the company's team comprising of professionals and technical experts who have helped the company to reach to the current position; we are confident that the company will climb to greater heights in the near future.

A sum of BD 13,150 was paid to the Directors as attendance fees.

On behalf of all my colleagues on the Board of Directors, I would like to extend our sincere thanks and appreciation to His Majesty "Shaikh Hamad Bin Isa Al Khalifa", the King of Bahrain, His Royal Highness Prince Khalifa Bin Salman Al Khalifa", the Prime Minister and His Highness "Prince Salman Bin Hamad Al Khalifa", The Crown Prince and Deputy Supreme Commander of BDF for the continued support to the National Financial Institutions.

We also express our sincere thanks to all the Government Ministers, Central Bank of Bahrain team and other Departments for their support and co-operation. We take this opportunity to thank and express our appreciation to the management and staff of Takaful International Company for their continued efforts, hard work and sincerity. We also thank our Sharia'a Board for their guidance and direction. We also express our sincere thanks to Company's shareholders for their continued faith and trust, and to our clients and all those institutions and individuals with whom the company deals in Bahrain locally, regionally and at the International level.

For and on behalf of the Board

Dr. Abdulnaser Mohammed Janahi Al Abbasi
Chairman

Flawless Creation of Passion

After the embroidery of elegance, the Takaful ensemble is added finishing touches of golden innovation that make it shine. Reinventing traditional values and innovative products into an iconic masterpiece that becomes a true representation of inspiring prestige, it sings a glittering saga of the past and present Arabian glory and the futuristic brilliance the world is going to witness.

Since 1989, Takaful International has adorned the timelessness of takaful, embroidered with the glittering weave of world-class products and services, guaranteeing its internal and external stakeholders a better future, winning awards and accolades in the process. Believing in holistic growth we add finishing touches to our progressive existence by investing in various society development projects and instilling a sense of esteemed dignity in all our participants.

Al Meksar, the final stage of creation puts the honorable crest of prestige to this timeless attire. In this stage the craftsman add the Al Borooj, giving it a true pride of Arabian distinction.



Chief Executive Report

“In The Name of Allah,
The Most Compassionate, The Most Merciful,”



Takaful's ability to grow in a rapidly evolving external environment is due to its customer-centric approach, balanced nature of business portfolio and our endeavour to remain relevant to our customers.

It gives me pleasure to state that the year 2013 has been the year of commendable performance in the midst of several challenges. We have always groomed ourselves to face the changing environment and demonstrated our potential without compromising our values, despite economic ups and downs. I'm glad to introduce the year 2013 operational and financial results, which once again reflected the strength and consistency of Takaful International Company despite numerous challenges arising in the industry as well as in the wider economy. During the financial year 2013 the company successfully achieved the top line growth of around 12% which is a remarkable achievement especially in this tough economical period.

As the year closed, the economy had shown slow signs of recoveries, prompted by stabilizing political conditions and expectations for the resolutions of the conflicts that had slowed the financial industries for the past two years. We have seen promising, although slow, indicators for reviving of the economy, with investors taking cautious steps to derive new business transactions, projects and expansion plans in Bahrain. Despite the delays in commencing major projects in the country, we are optimistic that the momentum will pick pace and we will see higher rates of growth and expansion.

During the year, the company had reported a growth in all lines of business with varying degrees; we have seen a higher growth in

Gross written Contributions derived from Personal Line products, as consumer confidence in the market grew as compared to their conservative approach in the last two years. We have also reported a commendable growth in the lines of Family and saving products after the introduction of our personalized saving solutions that caters for consumers' Sharia'a compliant solutions. With the shift in trends in consumer purchasing trends, we have registered a good growth in Motor, General Accidents, Home protection and other Personal related products. Commercial Lines had also shown slight but promising improvement, which we are expecting to further improve during the next year as investors confidence builds. Our strategy is to remain relevant to our customers, understand their business needs and perform with vigor to anticipate the changes in their needs.

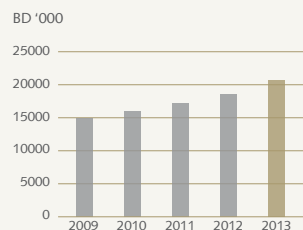
Claims ratio continues to be high in line with the general market situation, posing as one of the major obstacles facing all insurance companies in the market. The company continues to improve on its claims management policy as it periodically evaluates the statistics and data available to form plans to mitigate the increasing costs of claims, especially in specific lines of business.

I am delighted to report the notable growth the company's operations in Qatar had achieved. Our strategy was to approach the Qatari market in a conservative and selective method, enabling us

I would like to highlight some of our important achievements of the company which are reflected in the following graphs which are self explanatory:

The company successfully achieved its top line growth of **12%** which is a remarkable achievement in this tough economical period

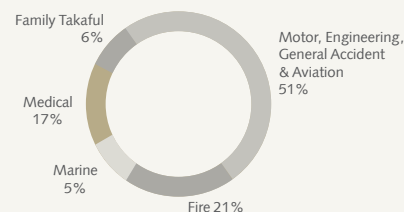
Growth in Contributions



Even under these tough times, Takaful delivered sustained growth of around 12% in its Gross Written Contributions

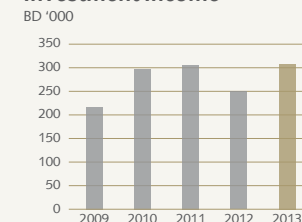
Key Achievements

Business mix 2013



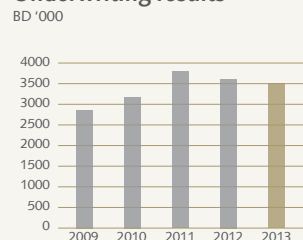
Business mix further diversified during the year 2013, thereby, balancing with the entire portfolio

Investment Income



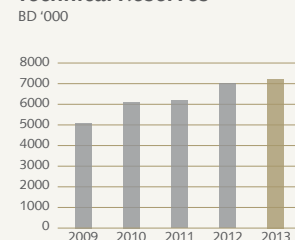
Investment income grew by 24% which was an achievement

Underwriting results



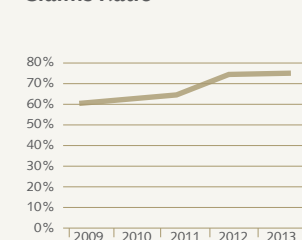
Underwriting profit was almost in line with the previous year's profit

Technical Reserves



Technical fund reserves further strengthened during the year

Claims Ratio



Claims ratio was high in line with previous year although with the adverse market conditions

to gain an understanding of the local market trend while gradually growing the volume of transactions. Alhamdulillah, our strategy had been successful as we accelerate the growth rate in Qatar after introducing the brand of our company through varied channels, including international brokers and the major local insurance providers.

On the investments front, the company had previously adopted a conservative strategy for the management of investments targeting long-term stability of income and maintaining geographical diversification. The results of the implemented strategies are becoming

evidenced particularly this year as the return on investments reported a noteworthy improvement of around 24% as compared to the previous year.

I am also delighted to announce that your company had successfully established a new independent Third Party Administration company that provide advanced medical claims management services. Takaful International Company holds a majority share of 60% of the newly established company, which is targeting to provide its services throughout the GCC region.

Chief Executive Report

Overall, I am happy to note that 2013 had been a successful period for the growth of your company. I would acknowledge this to the great team work and spirit of the entire Takaful staff which reflects the capability and professional approach of the managerial and technical team of the company. I would also like to acknowledge the continuous support of our Shareholders, policyholders and all our stakeholders. We would like to express our appreciation for their confidence and trust in achieving their goals.

The financial results above had been achieved through the efforts of the entire management and the company's resource of professionals and experts in the insurance field, who strived to drive the performance of the company by seizing attractive opportunities, leveraging the integration of Takaful solutions and constantly pushing towards our strategic goals of organizational excellence. The credit goes to the entire Takaful team; all the Departments, Management, Board and all other Stake Holders who have contributed to the success of the company.

Takaful implements a strong Corporate Governance policy as a key to its financial organizations growth, following the best standards of corporate governance to protect the interest of all the concerned parties, including the shareholders and policyholders.

Our strategic direction remains focused on the following key objectives that are aimed at delivering enhanced sustainable financial position for the participants and the shareholders:

- Generate economic profit growth
- Reduce earnings volatility
- Enlarge market scope
- Advance organizational excellence
- Best in class customer service

Our strategic objectives have been embedded in all of Takaful International's activities, helping us to further improve our economic efficiency. Our business goals are simple: to ensure growth in earnings per share, to pursue high quality business rather than volume for volume's sake as is evident in our financial highlights in terms of improved claims ratio and decent profits for the participants and

shareholders. This is further supported by continuously expanding the scope and the range of services we provide to our esteemed clients in all lines of business and regions.

We have embarked on 2014 with high confidence and even higher expectations for the continuing success of your company in delivering sustainable and strong earnings per share. With the continued support of all our customers, growth in the market share and other value added advantages like the new Information Technology, expertise technical and professional team, plans of expansion, diversification and spreading the wings across the region by marking our presence in all the strategic locations by opening new branches, Takaful is all set and ready to face the future challenges and to attain higher goals with greater confidence to march ahead and capture greater market share and to provide the best valuable services to its policyholders and shareholders always.

I'm very proud of my team members and resources who have greatly contributed in the growth of the company with their incredible dedication and resilience over the past several years. They have always remained focused on the goals and the mission of the company and our operational and financial success could not have been achieved without the hard work of our valuable team and resources across all centres.

I express our sincere thanks to all the Government Ministers, Central Bank of Bahrain team and other Departments for their support and co-operation.

I also take this opportunity to thank and appreciate the staff and the management of Takaful International for their continued efforts, sincerity and loyalty to their duties. I also extend my sincere thanks and gratitude to our Board of Directors and the Sharia'a Board for their guidance and direction. Also express my sincere thanks to Company's shareholders, clients and all those institutions and individuals with whom the Company deals in Bahrain locally and internationally.

Younis J. Al Sayed
Chief Executive

Corporate Governance disclosures

Financial Highlights

(figures in BD '000)

The financial highlights for the year ended 31st December 2013 are as follows:

Particulars	Growth rate					
	2013/12	2013	2012	2011	2010	2009
Gross contributions	12%	20,256	18,139	17,146	16,276	15,018
Underwriting profits	(2%)	3,572	3,653	3,829	3,262	2,910
Participants' net surplus	(59%)	69	170	409	464	405
Shareholders' net profit	13%	231	204	181	167	155
Total Profit	(20%)	300	374	590	631	560
Net Technical Reserves	6%	7,494	7,055	6,366	6,224	5,989
Shareholders' Equity	3%	7,539	7,310	7,022	6,806	6,705
Investment Income	24%	310	250	307	302	225
Claims Ratio	-	73%	73%	63%	59%	61%

Corporate Governance

Takaful is fully committed to sound Corporate Governance. Takaful's Board of Directors have adopted high standards and values which set out the discipline expected of staff in their dealings with the participants, customers, shareholders, colleagues, brokers and other stakeholders of the company. One of the core values communicated within the Company is a belief that the highest standard of integrity is essential in business. The governance of the Company remains under continuous review, in order to enhance compliance levels according to international standards and best practice. The direct responsibility of the Board of Directors is to endeavour to be in line with policies of regulatory authorities and statutory requirements.

Board of Directors

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

Code of Conduct

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

Corporate Governance disclosures (continued)

Capital adequacy, solvency margin and Qard Al Hassan

The Company maintains adequate human, financial and other resources sufficient to run the business in an orderly manner. The capital available and solvency margin are determined as per the provisions of Capital Adequacy Module of the Insurance Rulebook Volume 3 issued by the Central Bank of Bahrain. The shareholders' available capital for the company is BD 6,626,000. The Solvency Deficit calculated as per the CBB Rulebook Volume 3 for General Takaful is BD 4,402,000 and for the Family Takaful is BD 424,000. The shareholders provided Qard Al Hassan (profit free loan) of BD 4,402,000 to general takaful policyholders and BD 424,000 to family Takaful policyholders to meet their solvency valuation deficit. The net excess of available capital after the Qard Al Hassan in the shareholders fund is BD 1,800,000. The Tier 1 capital of the company is BD 7,802,000.

Insider trading policies

Members of the Board of Directors and identified insiders are bound by specific regulations relating to insider trading and are required to disclose details of their shareholdings in the Company. The Company's compliance with latest insider trading regulations of the Central Bank of Bahrain is supervised by the Audit Committee reporting to the Board of Directors.

Insider trading

The following insiders hold shares in the company:

Name	Position	No. of shares
Bara'a Al Qenaei (Resigned 26 Dec 2013)	Chairman	125,000
Hasan E. Kamal	Vice Chairman	244,580
Isa A. Al-Mannai	Managing Director	125,000
Saad E. Makki	Director	100,000
AbdulRahman Mohamed Turki	Director	100,000
Dr. Shaikh Abdullatif M. Al-Mahmood	Sharia'a Chairman	39,087
Amena Al Sheikh Abdul Aziz Al Mahmood	Related to Dr. Shaikh Abdul Latif Mahmood Al Mahmood	20,693

The insiders have not traded in the shares of the company for the year 2013.

Insiders trading Committee

Bara'a Al Qenaei (Resigned 26 Dec 2013)
Dr. Hasan Ebrahim Kamal - Chairman
A. Aziz Ahmed Al Othman

Corporate Governance disclosures (continued)

Board of Directors:

Board meetings held during the financial year ended 31st December 2013:

Board Member	Title	No. of Board meetings during the year 2013	No. of meetings attended during the year 2013
Bara'a Al Qanaei (Resigned 26 Dec 2013)	Chairman	4	4
Dr. Hasan Ebrahim Kamal	Vice Chairman	4	4
Isa Abdulla Al Mannai	Member & Managing Director	4	4
Najwa Abdulrahim Abdulla	Member	4	4
Dr. Abdunasser Mohammed Janahi Al Abbasi	Member	4	3
Saad Ibrahim Makki	Member	4	4
AbdulRahman Mohamed Turki	Member	4	3

Audit Committee Meetings during 2013

Committee Member	Title	No. of Board meetings during the year 2013	No. of meetings attended during the year 2013
Dr. Hasan Ebrahim Kamal	Chairman	4	4
Bara'a Al Qanaei (Resigned 26 Dec 2013)	Member	4	4
Dr. Abdunasser Mohammed Janahi Al Abbasi	Member	4	3

Nomination and Remuneration Committee

Committee Member	Title	No. of committee meetings during the year 2013	No. of meetings attended during the year 2013
Dr. Abdunasser Mohammed Janahi Al Abbasi	Chairman	1	1
Najwa Abdulrahim Abdulla	Member	1	1
AbdulRahman Turki	Member	1	0

Corporate Governance disclosures (continued)

Board of Directors:

Name	Qualification	Experience	Appointment
Bara'a Al Qanaei (Resigned on 26 Dec 2013)	MBA	12 years	27-03-2006
Dr. Hasan Ebrahim Kamal	PHD	35 years	11-04-1989
Isa Abdulla Al Mannai	MSc.	25 years	2000
Najwa Abdulrahim Abdulla	MBA	31 years	26-07-2009
Dr. Abdalnasser Mohammed Janahi Al Abbasi	PHD	30 years	26-07-2009
Saad Ibrahim Makki	BA Business Administration & Management	32 years	26-07-2010
AbdulRahman Mohamed Turki	MBA	33 years	20-01-2013

The Board members other company's directorships are as follows:

Name	Other companies in which directorship is held
Bara'a Al Qanaei (Resigned on 26 Dec 2013)	Investors Group Osoul Investment Company Gulf Petroleum Investment
Dr. Hasan Ebrahim Kamal	ASMCO Industrial Security Co. Joslin Sugar Co. Bahrain Qatar Development Co. Bahrain Chamber of Commerce & Industry Bahrain Properties Group Bahrain Malaysia International Trade & Investment Bureau Global Investment & Construction Co. (Bahrain, Saudi & Yemen) Gulf Property Arbitration National Institute for Training Bahrainis
Isa Abdulla Al Mannai	Mannai Technical Services Bahrain Computer System Protection Chambers & Integrated Communication Co. Ltd. Saudi Arabia Gulf Process Company W.L.L. Bahrain Raslan Contracting Co. W.L.L. Bahrain PROU, India Investors Bank Gulf Scientific Glass Industry W.L.L
Najwa Abdulrahim Abdulla	Nil
Dr. Abdalnasser Mohammed Janahi Al Abbasi	Nil
Saad Ibrahim Makki	Takaful International – Kuwait
Abdul Rahman Turki	Global Payment Services

Corporate Governance disclosures (continued)

Audit Committee:

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

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

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

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

The members of the Audit Committee during 2013 were as follows:

Dr. Hasan Ebrahim Kamal	- Chairman
Mr. Bara'a Al Qaenai (Resigned on 26 Dec 2013)	
Dr. Abdalnaser Mohammed Janahi Al Abbasi	

Nomination and Remuneration Committee

Dr. Abdalnaser Mohammed Janahi Al Abbasi	-Chairman
AbdulRahman Mohamed Turki	
Najwa Abdulrahim Abdulla	

Other Management Committees:

Investment and Liquidity Committee

Younis J. Al Sayed	- Chairman
Essam Mohammed Al Ansari	
A. Aziz Ahmed Al-Othman	
Santosh Shreenivas Prabhu	
Ali Ebrahim Mohammed Noor	

Re-insurance Security Committee

Essam Mohammed Al Ansari	- Chairman
A. Aziz Ahmed Al-Othman	
Ali Ebrahim Mohammed Noor	
Santosh Shreenivas Prabhu	
Jijan Abraham Stephen	

Enterprise Risk Management – Committee

Essam Mohammed Al Ansari	- Chairman
A. Aziz Ahmed Al-Othman	
Lamia Hassan	

Corporate Governance disclosures (continued)

Internal control

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

Fines and penalties

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

Organizational structure

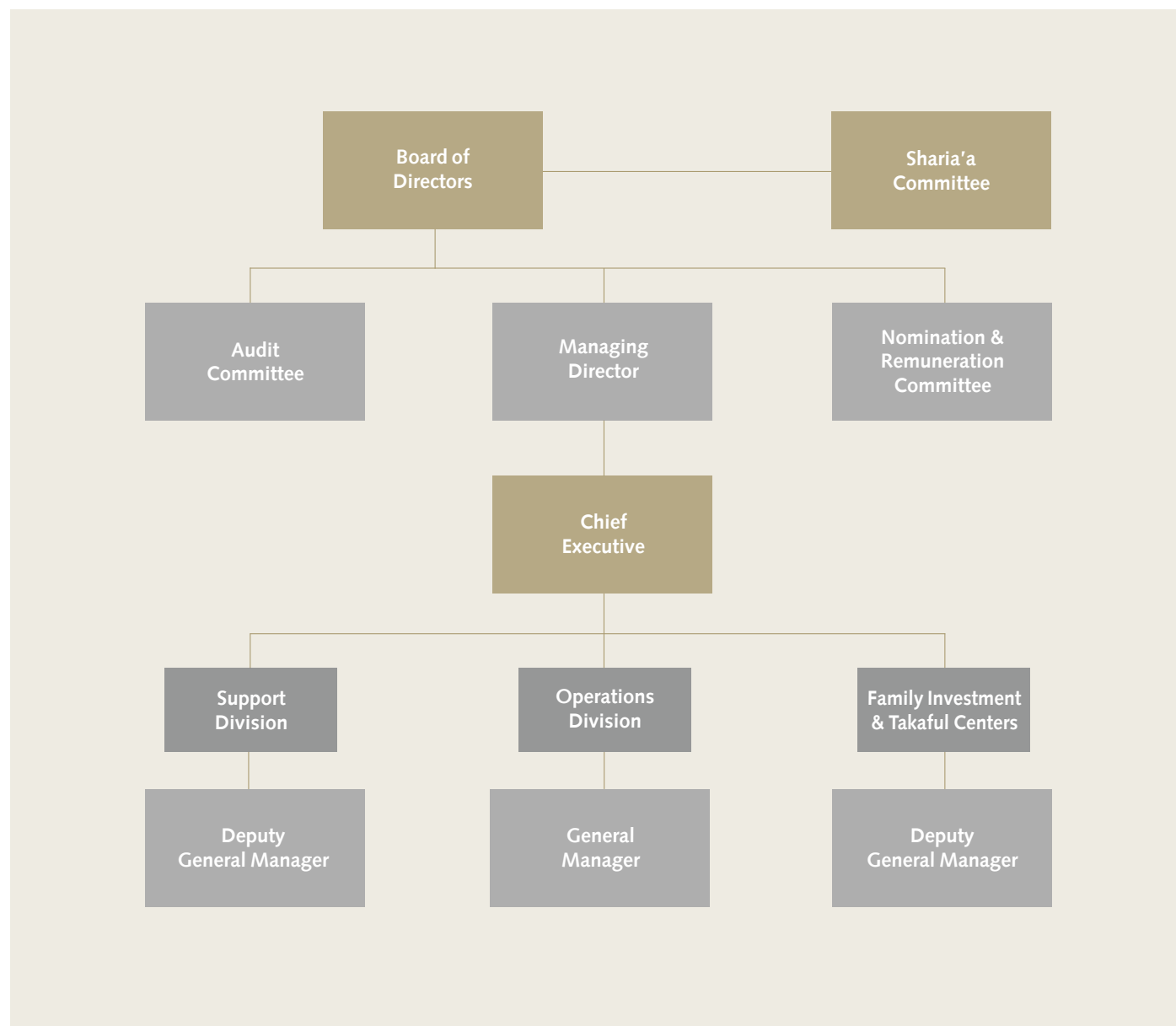
Chief Executive: Mr. Younis J. Al Sayed is a leading pioneer in the insurance and reinsurance sector with a rich experience that exceeds 34 years during which he held various positions. A graduate of Kuwait University, he began his illustrious career with the Arab Insurance Group (ARIG) in 1982 and was responsible for underwriting operations of all aspects of aviation insurance regionally as well as in international markets. In 2001, he joined Dubai International Financial Centre (DIFC) as Managing Director and played a prominent role in establishing the infrastructure of insurance and reinsurance sector for DIFC. Being specialized in Islamic Insurance (Takaful) Mr. Younis joined Takaful International Company in 2003 as General Manager and was promoted to the position of Chief Executive in 2008. Mr. Younis is also the Chairman of the Bahrain Insurance Association.

General Manager: Mr. Essam Al Ansari is a top professional in the insurance field. He is an ACII degree holder (Associate of the Chartered Insurance Institute) from the Chartered Insurance Institute-London. He possesses 24 years of extensive experience in insurance and reinsurance business, through his long association in the insurance and reinsurance industry in Bahrain and the region. He has been in the Executive Management Cadre of Bahrain National Insurance Company, National Company for Cooperative Insurance (NCCI) Saudi Arabia and Bahrain Kuwait Insurance Company, Bahrain before joining Takaful International Company in 2006.

Deputy General Manager: Mr. A. Aziz Al Othman is a certified Accountant since 2002 and holds a Masters degree in Business Administration from the University of Hull, UK. A true professional in the Islamic Insurance field, He has extensive experience in the Islamic Insurance business acquired by his long association of over 25 years in the insurance industry with in-depth understanding of Takaful Markets. Al-Othman began his distinguished career with Takaful International Company in 1989. After handling various administrative positions in 2008 he was designated as Deputy General Manager. His outstanding contributions have helped in enhancing the performance of the company for the past few years. He is also well experienced in developing, evaluating and analysing strategies and business planning, insurance statistical and financial statement, and has attended a number of seminars and workshops related to accounting and insurance.

Deputy General Manager – Family Investment & Takaful Centres: Mr. Ali Noor has over 17 years of extensive experience dealing with Life & Medical underwriting. Banassurance offerings & product development in the insurance field: he holds an insurance Diploma from (CII) chartered Insurance Institute – UK and is presently pursuing his ACII. Highly versatile and efficient in project management, marketing, reinsurance & product documentation as acquired during his tenure with Bahrain National Insurance. He joined Takaful International Co. in 2006 and is a member of the Executive Management & Investment committee. Also was chairing the BIA Medical Committee and is closely associated with promoting compulsory medical coverage in Bahrain in coordination with Ministry of Health.

Organizational Structure



Sharia'a Supervisory Board's Report For the year ended 31 December 2013

In the name of Allah, The Merciful, The Compassionate

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

To the Shareholders and Participants of Takaful International

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

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

The Sharia'a Supervisory Board reviewed the procedures relating to the Takaful transactions and the applications introduced by the company for the year ended 31 December 2013. The Board has reviewed and confirmed the implementation of the principles and guidelines governing the relationship between the participants and shareholders in order to identify the rights of each side. Discussions took place with the Company's officers with regard to its items and the attached Notes. The Board gave its Sharia'a directives for Takaful transactions and answered the queries made by the management.

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

In our opinion:

1. The surplus distribution, charging of losses and expenses to the participants and shareholders fully confirm with the principles established by ourselves in compliance with Sharia'a rules and principles.
2. There are no gains realized from prohibited sources or from methods that are forbidden.
3. The calculations of Zakah is in compliance with Islamic Sharia'a rules and principles and as directed by the Sharia'a supervisory Board. It should be noted that responsibility for payment of Zakah is undertaken by the shareholders.

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

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

19 Rabia II, 1435 corresponding to 19 February 2014.

Member of the Sharia'a Supervisory Board:-

1. Dr. Shaikh Abdul Latif Mahmood Al Mahmood, Chairman
2. Dr. Shaikh Abdul Sattar Abdul Karim Abu Ghuda, Deputy Chairman
3. Shaikh Mohsin Abdul Hussain Al Asfoor, Member

Independent auditor's report to the shareholders

Report on the financial statements

We have audited the accompanying financial statements of Takaful International Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2013, the statement of income, the statement of other comprehensive income, the statement of changes in shareholders' equity, the statement of changes in participant's funds, the statement of cash flows for year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management is also responsible for the Company's undertaking to operate in accordance with Islamic Sharia'a rules and principles.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Sharia'a rules and principles as determined by the Sharia'a Supervisory Board of the Company, Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Report on other legal and regulatory requirements

As required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001, and the Central Bank of Bahrain (CBB) Rule Book (Volume 3), we report that: the Company has maintained proper accounting records and the financial statements are in agreement therewith; the financial information contained in the directors' report is consistent with the financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and applicable provisions of Volume 6) and CBB directives, Regulations and Associated Resolutions, Rules and Procedures of the Bahrain Bourse, or the terms of the Company's Memorandum and Articles of Association having occurred during the year ended 31 December 2013 that might have had a material adverse effect on the business of the Company or on its financial position; and satisfactory explanations and information have been provided to us by the management of the Company in response to all our requests.

Manama, Kingdom of Bahrain
23 February 2014

Financial Statements of the year 2013

Statement of financial position as at 31 December 2013

(Expressed in Bahrain Dinars)

	Notes	Shareholders		General takaful		Family takaful		Total	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
ASSETS									
Cash and investments:									
Statutory deposit	5	125,000	125,000	-	-	-	-	125,000	125,000
Cash and cash equivalents	6	638,654	912,084	1,035,226	713,573	1,572,265	1,498,344	3,246,145	3,124,001
Available-for-sale investments	7	3,345,002	3,568,135	1,479,017	2,118,555	518,668	401,396	5,342,687	6,088,086
Investment in equity-accounted joint venture	8	52,045	-	-	-	-	-	52,045	-
		4,160,701	4,605,219	2,514,243	2,832,128	2,090,933	1,899,740	8,765,877	9,337,087
Retakaful and takaful balances receivable	9	-	-	10,085,552	9,494,298	615,494	438,606	10,701,046	9,932,904
Due from retakaful companies									
in connection with outstanding claims	10	-	-	6,166,509	4,814,993	174,069	189,762	6,340,578	5,004,755
Deferred retakaful contribution	11	-	-	3,616,761	3,340,936	-	-	3,616,761	3,340,936
Deferred policy acquisition cost	12	-	-	760,405	533,763	44,157	26,311	804,562	560,074
Property and equipment	13	2,164,304	2,337,548	-	-	-	-	2,164,304	2,337,548
Other receivables and prepayments	14	605,916	314,874	159,908	88,336	144,518	207,905	910,342	611,115
Amounts due from related parties	15	23,129	25,111	-	-	-	-	23,129	25,111
Receivable from takaful funds	14	1,431,510	731,407	-	-	-	-	1,431,510	731,407
TOTAL ASSETS		8,385,560	8,014,159	23,303,378	21,104,454	3,069,171	2,762,324	34,758,109	31,880,937
SHAREHOLDERS' EQUITY									
Share capital	16	6,250,000	6,250,000	-	-	-	-	6,250,000	6,250,000
Statutory reserve	17	480,066	456,932	-	-	-	-	480,066	456,932
General reserve	17	200,000	200,000	-	-	-	-	200,000	200,000
Retained earnings	17	875,416	667,215	-	-	-	-	875,416	667,215
Investment fair value reserve	17	(266,832)	(263,876)	(36,425)	833	(2,150)	(8,055)	(305,407)	(271,098)
		7,538,650	7,310,271	(36,425)	833	(2,150)	(8,055)	7,500,075	7,303,049
SURPLUS IN PARTICIPANTS' FUND		-	-	624,237	616,440	813,231	751,939	1,437,468	1,368,379
Takaful funds:									
Gross outstanding claims	18	-	-	8,435,487	7,015,625	197,643	218,147	8,633,130	7,233,772
Unearned contributions reserve	20	-	-	8,013,192	7,117,076	-	-	8,013,192	7,117,076
Unearned retakaful commissions	21	-	-	765,543	651,612	278	1,402	765,821	653,014
Family takaful technical reserves		-	-	-	-	843,474	957,194	843,474	957,194
		-	-	17,214,222	14,784,313	1,041,395	1,176,743	18,255,617	15,961,056
Retakaful and takaful payables		-	-	2,906,601	3,919,204	1,183,554	767,247	4,090,155	4,686,451
Other liabilities and provisions	22	689,397	571,439	1,193,320	1,072,650	3,054	54,057	1,885,771	1,698,146
Employees' terminal benefits	23	157,513	132,449	-	-	-	-	157,513	132,449
Payable to shareholders		-	-	1,401,423	711,014	30,087	20,393	1,431,510	731,407
TOTAL LIABILITIES		846,910	703,888	5,501,344	5,702,868	1,216,695	841,697	7,564,949	7,248,453
TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES		8,385,560	8,014,159	23,303,378	21,104,454	3,069,171	2,762,324	34,758,109	31,880,937

These financial statements, set out on pages 31 to 82, were approved for issue by the Board of Directors on 23 February 2014 and signed on its behalf by:

Dr. Hasan E. Kamal
Vice-Chairman

Isa Abdulla Al-Mannai
Managing Director

Statement of income

for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

	Notes	Shareholders		General takaful		Family takaful		Total	
		2013	2012	2013	2012	2013	2012	2013	2012
Revenues									
Gross contributions	28	-	-	18,964,470	16,829,972	1,291,552	1,308,826	20,256,022	18,138,798
Retakaful share	28	-	-	(9,325,168)	(8,978,291)	(782,129)	(569,916)	(10,107,297)	(9,548,207)
Retained contributions		-	-	9,639,302	7,851,681	509,423	738,910	10,148,725	8,590,591
Movement in unearned contributions	28	-	-	(573,850)	(807,588)	-	-	(573,850)	(807,588)
Net earned contributions		-	-	9,065,452	7,044,093	509,423	738,910	9,574,875	7,783,003
Net commission and other takaful income/(expenses)	28	-	-	1,137,408	1,853,125	(66,061)	(78,136)	1,071,347	1,774,989
Total takaful revenue		-	-	10,202,860	8,897,218	443,362	660,774	10,646,222	9,557,992
Expenses									
Gross claims settled		-	-	(17,448,331)	(13,144,632)	(600,437)	(502,434)	(18,048,768)	(13,647,066)
Claims recovered from retakaful and other parties		-	-	10,597,920	7,576,297	483,262	298,092	11,081,182	7,874,389
Net movement in outstanding claims		-	-	(68,345)	62,489	4,812	23,916	(63,533)	86,405
Net claims incurred	28	-	-	(6,918,756)	(5,505,846)	(112,363)	(180,426)	(7,031,119)	(5,686,272)
Transfer to family takaful technical reserve		-	-	-	-	85,262	(184,503)	85,262	(184,503)
Provision for impaired takaful receivables	9	-	-	(128,705)	(34,297)	-	-	(128,705)	(34,297)
Total takaful expenses		-	-	(7,047,461)	(5,540,143)	(27,101)	(364,929)	(7,074,562)	(5,905,072)
Surplus from takaful operations before Wakala fees		-	-	3,155,399	3,357,075	416,261	295,845	3,571,660	3,652,920
Wakala fees	24	-	-	(3,173,322)	(3,269,306)	(374,710)	(284,015)	(3,548,032)	(3,553,321)
(Deficit)/surplus from takaful operations after Wakala fees		-	-	(17,923)	87,769	41,551	11,830	23,628	99,599
Wakala fees	24	3,548,032	3,553,321	-	-	-	-	3,548,032	3,553,321
Investment income	25	135,353	96,726	124,157	97,691	50,059	55,693	309,569	250,110
Mudarib share	24	38,548	32,777	(31,039)	(24,423)	(7,509)	(8,354)	-	-
		3,721,933	3,682,824	93,118	73,268	42,550	47,339	3,857,601	3,803,431
Management, general and administrative expenses and depreciation		(3,330,676)	(3,295,878)	-	-	-	-	(3,330,676)	(3,295,878)
Impairment loss on available-for-sale investments	8	(142,076)	(200,000)	(67,398)	(50,175)	(22,809)	-	(232,283)	(250,175)
Other (loss)/income	26	(17,846)	17,855	-	-	-	-	(17,846)	17,855
Net management, general and administrative expenses		(3,490,598)	(3,478,023)	(67,398)	(50,175)	(22,809)	-	(3,580,805)	(3,528,198)
Net profit and surplus for the year		231,335	204,801	7,797	110,862	61,292	59,169	300,424	374,832
Earnings per share	27	3.70 fils	3.28 fils						

Statement of comprehensive income for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Net profit for the year		231,335	204,801
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Net realised fair value losses on available-for-sale investments	7	(36,301)	(4,689)
Unrealised fair values gains on available-for-sale investments	7	33,345	88,599
Other comprehensive (losses)/gains for the year		(2,956)	83,910
Total comprehensive income for the year		228,379	288,711

Statement of changes in shareholders' equity for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

	Notes	Share capital	Statutory reserve	General reserve	Retained earnings	Investments fair value reserve	Total equity
At 31 December 2011		6,250,000	436,452	200,000	482,894	(347,786)	7,021,560
Total comprehensive income for the year		-	-	-	204,801	83,910	288,711
Transferred to statutory reserve	17	-	20,480	-	(20,480)	-	-
At 31 December 2012		6,250,000	456,932	200,000	667,215	(263,876)	7,310,271
Total comprehensive income for the year		-	-	-	231,335	(2,956)	228,379
Transferred to statutory reserve	17	-	23,134	-	(23,134)	-	-
At 31 December 2013		6,250,000	480,066	200,000	875,416	(266,832)	7,538,650

Statement of changes in participants' fund for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

	Notes	Investment fair value reserve				Total
		General takaful	Family takaful	General takaful	Family takaful	
At 31 December 2011		505,578	692,770	(26,319)	(6,633)	1,165,396
Unrealised fair value gains/(losses) on available-for-sale investments	7	-	-	27,152	(1,422)	25,730
Surplus for the year		110,862	59,169	-	-	170,031
At 31 December 2012		616,440	751,939	833	(8,055)	1,361,157
Unrealised fair value (losses)/gains on available-for-sale investments	7	-	-	(37,258)	5,905	(31,353)
Surplus for the year		7,797	61,292	-	-	69,089
At 31 December 2013		624,237	813,231	(36,425)	(2,150)	1,398,893

Statement of cash flows for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

	Notes	2013	2012
Operating activities			
Net profit for the year		231,335	204,801
Surplus from participants' operations		69,089	170,031
Adjustments for:			
(Profits)/losses on disposal of property and equipment	26	(487)	135
Realised losses on sale of available-for-sale investments	7	36,301	4,689
Impairment loss on available-for-sale investments	7	232,283	250,175
Investment income		(309,569)	(250,110)
Depreciation	13	300,906	313,678
Share of losses of equity accounted joint venture	25	37,955	-
Movement in unearned contributions		620,291	830,480
Movement in unearned commissions		(131,681)	(220,697)
Transfer to family takaful technical reserve		(113,720)	164,970
Changes in operating assets and liabilities:			
Retakaful and takaful balance receivables		(768,142)	(1,741,596)
Other receivables and prepayments		(299,227)	(276,199)
Amount due from related parties		1,982	16,901
Due from retakaful companies in connection with outstanding claims		(1,335,823)	217,955
Gross outstanding claims		1,399,358	(304,362)
Retakaful and takaful balance payables		(596,296)	369,668
Other liabilities and provisions		187,625	176,624
Employees' leaving indemnity, net		25,064	38,622
Net cash used in operating activities		(412,756)	(34,235)
Investing activities			
Cost of acquisition of investment in a joint venture		(90,000)	-
Investment income received		309,569	250,110
Purchase of property and equipment	13	(75,338)	(111,973)
Net expenditure incurred on capital work-in-progress	13	(54,958)	-
Purchase of available-for-sale investments	7	(1,901,407)	(3,530,369)
Proceeds from disposal of property and equipment		3,121	1,070
Proceeds from the sale of available-for-sale investments		2,343,913	2,558,217
Net cash provided by/(used in) investing activities		534,900	(832,945)
Financing activities			
Net movement in Islamic murabaha		-	(13,569)
Net cash used in financing activities		-	(13,569)
Net increase / (decrease) in cash and cash equivalents		122,144	(880,749)
Cash and cash equivalents, beginning of the year		3,124,001	4,004,750
Cash and cash equivalents, end of the year	6	3,246,145	3,124,001

Notes to the financial statements for the year ended 31 December 2013

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 Sharia'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 Sharia'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 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 available-for-sale investments 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.

During the year International Accounting Standards Board has issued IFRS-13 "Fair value measurement". The Company has adopted this standard on grounds of good corporate governance practice.

Standard issued and effective in 2013 but not relevant

FAS-26 "Investment in Real Estate" is mandatory for accounting periods beginning on or after 1 January 2013 or subsequent periods. However, the provisions of this standard is not applicable to the Company as the Company does not have any investment in Real Estate.

Notes to the financial statements for the year ended 31 December 2013

3 Significant 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.

Notes to the financial statements for the year ended 31 December 2013

3 Significant accounting policies (continued)

General takaful (continued)

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.

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 (2012: 3.25% 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.

Notes to the financial statements for the year ended 31 December 2013

3 Significant accounting policies (continued)

Family takaful (continued)

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.

Financial assets

a. 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.

Notes to the financial statements for the year ended 31 December 2013

3 Significant accounting policies (continued)

Financial assets (continued)

Available-for-sale Investments

Available-for-sale investments 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 available-for-sale investments 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 available-for-sale investments are recognised in the fair value reserve in the statement of changes in equity. On sale of available-for-sale investments the component in the investment fair value reserve is transferred to the statement of income in the year of de-recognition.

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 available-for-sale investments

In the case of investments in equity securities classified as available-for-sale 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 available-for-sale investments, 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 available-for-sale investments 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.

Notes to the financial statements for the year ended 31 December 2013

3 Significant accounting policies (continued)

Available-for-sale Investments (continued)

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 Company that generates cash flows that largely are independent from other assets and Companies. 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.

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:

Notes to the financial statements for the year ended 31 December 2013

3 Significant accounting policies (continued)

Property and equipment and accumulated depreciation (continued)

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 comprehensive 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.

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.

Notes to the financial statements for the year ended 31 December 2013

3 Significant accounting policies (continued)

Employees' terminal benefits (continued)

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.

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.

Dividend income

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

Notes to the financial statements for the year ended 31 December 2013

3 Significant accounting policies (continued)

Other income

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

Earnings prohibited by Sharia'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 makers have been identified as the Managing Director and the Chief Executive Officer of the Company.

4 Critical accounting judgments and key source of estimation uncertainty

Preparation of the financial statements in accordance with Bahrain Commercial Companies Law, Decree Number 21 of 2001, the Central Bank of Bahrain and Financial Institutions Law 2006, the Insurance Regulations set out in Volume 3 of the Insurance Rulebook issued by the Central Bank of Bahrain, the terms of the Company's Memorandum and Articles of Association and 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 available-for-sale investments;
- 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 higher than estimated.

Notes to the financial statements for the year ended 31 December 2013

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 available-for-sale investment, 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 available-for-sale investments.

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 available-for-sale investments 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 available-for-sale investments

The Company determines that available-for-sale investments 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 available-for-sale investments are carried at cost, the recoverable amount of such investment is subject to a test for impairment. A significant portion of the Company's available-for-sale investments comprise of investments in long-term real estate development projects. In making a judgment of impairment, the Company evaluates among other factors, evidence of a 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'):

Notes to the financial statements for the year ended 31 December 2013

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

Fair value measurement (continued)

- 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.

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 2013 is shown in Note 29.

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 2013, in the opinion of the Company's management, a provision of BD 163,002 is required against impaired general takaful receivables (2012: BD 34,297). 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.

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

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 BD 125,000 (2012: BD 125,000) 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 and carries an expected profit return.

6 Cash and cash equivalents

	31 December 2013				31 December 2012			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Placements with financial institutions	-	188,675	364,250	552,925				
Call account balances	276,534	102,275	1,127,922	1,506,731	354,458	-	1,367,809	1,722,267
Balances with banks	360,979	741,731	80,093	1,182,803	556,592	711,373	130,535	1,398,500
Cash on hand	1,141	2,545	-	3,686	1,034	2,200	-	3,234
Closing balance	638,654	1,035,226	1,572,265	3,246,145	912,084	713,573	1,498,344	3,124,001

Call account balances and deposits earn effective profit rates ranging between 1.25% and 6% per annum (2012: between 2.25% and 8% per annum).

The savings account balances with banks earn effective profit rates ranging between 1% and 2% per annum (2012: 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 2013

(Expressed in Bahrain Dinars)

7 Available-for-sale investments

	31 December 2013				31 December 2012			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General Takaful	Family takaful	Total
Opening balance	3,568,135	2,118,555	401,396	6,088,086	2,914,820	2,072,144	274,194	5,261,158
Additions during the year	1,076,981	428,635	395,791	1,901,407	3,143,336	225,500	161,533	3,530,369
Disposals during the year	(1,155,082)	(963,517)	(261,615)	(2,380,214)	(2,373,931)	(156,066)	(32,909)	(2,562,906)
Realised losses on sale of available for sale investments	(36,301)	-	-	(36,301)	(4,689)	-	-	(4,689)
Impairment loss for the year	(142,076)	(67,398)	(22,809)	(232,283)	(200,000)	(50,175)	-	(250,175)
Unrealised fair value gains/(losses) recognised in investment fair value reserve	33,345	(37,258)	5,905	1,992	88,599	27,152	(1,422)	114,329
Closing balance	3,345,002	1,479,017	518,668	5,342,687	3,568,135	2,118,555	401,396	6,088,086

Analysis of available-for-sale investments

	31 December 2013				31 December 2012			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General Takaful	Family takaful	Total
Shares listed on stock exchanges	760,605	11,029	-	771,634	819,160	42,336	-	861,496
Quoted managed funds	991,164	319,404	427,561	1,738,129	906,488	370,614	138,429	1,415,531
Unquoted managed funds	654,762	1,148,584	91,107	1,894,453	826,888	1,705,605	262,967	2,795,460
Unquoted equity investments	938,471	-	-	938,471	1,015,599	-	-	1,015,599
Closing balance	3,345,002	1,479,017	518,668	5,342,687	3,568,135	2,118,555	401,396	6,088,086

Included within the available-for-sale investments are shares with a carrying value of BD 139,304 (2012: BD 222,318) held in the name of a related party for the beneficial interest of the Company.

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

7 Available-for-sale investments (continued)

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

	31 December 2013								
	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	760,605	-	760,605	11,029	-	11,029	-	-	-
Quoted managed funds	991,164	-	991,164	319,404	-	319,404	427,561	-	427,561
Unquoted managed funds	-	654,762	654,762	-	1,148,584	1,148,584	-	91,107	91,107
Unquoted equity investments	-	938,471	938,471	-	-	-	-	-	-
	1,751,769	1,593,233	3,345,002	330,433	1,148,584	1,479,017	427,561	91,107	518,668

	31 December 2012								
	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	819,160	-	819,160	42,336	-	42,336	-	-	-
Quoted managed funds	906,488	-	906,488	370,614	-	370,614	138,429	-	138,429
Unquoted managed funds	-	826,888	826,888	-	1,705,605	1,705,605	-	262,967	262,967
Unquoted equity investments	-	1,015,599	1,015,599	-	-	-	-	-	-
	1,725,648	1,842,487	3,568,135	412,950	1,705,605	2,118,555	138,429	262,967	401,396

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

7 Available-for-sale investments (continued)

The available-for-sale investments 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.

Available-for-sale investments are denominated in the following currencies:

	31 December 2013	31 December 2012
Currency		
United States Dollars	2,947,681	3,154,737
Kuwait Dinars	1,032,378	1,079,929
Bahrain Dinar	764,619	999,732
Indian Rupees	322,461	333,074
British Pound	71,657	306,555
United Arab Emirates Dirhams	102,670	119,783
Euros	27,224	26,118
Saudi Arabian Riyal	56,781	42,294
Qatar Riyals	17,216	25,864
	5,342,687	6,088,086

None of the available-for-sale investments are past due.

During the year, the Company has performed an impairment test of its available-for-sale investments and concluded that certain of those investments are impaired. Accordingly, the impairment loss of BD 232,283 (2012: BD 250,175) 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 available-for-sale.

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

8 Investment in equity-accounted joint venture

The Company has a 60% (2012: Nil) 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:

For the period ended 31 December 2013	2013
Management, general and administrative expenses and depreciation	(63,259)
Net loss for the period	(63,259)
Cash flows from operating activities	(54,039)
Cash flows from investing activities	(19,500)
Cash flows from financing activities	150,000
Net cash inflows	76,461
Assets:	
Non-current assets	18,392
Current assets	79,171
	97,563
Liabilities:	
Other payables	(10,822)

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

9 Retakaful and takaful receivables

	31 December 2013			31 December 2012		
	General takaful	Family takaful	Total	General Takaful	Family takaful	Total
Due from retakaful companies	2,702,624	-	2,702,624	2,978,575	131,876	3,110,451
Due from takaful companies	2,102,585	244,899	2,347,484	1,801,331	-	1,801,331
Due from takaful participants	3,435,827	306,409	3,742,236	3,075,692	231,982	3,307,674
Other receivables	1,844,516	64,186	1,908,702	1,638,700	74,748	1,713,448
Closing balance	10,085,552	615,494	10,701,046	9,494,298	438,606	9,932,904

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

At 31 December 2013, in the opinion of the Company's management, a provision of BD 163,002 is required towards impairment of retakaful and takaful receivables (2012: BD 34,297). The movement in the provision for impaired retakaful and takaful receivables is as follows:

	31 December 2013	31 December 2012
At 1 January	34,297	-
Charge for the year	128,705	34,297
At 31 December	163,002	34,297

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

	General takaful				Family takaful			
	Current		Overdue and not impaired		Current		Overdue and not impaired	
	2013	2012	2013	2012	2013	2012	2013	2012
0 to 90 days	3,656,877	2,729,537	-	-	211,771	158,140	-	-
91 to 180 days	-	-	3,344,584	3,707,236	-	-	242,796	167,694
181 to 365 days	-	-	1,751,007	1,407,684	-	-	78,088	25,194
More than 365 days	-	-	1,333,084	1,649,841	-	-	82,839	87,578
	3,656,877	2,729,537	6,428,675	6,764,761	211,771	158,140	403,723	280,466

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

9 Retakaful and takaful receivables (continued)

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.

10 Due from retakaful companies in connection with outstanding claims

	General takaful					Family takaful		
	Fire, general accident and engineering	Marine	Motor	Medical	2013 Total	2012 Total	2013 Total	2012 Total
Opening balance	1,936,647	73,436	1,485,375	1,319,535	4,814,993	4,962,567	189,762	260,143
Claims incurred	3,886,196	126,044	4,215,600	3,721,596	11,949,436	7,428,722	467,569	227,711
Claims recovered	(3,281,317)	(75,788)	(3,480,673)	(3,760,142)	(10,597,920)	(7,576,296)	(483,262)	(298,092)
Closing balance	2,541,526	123,692	2,220,302	1,280,989	6,166,509	4,814,993	174,069	189,762

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 2013

(Expressed in Bahrain Dinars)

11 Deferred retakaful contributions

The movement in deferred retakaful contributions during the year is:

	General takaful				2013 Total	2012 Total
	Motor and general accident	Fire	Marine	Medical		
Opening balance	1,121,612	944,650	22,207	1,252,467	3,340,936	3,820,627
Retakaful contributions deferred	1,328,432	1,235,185	235,055	818,089	3,616,761	3,340,936
Retakaful contribution released	(1,121,612)	(944,650)	(22,207)	(1,252,467)	(3,340,936)	(3,820,627)
Closing balance	1,328,432	1,235,185	235,055	818,089	3,616,761	3,340,936

12 Deferred policy acquisition costs

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

	General takaful				2013 Total	2012 Total	Family takaful	
	Motor and general accident	Fire	Marine	Medical			2013 Total	2012 Total
Opening balance	363,091	97,652	20,735	52,285	533,763	390,100	26,311	28,476
Commission incurred	445,640	104,212	15,550	195,003	760,405	1,232,183	44,157	62,854
Commission paid	(363,091)	(97,652)	(20,735)	(52,285)	(533,763)	(1,088,520)	(26,311)	(65,019)
Closing balance	445,640	104,212	15,550	195,003	760,405	533,763	44,157	26,311

Notes to the financial statements for the year ended 31 December 2013

(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
Cost							
At 31 December 2011	492,148	1,266,765	805,196	1,091,032	91,192	61,844	3,808,177
Additions	-	-	4,260	68,808	20,200	18,705	111,973
Transferred from capital work-in-progress	-	-	60,234	14,310	-	(74,544)	-
Disposals	-	-	-	(210)	(3,698)	-	(3,908)
At 31 December 2012	492,148	1,266,765	869,690	1,173,940	107,694	6,005	3,916,242
Additions	-	-	9,627	35,816	29,895	54,958	130,296
Disposals	-	-	-	(560)	(5,059)	-	(5,619)
At 31 December 2013	492,148	1,266,765	879,317	1,209,196	132,530	60,963	4,040,919
Accumulated depreciation							
At 31 December 2011	-	252,763	406,673	576,565	31,718	-	1,267,719
Charge for the year	-	42,318	75,522	171,275	24,563	-	313,678
Disposals	-	-	-	(5)	(2,698)	-	(2,703)
At 31 December 2012	-	295,081	482,195	747,835	53,583	-	1,578,694
Charge for the year	-	42,202	78,310	151,984	28,410	-	300,906
Disposals	-	-	-	(560)	(2,425)	-	(2,985)
At 31 December 2013	-	337,283	560,505	899,259	79,568	-	1,876,615
Net book amount							
At 31 December 2013	492,148	929,482	318,812	309,937	52,962	60,963	2,164,304
At 31 December 2012	492,148	971,684	387,495	426,105	54,111	6,005	2,337,548

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

The Company operates from premises leased at a monthly rental of BD 10,922 (2012: BD 9,366 per month) (Note 35).

Notes to the financial statements for the year ended 31 December 2013

(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 36).

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 2013.

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 2013	31 December 2012
Investment with related parties		
Statutory deposit	125,000	125,000
Call deposits	357,087	363,250
Available-for-sale investments	1,295,527	1,280,687
	1,777,614	1,768,937

Call deposits

BD 357,085 (2012: BD 363,250) representing 16% (2012: 20%) of the total deposits are placed with a shareholder.

Due from a shareholder

At 31 December 2013, an amount of BD18,455 (2012: BD20,436) is due from a shareholder representing 0.22% (2012: 0.25%) of total shareholders' assets and 0.27% (2012: 0.28%) of equity.

Notes to the financial statements for the year ended 31 December 2013

(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 2013:

	Key management personnel
Income	
Gross contributions	380,899
Expenses	
Key management remuneration	358,060

The following are the transactions and balances entered into with the related parties during the year ended and as at 31 December 2012:

	Key management personnel
Income	
Gross contributions	652,285
Expenses	
Key management remuneration	362,261
Directors' attendance fees	57,800
	420,061

A summary of the related party balances is as follows:

	31 December 2013	31 December 2012
Amounts due from related parties		
Grand Real Estate	682	682
International Investment Group	8,574	8,574
Investors Bank	1,100	3,082
Gulf Monetary Group	12,773	12,773
Total	23,129	25,111

Amounts due from related parties 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 2013

(Expressed in Bahrain Dinars)

16 Share capital

	31 December 2013	31 December 2012
Authorised share capital:		
Ordinary shares		
200,000,000 ordinary shares of 100 fils each (2012: 200,000,000 ordinary shares of 100 fils each)	20,000,000	20,000,000
Issued and fully paid-up capital:		
Ordinary shares		
62,500,000 ordinary shares of 100 fils each (2012: 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 2013 and 2012 respectively is as follows:

Name of the shareholders	Nationality	Number of shares	Percentage of shareholding interest
Bahrain Islamic Bank B.S.C.	Bahraini	14,220,486	22.75%
Investors Bank	Bahraini	11,265,655	18.03%
International Investment Group	Kuwaiti	8,638,197	13.82%
Gulf Monetary Group	Bahraini	6,953,125	11.13%
Al Muhannad Direct Investment Fund	Kuwaiti	6,742,504	10.79%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	8.40%

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

16 Share capital (continued)

Additional information on shareholding pattern (continued)

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

31 December 2013			
	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%
	232	62,500,000	100.00%

31 December 2012			
	Number of shareholders	Number of shares	Percentage of total outstanding Shares
Less than 1%	224	8,440,776	13.51%
1% up to less than 5%	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%
	231	62,500,000	100.00%

iv) The percentage of shares held by the Directors to the total number of shares at 31 December 2013 was 1.11% (2012: 1.11%).

Notes to the financial statements for the year ended 31 December 2013

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 2013 (31 December 2012: BD Nil) and no stock dividend was approved by the shareholders in the Annual General Meeting held on 28 February 2013 (2011: 29 February 2012).

Proposed by the Board of Directors

The Board of Directors of the Company have proposed a cash dividend of BD 312,500 at 5 fils per share (2012: BDNil) representing 5% (2012: Nil) of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2013. 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. During the year ended 31 December 2013, an amount of BD 23,134 (2012: BD20,480) has been transferred to the statutory reserve.

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 available-for-sale investments.

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 2013

(Expressed in Bahrain Dinars)

18 Gross outstanding claims

The movement in gross outstanding claims during the year is:

	General takaful					Family takaful		
	Fire, general accident and engineering	Marine and aviation	Motor	Medical	2013 Sub-total	2013 Sub-total	2013 Total	2012 Total
Opening balance	2,271,019	88,254	2,983,802	1,672,550	7,015,625	218,147	7,233,772	7,538,134
Claims incurred	4,196,354	146,053	8,784,956	5,740,830	18,868,193	579,933	19,448,126	13,342,704
Claims paid	(3,602,628)	(80,606)	(7,969,201)	(5,795,896)	(17,448,331)	(600,437)	(18,048,768)	(13,647,066)
Closing balance	2,864,745	153,701	3,799,557	1,617,484	8,435,487	197,643	8,633,130	7,233,772

Breakdown of Claims

	General takaful					Family takaful		
	Fire, general accident and engineering	Marine and aviation	Motor	Medical	2013 Sub-total	2013 Sub-total	2013 Total	2012 Total
Current year claims	1,268,266	66,330	2,451,223	141,283	3,927,102	4,146	3,931,248	2,955,892
Prior year claims	930,124	9,816	964,794	-	1,904,734	-	1,904,734	1,480,733
Incurred but not yet reported	666,355	77,555	383,540	1,476,201	2,603,651	193,497	2,797,148	2,797,147
Closing balance	2,864,745	153,701	3,799,557	1,617,484	8,435,487	197,643	8,633,130	7,233,772

Notes to the financial statements for the year ended 31 December 2013

(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	2009	2010	2011	2012	2013	Total
Estimate of ultimate claims costs:						
At end of reporting year	6,175,125	6,571,856	7,331,721	8,743,935	10,656,542	39,479,179
One year later	7,047,376	7,009,101	8,280,718	8,954,252	-	31,291,447
Two years later	7,209,535	7,154,526	8,352,421	-	-	22,716,482
Three years later	7,270,657	7,342,152	-	-	-	14,612,809
Four years later	7,291,521	-	-	-	-	7,291,521
Current estimate of cumulative claims	7,291,521	7,342,152	8,352,421	8,954,252	10,656,542	42,596,888
Cumulative payments to date	(6,869,558)	(6,904,523)	(7,702,142)	(7,925,620)	(8,925,620)	(38,327,463)
Sub-total	421,963	437,629	650,279	1,028,632	1,730,922	4,269,425
Reserve in respect of prior years	-	-	-	-	1,562,412	1,562,412
	421,963	437,629	650,279	1,028,632	3,293,334	5,831,837
Incurred but not yet reported						2,603,650
Total reserve included in the statement of financial position						8,435,487

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

20 Unearned contributions reserve

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

	Motor and general accident	General takaful			2013 Total	2012 Total
		Fire	Marine	Medical		
Opening balance	4,296,151	1,172,399	16,880	1,631,646	7,117,076	6,766,287
Additions during the year	5,015,620	1,323,552	241,933	1,432,087	8,013,192	7,117,076
Releases	(4,296,151)	(1,172,399)	(16,880)	(1,631,646)	(7,117,076)	(6,766,287)
Closing balance	5,015,620	1,323,552	241,933	1,432,087	8,013,192	7,117,076

21 Unearned retakaful commissions

The movement in unearned retakaful commissions during the year is:

	General takaful				Family Takaful		2013 Total	2012 Total
	Motor and general accident	Fire	Marine	Medical	2013 Sub-total	2013 Sub-total		
Opening balance	256,101	28,002	79,033	288,476	651,612	1,402	653,014	732,213
Commissions received	200,178	214,919	58,660	291,786	765,543	278	765,821	653,014
Commissions realised	(256,101)	(28,002)	(79,033)	(288,476)	(651,612)	(1,402)	(653,014)	(732,213)
Closing balance	200,178	214,919	58,660	291,786	765,543	278	765,821	653,014

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

22 Other liabilities and provisions

	31 December 2013				31 December 2012			
	Share-holders	General takaful	Family takaful	Total	Share-holders	General takaful	Family takaful	Total
Staff related accruals	208,212	-	-	208,212	305,376	-	-	305,376
Unclaimed share of profit	119,036	7,588	-	126,624	119,074	7,588	-	126,662
Accruals and other payables	362,149	1,185,732	3,054	1,550,935	146,989	1,065,062	54,057	1,266,108
	689,397	1,193,320	3,054	1,885,771	571,439	1,072,650	54,057	1,698,146

The carrying amounts of other liabilities and provisions disclosed above reasonably approximate their fair values as at 31 December 2013.

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 2013		
	Up to 3 months	Between 3 and 12 months	Total
Staff related accruals	208,212	-	208,212
Unclaimed share of profit	126,624	-	126,624
Accruals and other payables	356,425	1,194,510	1,550,935
	691,261	1,194,510	1,885,771

	At 31 December 2012		
	Up to 3 months	Between 3 and 12 months	Total
Staff related accruals	130,000	175,376	305,376
Unclaimed share of profit	126,662	-	126,662
Accruals and other payables	785,945	480,163	1,266,108
	1,042,607	655,539	1,698,146

Notes to the financial statements for the year ended 31 December 2013

(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 2013 amounted to BD 158,517 (2012: BD 159,413).

Expatriate employees

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

	31 December 2013	31 December 2012
Opening balance	132,449	93,827
Accruals for the year	44,917	41,968
Payments during the year	(19,853)	(3,346)
Closing balance	157,513	132,449
The number of staff employed by the Company	131	132

24 Wakala fee and mudarib share

The shareholders manage the general and family takaful operations for the participants' and charge 17% (2012: 20%) and 29% (2012: 22%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 25% (2012: 25%) and 15% (2012: 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 30% (2012: 30%) and 25% (2012: 25%) respectively.

25 Investment income

	Year ended 31 December 2013			Year ended 31 December 2012		
	Share- holders	General takaful	Family takaful	Share- holders	General takaful	Family takaful
Deposit income	10,298	4,605	34,257	30,114	5,559	45,041
Investment income	191,885	37,700	45	45,331	90,861	10,652
Dividend income	7,426	81,852	15,757	25,970	1,271	-
Share of losses of equity accounted joint venture	(37,955)	-	-	-	-	-
Realised losses on sale of available-for-sale investments	(36,301)	-	-	(4,689)	-	-
	135,353	124,157	50,059	96,726	97,691	55,693

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

26 Other (loss)/income

	Year ended 31 December 2013	Year ended 31 December 2012
Profits/(losses) on sale of property and equipment	487	(135)
Rental income	13,800	13,500
Foreign exchange (losses)/gains, net	(32,133)	4,490
	(17,846)	17,855

27 Earnings per share

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

	Year ended 31 December 2013	Year ended 31 December 2012
Net profit attributable to the shareholders	231,335	204,801
Weighted average number of ordinary shares issued	62,500,000	62,500,000
Profit per share	3.70 fils	3.28 fils

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

28 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 2013

(Expressed in Bahrain Dinars)

28 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 2013				
	Motor, general accident, engineering and aviation	Fire	Marine	Medical	Total
Gross contributions	10,399,513	4,200,584	985,176	3,379,197	18,964,470
Retakaful share	(2,765,054)	(3,844,311)	(914,775)	(1,801,028)	(9,325,168)
Retained contributions	7,634,459	356,273	70,401	1,578,169	9,639,302
Movement in unearned contributions	(466,210)	139,382	(12,204)	(234,818)	(573,850)
Net earned contributions	7,168,249	495,655	58,197	1,343,351	9,065,452
Net commissions and other takaful income	(50,149)	367,600	119,314	700,643	1,137,408
Net claims incurred	(4,661,954)	(217,560)	(20,008)	(2,019,234)	(6,918,756)
Provision for impaired takaful receivables	(474)	(25,196)	-	(103,035)	(128,705)
Wakala fees	2,455,672	620,499	157,503	(78,275)	3,155,399
	(1,946,326)	(546,886)	(105,647)	(574,463)	(3,173,322)
Deficit from takaful operations	509,346	73,613	51,856	(652,738)	(17,923)

Identifiable assets and liabilities as on 31 December 2013

Identifiable assets	7,845,741	3,167,141	773,574	7,164,505	18,950,961
Identifiable liabilities	9,926,598	3,923,355	773,465	4,513,726	19,137,144

Assets amounting to BD 4,352,417 and liabilities amounting to BD 4,166,234 are not specifically identifiable in general takaful business.

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

28 Segmental underwriting results (continued)

	Year ended 31 December 2012				
	Motor, general accident, engineering and aviation	Fire	Marine	Medical	Total
Gross contributions	8,613,088	3,087,546	1,303,956	3,825,382	16,829,972
Retakaful share	(2,269,382)	(2,689,096)	(1,209,408)	(2,810,405)	(8,978,291)
Retained contributions	6,343,706	398,450	94,548	1,014,977	7,851,681
Movement in unearned contributions	(695,034)	(61,400)	(8,020)	(43,134)	(807,588)
Net earned contributions	5,648,672	337,050	86,528	971,843	7,044,093
Net commissions and other takaful income	61,385	433,743	159,708	1,198,289	1,853,125
Net claims incurred	(3,854,637)	(80,670)	(915)	(1,569,624)	(5,505,846)
Provision for impaired takaful receivables	-	-	-	(34,297)	(34,297)
Wakala fees	1,855,420	690,123	245,321	566,211	3,357,075
	(1,636,522)	(609,594)	(156,741)	(866,449)	(3,269,306)
Surplus/(deficit) from takaful operations	218,898	80,529	88,580	(300,238)	87,769
Identifiable assets and liabilities as on 31 December 2012					
Identifiable assets	5,484,137	2,319,257	215,655	6,283,795	14,302,844
Identifiable liabilities	7,130,895	2,132,629	134,975	5,206,340	14,604,839

Assets amounting to BD 6,801,610 and liabilities amounting to BD 6,499,615 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.

28 Segmental underwriting results (continued)

Geographical segments – secondary reporting segment

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

The 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 2013 and 2012 is as follows:

	External revenue by location		Non-current assets by location of assets	
	2013	2012	2013	2012
Kingdom of Bahrain	10,365,608	9,461,730	2,070,136	2,232,720
State of Qatar	282,579	96,262	94,169	104,828

29 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, available-for-sale investments 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 2013 and 2012.

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 2013

(Expressed in Bahrain Dinars)

29 Financial assets and liabilities and risk management (continued)

	31 December 2013	31 December 2012
Retakaful and takaful payables	4,090,155	4,686,451
Other liabilities and provisions	1,885,771	1,698,146
Less: cash and cash equivalents	(3,246,145)	(3,124,001)
Net debt	2,729,781	3,260,596
Share capital	6,250,000	6,250,000
Statutory reserve	480,066	456,932
General reserve	200,000	200,000
Retained earnings	875,416	667,215
Investment fair value reserve	(305,407)	(271,098)
Total capital	7,500,075	7,303,049
Total capital and net debt	10,229,856	10,563,645
Gearing ratio	26.69%	30.87%

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
- Available-for-sale investments
- Retakaful and takaful payables
- Other liabilities and provisions

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

29 Financial assets and liabilities and risk management (continued)

A summary of the financial instruments held by category is provided below as at 31 December 2013:

Financial assets	Loans and receivables	Available -for-sale
Cash and cash equivalents	3,246,145	-
Retakaful and takaful receivables	10,701,046	-
Dues from retakaful companies in connection with outstanding claims	6,340,578	-
Other receivables and prepayments	910,342	-
Amounts due from related parties	23,129	-
Statutory deposit	125,000	-
Available-for-sale investments	-	5,342,687
Total financial assets	21,346,240	5,342,687

Financial liabilities	Financial liabilities at amortised cost
Retakaful and takaful payables	4,090,155
Other liabilities and provisions	1,885,771
Total financial liabilities	5,975,926

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

29 Financial assets and liabilities and risk management (continued)

A summary of the financial instruments held by category is provided below as at 31 December 2012:

Financial assets	Loans and receivables	Available -for-sale
Cash and cash equivalents	3,124,001	-
Retakaful and takaful receivables	9,932,904	-
Dues from retakaful companies in connection with outstanding claims	5,004,755	-
Other receivables and prepayments	611,115	-
Amounts due from related parties	25,111	-
Statutory deposit	125,000	-
Available-for-sale investments	-	6,088,086
Total financial assets	18,822,886	6,088,086
Financial liabilities		Financial liabilities at amortised cost
Retakaful and takaful payables		4,686,451
Other liabilities and provisions		1,698,146
Total financial liabilities		6,384,597

Notes to the financial statements for the year ended 31 December 2013

29 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 2013

(Expressed in Bahrain Dinars)

29 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 counter-parties having good credit ratings. The creditworthiness of retakaful companies is re-assessed annually by reviewing their financial strength and credit rating prior to finalisation of any contract. Solvency risks are controlled by regularly monitoring the provisions for claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

Geographical region

A geographical analysis of the Company's net retakaful exposure at 31 December 2013 and 2012 is provided below:

	2013		2012	
	General takaful	Family takaful	General takaful	Family takaful
Middle East	1,078,991	43,411	1,340,359	30,620
Europe	599,122	201,488	893,572	101,256
Rest of the world	492,704	-	744,644	-
	2,170,817	244,899	2,978,575	131,876

The five largest reinsurers account for 28% of the maximum credit exposure at 31 December 2013 (2012: 26%).

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.

29 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 10% increase/decrease in prices would be +/- of BD534,269 (2012: +/- of BD608,809).

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 available-for-sale investments is:

	31 December 2013	31 December 2012
Kingdom of Bahrain	1,375,000	1,805,103
Other GCC countries	2,450,023	2,341,546
Asia/BRIC	816,039	869,554
UK and Europe	71,657	357,298
United States	110,332	195,108
Other countries/global	519,636	519,477
	5,342,687	6,088,086

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 2013

(Expressed in Bahrain Dinars)

29 Financial assets and liabilities and risk management (continued)

Financial assets	At 31 December 2013	
	Carrying value	Maximum exposure
Cash and cash equivalents	3,246,145	3,242,459
Retakaful and takaful receivables	10,701,046	10,701,046
Dues from retakaful companies in connection with outstanding claims	6,340,578	6,340,578
Other receivables and prepayments	910,342	910,342
Amounts due from related parties	23,129	23,129
Statutory deposit	125,000	125,000
Total financial assets	21,346,240	21,342,554

Financial assets	At 31 December 2012	
	Carrying value	Maximum exposure
Cash and cash equivalents	3,124,001	3,120,767
Retakaful and takaful receivables	9,932,904	9,932,904
Dues from retakaful companies in connection with outstanding claims	5,004,755	5,004,755
Other receivables and prepayments	611,115	611,115
Amounts due from related parties	25,111	25,111
Statutory deposit	125,000	125,000
Total financial assets	18,822,886	18,819,652

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 (2012: Five) participants account for 27% (2012: 31%) of the total participants balances receivable at 31 December 2013.

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

	Rating as at 31 December 2013	Balance as at 31 December 2013	Rating as at 31 December 2012	Balance as at 31 December 2012
Bahrain Islamic Bank	Moody's Ba3	421,772	Moody's Ba3	706,348
Al Salam Bank	NR	137,739	NR	255,197
National Bank of Bahrain	Capital Intelligence "A"	2,478	Capital Intelligence "A"	10,472
Kuwait Finance House	Moody's Baa2	22,164	Moody's Baa2	127,805

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

29 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 2013 and 2012, 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Cash and cash equivalents	806,187	1,074,202	1,985,865	1,524,742	-	-	1,609	234,055	452,484	291,002	3,246,145	3,124,001
Retakaful and takaful receivables	1,224,186	995,344	8,650,555	8,035,529	35,531	31,105	-	-	790,774	870,926	10,701,046	9,932,904
Dues from retakaful companies in connection with outstanding claims	2,972,290	1,601,521	2,272,398	1,951,854	63,406	50,048	-	-	1,032,484	1,401,332	6,340,578	5,004,755
Other receivables and prepayments	-	-	910,342	611,115	-	-	-	-	-	-	910,342	611,115
Amounts due from related parties	-	-	23,129	25,111	-	-	-	-	-	-	23,129	25,111
Available-for-sale investments	2,947,682	3,154,737	764,620	999,732	1,032,378	1,079,929	71,657	306,555	526,350	547,133	5,342,687	6,088,086
Statutory deposit	-	-	125,000	125,000	-	-	-	-	-	-	125,000	125,000
Total	7,950,345	6,825,804	14,731,909	13,273,083	1,131,315	1,161,082	73,266	540,610	2,802,092	3,110,393	26,688,927	24,910,972

Financial liabilities

	United States Dollars		Bahrain Dinars		Kuwait Dinar		Others		Total			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		
Retakaful and takaful payables	-	-	1,451,031	1,321,197	2,345,412	2,167,919	-	41,287	293,712	1,156,048	4,090,155	4,686,451
Other liabilities and provisions	-	-	-	-	1,885,771	1,698,146	-	-	-	-	1,885,771	1,698,146
Total	-	-	1,451,031	1,321,197	4,231,183	3,866,065	-	41,287	293,712	1,156,048	5,975,926	6,384,597

Notes to the financial statements for the year ended 31 December 2013

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29 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
Placements with financial institutions	-	552,925	552,925
Statutory deposits	-	125,000	125,000
Call deposits	438,902	1,067,829	1,506,731
At 31 December 2013	438,902	1,745,754	2,184,656
At 31 December 2012	1,107,019	740,248	1,847,267

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

	2013		2012	
	Effective rate of return		Effective rate of return	
	US\$	BD	US\$	BD
Statutory deposits	-	2.10%	-	3.17%
Fixed and other deposits	2.60%	2.56%	4.86%	4.13%

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 Managing Director and 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 2013

(Expressed in Bahrain Dinars)

29 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 2013.

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 2013	Level of Hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
Financial assets					
Quoted investments	2,509,763	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted investments and managed funds	2,832,924	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
Receivables	17,884,749	L3	The carrying amount of short term (less than 12 months) receivable approximates its fair values	Not applicable	Not applicable
Payables	5,975,926	L3	The carrying amount of short term (less than 12 months) payable approximates its fair values	Not applicable	Not applicable

There are no transfers between levels during the period

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Bahrain Dinars)

29 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 available-for-sale investments is provided below:

	Unquoted investments and managed funds
At 31 December 2012	3,811,059
Additions during the year	430,690
Disposals during the year	(1,246,481)
Impairment loss for the year	(200,000)
Unrealised fair value gain included in other comprehensive income	16,133
Realised gains on sale of available-for-sale investments for the year	21,523
At 31 December 2013	2,832,924

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 2013.

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.

30 Capital adequacy and solvency margin requirements

The Company maintains adequate human, financial and other resources sufficient to run the business in an orderly manner. The capital available and solvency margin are determined as per the provisions of Capital Adequacy Module of the Insurance Rulebook Volume 3 issued by the Central Bank of Bahrain. Shareholders' available capital for the Company is BD 6,626,000. The solvency deficit calculated as per the CBB Rulebook Volume 3 for general takaful is BD 4,402,000 and for the family takaful is BD 424,000. The shareholders provided Qard Al Hassan (profit free loan) of BD 4,402,000 to general takaful policyholders and BD 424,000 to family takaful policyholders to meet their solvency valuation deficit (Note 36). The net excess of available capital after the Qard Al Hassan in the shareholders fund is BD 1,800,000. The Tier I Capital of the Company is BD 7,802,000.

31 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 2013

(Expressed in Bahrain Dinars)

32 Zakah

Zakah of BD145,401 at 2.33 fils per share (2012: BD134,973 at 2.16 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.

33 Earnings prohibited under Sharia'a

There were no earnings retained during the year (2012: Nil) from transactions which are not permitted under Sharia'a.

34 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.

35 Commitments

a) Operating lease commitments

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

	31 December 2013	31 December 2012
Not later than 1 year	72,657	118,013

b) Other commitments

The commitments towards available-for-sale investments (Note 8) are as follows:

	31 December 2013	31 December 2012
Available-for-sale investments	66,080	70,328

36 Qard Al Hassan

In accordance with the capital adequacy requirements of the Central Bank of Bahrain' Insurance Rulebook, the shareholders of the Company have apportioned through the Insurance Firm Return an amount of BD 4,402,000 and BD 424,000 as Qard Al Hassan for funding the valuation deficit in general takaful and family participants' funds, respectively, of the Company (Note 30).

37 Events after reporting date

No events have occurred subsequent to 31 December 2013 and before the date of the report that would have a significant effect on these financial statements.