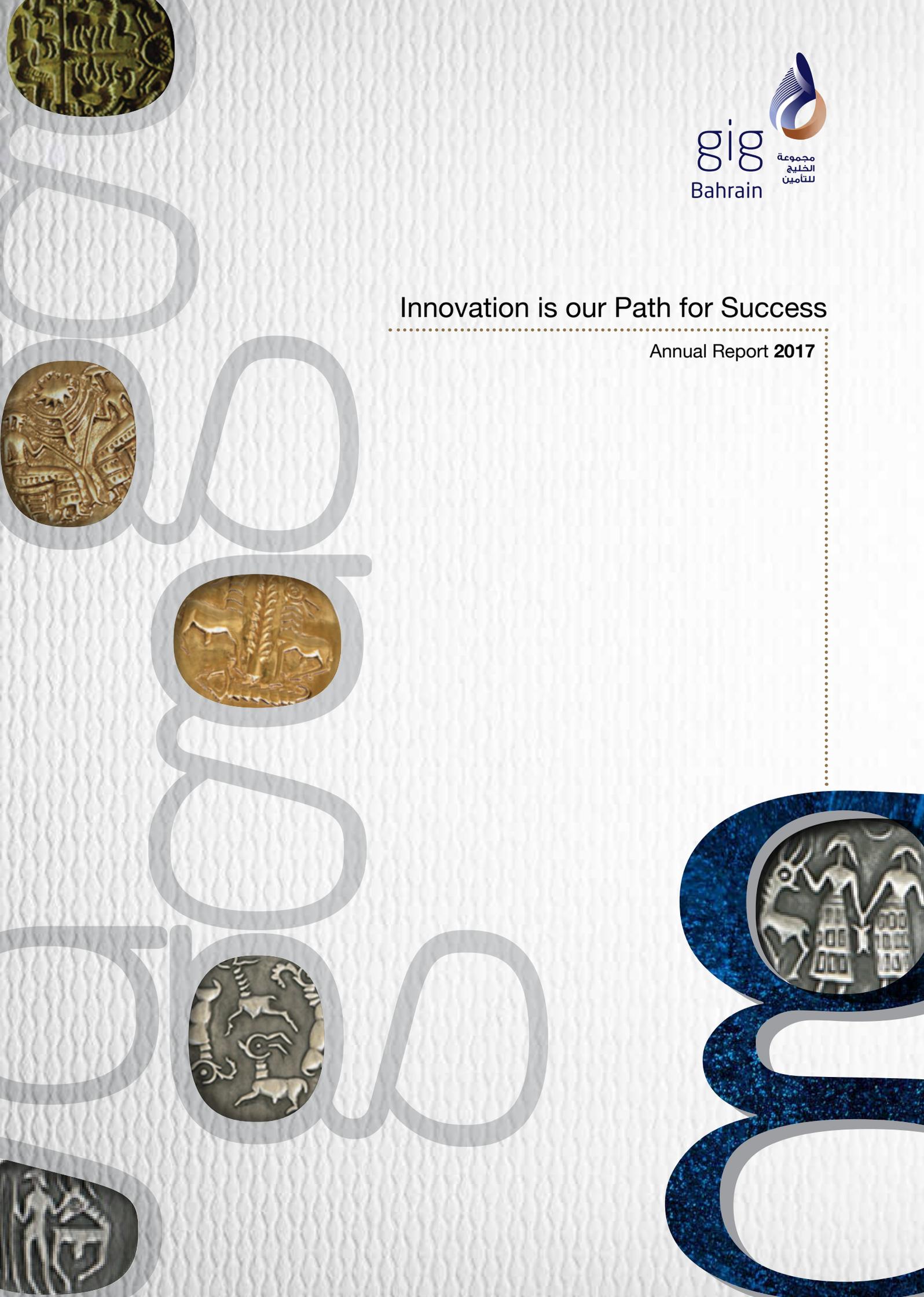


Innovation is our Path for Success

Annual Report 2017



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**H.M. King Hamad
Bin Isa Bin Salman Al Khalifa**

The King of the Kingdom of Bahrain

**H.H. Sheikh Sabah
Al Ahmed Al Jaber Al Sabah**

The Amir of the State of Kuwait



General Information

HEAD OFFICE

BKIC Tower 2775, Road 2835
Seef District 428
Kingdom of Bahrain
PO Box 10166
Telephone: +973 1711 9999
Telefax: +973 1792 1111
Email: info@gigb.com.bh
Website: www.gigb.com
Commercial Registration: 4745

SALMABAD BRANCH

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Kingdom of Bahrain
PO Box 10166
Telephone: +973 1787 5000
Telefax: +973 1787 5050

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Kingdom of Bahrain
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Telefax: +973 1746 7766

EAST RIFFA BRANCH

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East Riffa 923
Kingdom of Bahrain
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Telephone: +973 17119992
Telefax: +973 1776 4777

SAAR MALL BRANCH

Kiosk 24, Building 133,
Road 25,
Block 525, Saar,
Kingdom of Bahrain
PO Box 10166
Telephone: +973 1711 9993
Telefax: +973 1792 1111

KUWAIT OFFICE

BBK Building, Floors 5 & 6
Ahmed Al-Jabar Street,
Safat 13128, Al Sharq
State of Kuwait
PO Box 26728
Telephone: +965 1885511
Telefax: +965 22468545, 22462169
Email: info@gigbk.com.kw
Commercial Registration: 30713
License: 23

PRINCIPAL BANKERS

BBK
Ahli United Bank
National Bank of Bahrain
Burgan Bank
Gulf Bank

SHARE REGISTRARS

Bahrain
Karvy Computershare WLL
Manama, Kingdom of Bahrain
PO Box 514
Telephone: +973 1721 5080
Telefax: +973 1721 2055

Bahrain Bourse
Manama
Kingdom of Bahrain
P O Box: 3203
Telephone: +973 1710 8781
Telefax: +973 1725 6362

Kuwait
Kuwait Clearing Company
Safat 13081, State of Kuwait
PO Box 22077
Telephone: +965 22465696
Telefax: +965 22469457

AUDITORS

Ernst & Young
Manama, Kingdom of Bahrain
PO Box 140
Telephone: +973 1753 5455
Telefax: +973 1753 5405

ACTUARY

Actuscope Actuaries
Beirut
Republic of Lebanon
P O Box: 11-7503
Telephone: +961 (70) 132321
Telefax: +961 (4) 533040



www.gigb.com

Numismatics, the study of the coins gives insights about the culture and progress of a civilization. A great example is the Dilmun era coins to the present-day coins of the Kingdom of Bahrain, which bear the marks of an inspiring progress.

The origin and growth of the BKIC also has all the traits the kingdom's emergence as a modern nation. Today, BKIC has become an insurance innovator, offering guidance and protection to the individuals and corporate.

As BKIC is gearing up for the future, the group is committed to achieve excellence by upholding its founding ethos and core values that are rooted in the proud heritage of our land.



global

Global is not only about
geographical presence.

It is also the excellence of services
that are on par with the world's best.

It is about going beyond the
confines of local boundaries to adopt
the best international practices to better
serve the requirements of local clientele.



BKIC is proud to offer a world-class portfolio of innovative insurance products. Whether Travel, Motor, Fire or Accident cover, our clients are assured of global service standards and reliable security all through various stages of their personal life or business operations.

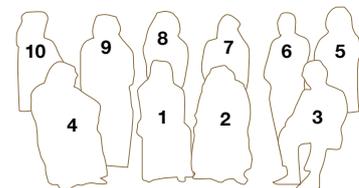
Board of Directors



- 1 Mr. Murad Ali Murad - Chairman
- 2 Mr. Khalid Saoud Al Hasan - Vice chairman
- 3 Mr. Bijan Khosrowshahi - Director
- 4 Mr. Hassan Mohammed Zainalabedin - Director
- 5 Mr. Mohamed Ebrahim Zainal - Director

- 6 Dr. Abdul Rahman Ali Saif - Director
- 7 Mr. Shawqi Ali Fakhroo - Director
- 8 Mr. Thamer Ebrahim Arab - Director
- 9 Dr. Emad Jawad Bukhamseen - Director
- 10 Mr. Mubarak Othman Al Ayyar - Director

Mr. Ali Hasan Fardan
Secretary to the Board



Executive Management



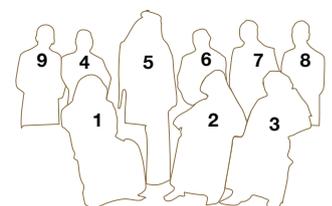
1 Mr. Ebrahim Alrayes - Chief Executive Officer

BAHRAIN

- 3 Mr. Waleed Mahmood - General Manager
- 4 Mr. K. M. Kurien - Chief Underwriting Officer
- 5 Mr. Ahmed Bucheeri - Chief Investment Officer
- 6 Mr. R. Sundaram - Chief Financial Officer
- 7 Mr. Manoj Badoni - Assistant General Manager Technical

KUWAIT

- 2 Mr. Abdulla Rabia - General Manager
- 8 Mr. S. Ramakrishnan - Deputy General Manager
- 9 Mr. K Gandhi - Assistant General Manager



guidance

A true leader is a reliable guide and motivator. He earns the trust of his followers by leading them to a secure and prosperous future. Whatever be the circumstances, he will never let them down and adheres to his promises.



At BKIC we guide
our customers to choose the best
insurance products, which are designed
to make their life more secure and help
them enjoy greater peace of mind.



Chairman's Report



Dear Shareholders,

It is my pleasure to present the Board of Directors report and review with you the Annual Report of Bahrain Kuwait Insurance Company (BKIC) for the financial year ended December 31, 2017.

In 2017, the Government of Bahrain like most countries in the Region continued its efforts in restructuring the economy to diversify the country's various sustainable sources of income. Despite the improvement in international oil prices compared to 2016 levels, Bahrain's economy continues to face many challenges including the rising public debt and downgrading of sovereign credit rating etc. Consequently, these adverse economic conditions have pushed the Government to take several initiatives to cut spending and to increase non-oil revenues by reducing subsidies, imposing selective taxation on some goods and by increasing fees on a number of services.

On the other hand, the insurance sector witnessed more mergers and acquisitions to face the intense competition in prices in Bahrain insurance market in particular and the Gulf markets in general. This intense competition has had a significant impact on the financial performance of some companies that have been affected by this unhealthy competition. However, your company has successfully overcome these challenges and has been able to achieve the expected growth in its Gross Premium Revenues.

During the year 2017, your company has been able to acquire the controlling interest in Takaful International (TIC) after buying the 22.75% stake from Bahrain Islamic Bank in April 2017, and a subsequent buying of 3.6% shares through mandatory offer in June 2017. Accordingly, our ownership in TIC reached 67.8% and became a subsidiary of Bahrain Kuwait Insurance Company. This report shows, for the first time, the consolidated financial statements of Bahrain Kuwait Insurance Company and its subsidiary TIC. Total Gross Premium Revenue at the end of the year 2017 amounted to BD 59.5 million compared to BD 42.1 million in the previous year.

In March 2017, a new Board of Directors was elected which is comprising of 10 members, including 6 appointees, 5 from the parent company - Gulf Insurance Group (GIG), one representing Warba Insurance Company and the other four independent were elected representing other shareholders of the Company. On behalf of the Board of Directors, I would like to thank the outgoing members for their valuable contributions in the previous period, and I am pleased to welcome the new members and wish them every success.

In December 2017, the Board approved a new organization structure in which departments were re-organized, some existing job descriptions revised and updated and new designations have been introduced to meet the requirements of the next phase, where the focus will be on improving services, developing insurance products and adding more online services as an important distribution channel.

The Board of Directors will continue to exert its best efforts for further growth in sustainable revenue and reduce expenses by achieving more synergy from its ownership in TIC resulting in better top and bottom line performance.

As for the legislative and regulatory matters, the Central Bank of Bahrain issued Directive No. OG/53/2017 to ensure compliance with the FATCA Act and the Common Reporting Standards. In addition, CBB also issued a Resolution No. 26/ 2017 granting license to Bahrain Clearing Company to carry out the settlement in clearing and central depository systems.

With regard to credit rating, A.M. Best affirmed the company's credit rating (A- with stable outlook) after reviewing the company's business in the first half of the year; the rating reflects the financial strength and durability enjoyed by the company in meeting its financial commitments.

In the Annual General Meeting held on 23rd March 2017, Ernst & Young was re-appointed as external auditors for the year ended 31st December 2017.

The net profit for the year decreased by 9%, from BD 2.85 million in 2016 to BD 2.60 million in 2017. The total equity registered an increase of 8%, from BD 33.81 million in 2016 to 36.53 million in 2017. The Board of Directors has recommended a cash dividend of 25% to the shareholders for the year ended 31st December 2017, equivalent to 25 Fils per share and a bonus share issue of 100% i.e. one share for each issued share which will be paid from general reserve.

Total profit available for distribution is BD 10,183,773 and the Board of Directors proposes the following allocations:

• Cash dividend (25%) of the paid-up capital	BD 1,786,539
• Retained earnings	BD 8,397,234
• Bonus share (100% of paid-up capital by capitalizing reserves)	

During the year sum of BD 183,405 was paid to the directors towards the following:

• Directors' remuneration	BD 146,250
• Sitting fees	BD 25,500
• Travel expenses	BD 11,655

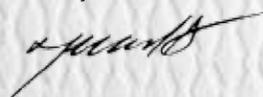
It may be noted that the company had reached out to the community as usual to provide contributions and donations to charities, and various cultural, sports and social associations, in view of the important roles played by these institutions in the service of society.

I wish to express my sincere thanks and appreciation to the shareholders for their unstinted cooperation and support. I also wish to thank our esteemed customers for their confidence and trust in the company and its services. I would like to express my sincere gratitude and appreciation to the management and staff for their continued diligence, dedication and determination. I would also like to thank the intermediaries, reinsurance companies and other business associates for their cooperation and support.

I would like to acknowledge with gratitude the support given to our company by all the official bodies in the Kingdom of Bahrain and State of Kuwait, the Central Bank of Bahrain, the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain, the Ministry of Commerce and Industry in the State of Kuwait, Bahrain Bourse and Boursa Kuwait.

Finally, I am thankful to His Majesty King Hamad Bin Isa Bin Salman Al Khalifa, the King of the Kingdom of Bahrain and His Highness Shaikh Sabah Al Ahmed Al Jaber Al Sabah, the Amir of the State of Kuwait and the respective governments, for their support and assistance to the insurance sector in both countries. I wish the people of the Kingdom of Bahrain and the State of Kuwait continued peace and prosperity.

Thank you.



Mr. Murad Ali Murad
Chairman
21 February 2018

growth

Growth in terms of profits

is a pure business.

For us, an inspiring growth

is one that acquires

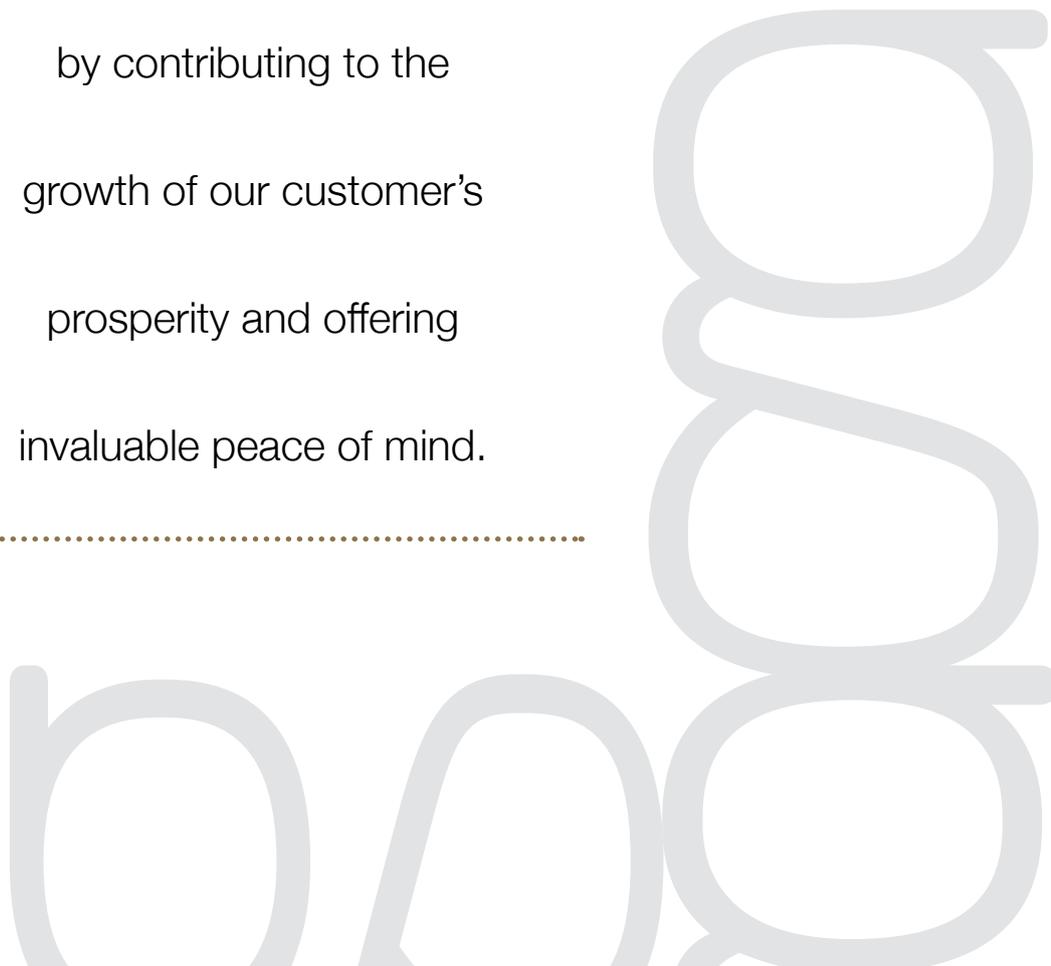
a commendable market share

by contributing to the

growth of our customer's

prosperity and offering

invaluable peace of mind.





The financial growth of BKIC has been phenomenal over the years. We have triumphed over financial doldrums and unpredictable market conditions to offer more value to our stakeholders. Our strong standing in the market is nothing but the result of the confidence bestowed on us by our valuable stakeholders and customers.

Chief Executive Officer's Report



Despite the economic recession in the region and its repercussions on the insurance and reinsurance markets and the difficulties experienced by your company during 2017 such as increased competition, increased claims, low interest rates and weak performance of financial markets your company has been able to achieve satisfactory results in both insurance and investment activities.

During the year the company has been able to secure a large number of businesses, both at the individual, institutional and corporate levels. The Gross Premium Revenue recorded a rapid growth of 41%, from BD 42.1 million in 2016 to BD 59.5 million in 2017. This growth was mainly attributed to the consolidation of financials after acquisition of 67.28% shares of Takaful International Company (TIC - the subsidiary) in 2nd quarter of 2017. This growth was reflected in Gross Earnings which increased by 80% from BD 14.6 million in 2016 to BD 26.2 million in 2017. On the other hand, claims increased during the year, bringing the loss ratio from 76% in 2016 to 77% in 2017, which made a significant impact on the year-end technical profit of BD 1.17 million as compared to BD 1.76 million at the end of the previous year. Net Investment Income decreased by 9% from BD 1.75 million in 2016 to BD 1.6 million in 2017. Net profit at the end of the year amounted to BD 2.6 million as against BD 2.86 million in the previous year. It is worth mentioning that the company's technical reserves at the end of the year amounted to BD 26.5 million compared to BD 13.1 million in the previous year.

I am pleased to review the consolidated results of the operations:

Fire and General Accident Insurance

Total premiums generated by FGA during the year 2017 amounted to BD 26.9 million as against BD 26.7 million in the previous year. During the year 2017, the company was able to secure several vital projects, the most important among them was ALBA (Potline 6 project) with a total Premium of BD 1.7 million. Conversely, compared to the previous year, BD 2.1 million of premiums were lost, including a non-recurring premium booked for projects insured in the previous year. This is in addition to the significant reduction in the premiums of some major risks that were renewed during the year, due to the softening of Reinsurance markets. FGA witnessed some of the major claims during the year which were handled in a highly professional manner. The most important among these claims was the claim of ALBA, which amounted to USD 125 million, a large part of which was settled in record time. The profit of this class at the end of the year amounted to BD 2.1 million compared to BD 2.16 million in the previous year.

Marine Insurance

Despite the slow movement in both imports and exports, Marine portfolio has seen an increase in gross premium income from BD 1.9 million in 2016 to BD 2.2 million in 2017 attributed to consolidation of TIC; nonetheless, the profit decreased from BD 389,000 in 2016 to BD 306,000 in 2017 due to a major claim in Kuwait.

Motor Insurance

Gross Premium generated by Motor Portfolio has increased by 115%, from BD 8 million in 2016 to BD 17.2 million in 2017 due to consolidation of TIC and also due to the new strategic relationship with Tasheelat Insurance Company, one of the largest insurance brokers in Bahrain, and increased business from the Bank of Bahrain and Kuwait (BBK), one of the major banks in Bahrain. At the end of the year 2017, this class registered a loss of BD 938,000 compared to a loss of BD 1.1 million in the previous year due to the high loss ratio. The losses in both years are attributable to the additional reserves amounted BD 1.5 million provided in 2016 and 2017 for incurred but not reported losses (IBNR) and premium deficiency Reserves (PDR). The results were also affected by the significant increase in Unearned Premium Reserve (UPR) of BD2.0 million.

Life and Medical

Life & Medical lines of business recorded 140% increase in premiums from BD 5.5 million in 2016 to BD 13.2 million in 2017 due to consolidation of Takaful International Company as well as new premium from Gulf Air's Medical insurance policy, amounting to BD 3 million. This class reported a loss of BD 266,712 at the end of the year compared to a profit of BD 330,387 in the previous year due to increased loss ratio and increased Technical Reserves (UPR & IBNR).

Investment

Net investment income at the end of the year was BD 1.59 million as compared to BD 1.75 million in the previous year. During the year, the company provided additional impairment of BD 488,000.

Operating and General & Administrative expenses

The Company continues to pay special attention to expenses and is keen to control expenses as an important element which has a direct impact on the profits. At the end of the year, the group recorded an operating expenses of BD 5.8 million represents 24% of Net Premium Income compared to BD 3.4 million in 2016 represents 28% of Net Premium Income. Administrative and General expenses increased from BD 854,000 in 2016 to BD 1.4 million in 2017.

Training and Development

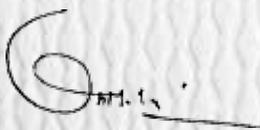
During the year, 47 training courses were held in all disciplines, including 39 training courses at the Bahrain Institute for Banking and Financial Studies and 8 training courses outside Bahrain. The number of staff benefitted from these courses was 43. It is noteworthy that 4 employees have obtained professional certificates in insurance, risk management and human resources.

As for Business Development, the company has been able to establish a strategic relationship with Tasheelat Insurance Company (TISCO), one of the major brokers in Bahrain insurance market for the sale of personal insurance products. During the year, the company also revamped its website taking into account the good design and the fast performance with more information.

Outlook for 2018

In spite of tremendous pressure on Insurers in Bahrain as well as the other countries in the region, in 2018, we look forward to another year of growth with an increase in our market share by strengthening our strategic partnership with certain brokers and banks. We are also exploring new distribution channels and targeting new projects. We will work on designing new insurance products and redeveloping the existing products and services.

In conclusion, I would like to extend my appreciation for the members of the Board of Directors for their continued support and for all employees of the company in Bahrain and Kuwait for their sincere effort and commitments. I wish to record my gratitude to our valued clients, reinsurers, brokers and our other business associates for their unstinted support & cooperation to which helped us overcome the challenges.



Ebrahim Alrayes

Chief Executive Officer
21st February 2018

gearing up

Prompt responsiveness to market changes and customer preferences is the key to deliver and retain customer satisfaction.

As technology and risk conditions evolve rapidly, it is imperative that an insurer should be geared up for the changing insurance landscape with new innovations in product designing and services.



BKIC is at the forefront of adopting the latest innovations in the insurance sector to deliver maximum value to policyholders and shareholders by minimizing risks.

Always geared up for the future, BKIC's performance is constantly raising the bar of excellence.



Corporate Governance Report

Year ended 31 December 2017

1. CORPORATE GOVERNANCE PHILOSOPHY

The Company has a policy of benchmarking against established best practice in the field of corporate governance. The Board has adopted core values and standards which set out the behaviors expected of staff in their dealings with shareholders, customers, 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 constant review, in order to enhance compliance levels according to international standards and best practice. The direct responsibility of the Board of Directors is to endeavor to be in line with policies of regulatory authorities and statutory requirements.

2. COMMUNICATION STRATEGY

The Company has a clear policy in relation to its communication with its stakeholders, shareholders, employees, customers, government bodies, regulators and society. Shareholders are invited by the Chairman of the Board to attend the Annual General Meeting in the presence of the Chairman and other directors including the Executive Committee Chairman, the Audit and Risk Management Committee Chairman, the Nomination, Remuneration and Governance Committee Chairman and the External Auditors, who are available to answer any questions raised by shareholders or media representatives with regard to the operations and performance of the Company. Additionally, the Company is cognizant and fully aware of its regulatory and statutory obligations regarding dissemination of information to its stakeholders. Without prejudice to the disclosure standards, guidelines on key persons and other requirements of the relevant statutory bodies, financial and non-financial information is provided by the Company on all events that merit announcement, either on its website: www.gigbh.com or through local newspapers or other means of communication. The financials and annual reports of the Company are made available on the Company's website.

3. SHAREHOLDERS INFORMATION

BKIC's shares are listed on the Bahrain Bourse and Boursa Kuwait. The Company has issued 71,500,000 equity shares, each with a face value of 100 fils. All shares are fully paid.

Shareholders

Name	Nationality	No. of shares	% of Holding
Citizens of the Kingdom of Bahrain and Others	-	16,959,941	23.73
Gulf Insurance Group (KSC)	Kuwait	40,126,909	56.12
Warba Insurance Company (KSC)	Kuwait	9,533,332	13.33
BBK (BSC)	Bahrain	4,879,818	6.82

Distribution schedule of each class of equity

Category	No. of Shares	No. of shares	% of Outstanding Shares
Less than 1%	13,894,462	3,731	19.43
1% up to less than 5%	3,065,479	2	4.30
5% up to less than 10%	4,879,818	1	6.82
10% up to less than 20%	9,533,332	1	13.33
20% and above	40,126,909	1	56.12
Total	71,500,000	3,736	100

4. BOARD OF DIRECTORS INFORMATION

BOARD COMPOSITION

The Board composition is based on the Company's Memorandum of Association and Articles of Association and comprises of ten Members. The Board represents a mix of high-level professional skills and expertise. Furthermore, in compliance with the corporate governance requirements, the Board Committees consist of Members with adequate professional background and experience. The Board periodically reviews its composition and the contribution of its Directors and Committees.

The appointment of Directors is subject to prior approval of the Central Bank of Bahrain (CBB). The classification of 'executive' Directors, 'non-executive' Directors and 'independent non-executive' Directors is as per definitions stipulated by the CBB.

Status of Executive, Non-Executive and Independent Directors as at year end 2017

Executive Directors	3
Non Executive Directors	3
Independent & Non-Executive Directors	4

Directors are elected / appointed by the shareholders at the AGM. Election or re-election of a Director at the AGM shall be accompanied by a recommendation from the Board, based on a recommendation from the Nomination and Remuneration and Governance Committee with specific information such as biographical and professional qualifications and other directorships held.

The Board is supported by the Board Secretary who provides professional and administrative support to the general assembly, the Board, its committees and members. The appointment of the Board Secretary is subject to the approval of the Board. The Secretary is also assigned with the responsibility of liaising with the regulatory agencies in both Bahrain and Kuwait.

Corporate Governance Report

Year ended 31 December 2017

DIRECTORS' ROLES AND RESPONSIBILITIES

The Company is governed through its Board of Directors. The Board's main roles are to create value to shareholders, to provide entrepreneurial leadership of the Company, to approve Company's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives.

The Board, which meets at least four times a year, has a schedule of matters reserved for its approval.

The specific responsibilities reserved to the Board include:

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

DIRECTOR'S INDUCTION AND PROFESSIONAL DEVELOPMENT

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

BOARD AND COMMITTEES EVALUATION

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

WHISTLE BLOWING POLICY

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

CODE OF CONDUCT

The Board has approved a Code of Conduct for the Company's Directors. The Board has also approved a Code of Ethics for the Executive Management and employees. These codes outline areas of conflict of interest, confidentiality and the responsibilities of signatories to adhere to best practices.

KEY PERSONS TRADING POLICY

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

The policy covers the regulation of Bahrain Bourse relating to key persons.

CONFLICT OF INTEREST POLICY

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

CORPORATE SOCIAL RESPONSIBILITY

BKIC's contribution towards the well being of the community is an integral part of its corporate role. This corporate social responsibility is translated by the Company through an annual appropriation of a budget allocated for donations to finance community related projects and initiatives. The projects varying in nature fall into any one of the following fields; education & scientific centers, medical centers & facilities, social activity, public awareness programs and environment protection programs.

Corporate Governance Report

Year ended 31 December 2017

5. DISCLOSURES RELATING TO BOARD OF DIRECTORS

DIRECTOR'S PROFILE

Mr. Murad Ali Murad (Independent & Non-Executive)
Chairman

Director since 28 March 2004

Fellow Member of Chartered Institute of Management Accountants, UK

Directors' external appointments

- Chairman of BBK BSC, Bahrain
- Chairman of Al Janabya Company WLL (Family Company), Bahrain
- Vice Chairman of BIBF, Bahrain

Mr. Khalid Saoud Al Hasan (Executive)

Vice Chairman

Director since 28 March 2006

Bachelor degree in Political Science and Economics from Kuwait University, Kuwait

Directors' external appointments

- Chairman of Syrian Kuwaiti Insurance Co., Syria
- Chairman and General Manager of Fajr Gulf Insurance and Reinsurance Co., Lebanon
- Vice Chairman of Gulf Insurance and Reinsurance Co. (GIRI), Kuwait
- Vice Chairman of Arab Orient Insurance Co., Jordan
- Vice Chairman of Arab Misr Insurance Group, Egypt
- Vice Chairman of Gulf Sigorta, Turkey
- Vice Chairman of Gulf Assist, Bahrain
- Board Member of Arab Reinsurance Co., Beirut
- Board Member of Egyptian Takaful (Property) Co., Egypt
- Board Member of Algerian Gulf Life Insurance Co., Algeria
- Board Member of 2A, Algeria
- Board Member of Takaful International Company (BSC), Bahrain
- Managing Director of Buruj Cooperative Insurance Co., Kingdom of Saudi Arabia
- Chief Executive Officer of Gulf Insurance Group (KSC), Kuwait

Mr. Hassan Mohammed Zainalabedin (Independent & Non-Executive)

Board Member

Director since 1975 (inception)

Bachelor Degree in Economics from Cairo University, Egypt

Directors' external appointments

- Chairman of SYSCON Trading and Mechanical Services Co, WLL, Bahrain
- Chairman of ZEN Trading and Contracting Co., WLL, Bahrain
- Chairman of FAZ Trading and Supplies Co., WLL, Bahrain

Dr. Emad Jawad Bukhamseen (Non-Executive)
Board Member

Director since 7 August 2005

Ph.D. in Hotel and Tourism Industry from American University, UK

Doctor in Business Administration from European School of Management (DBA), UK

Master of Business Administration and Economics from University of Liverpool, UK

Bachelor of Financing Accounting from Beirut College, Lebanon

Bachelor of Business Administration from Brad Ford College, America

Directors' external appointments

- Chairman of Al-Arabiya Real Estate Co., Kuwait
- Chairman of Layan Real Estate Co., Dubai
- Chairman of Gourmania International, Kuwait, Dubai and London
- Chairman of Al-Baraka Media Group, Kuwait
- Chairman of National Arabic Company for Restaurant Management (Ruby Tuesday), Kuwait
- Chairman of Al Huda Medical Services Co., Kuwait
- Chairman of Bukhamseen Square Real Estate Company/ Mandarin Oriental
- Chairman & Managing Director of Bukhamseen Aviation Group
- Vice Chairman & CEO of Bukhamseen Group Holding, Kuwait
- Vice Chairman of Arabiya Real Estate Investment Co., Egypt
- Vice Chairman of Kuwait International Education, Kuwait
- Board Member of Kuwait Clearing Company, Kuwait
- Board Member of Al Houda Hotels for Travels & Tourism Co./ InterContinental, Crowne Plaza & Holiday Inn, Kuwait
- Board Member of Misr International Towers / Holiday Inn, Maadi, Egypt
- Board Member of Arabian Beverages Company, Kuwait, Saudi Arabia, Bahrain, Egypt, Qatar & Iraq
- Managing Director of Al Baraka Kuwait General Trading & Contracting Co., Kuwait
- Managing Director of Interiors Collaborative, Kuwait
- Managing Director of Bukhamseen General Trading & Contracting Co., Kuwait
- Managing Director of Al Arabia.com-Real Estate Marketing, Kuwait
- Managing Director of Blue Nile Travels, Egypt
- Editor in Chief of Annahar Daily Newspaper, Kuwait

Mr. Shawqi Ali Fakhroo (Non-Executive)

Board Member

Director since 25 February 2008

Directors' external appointments

- Chairman & Managing Director of Ali Bin Yousif Fakhro & Sons WLL, Bahrain
- Chairman & Managing Director of Shawki Ali Fakhroo & Sons WLL, Bahrain
- Chairman & Managing Director of Mohammed Fakhroo & Brothers WLL, Bahrain
- Chairman & Managing Director of Fakhroo Trading Agencies WLL, Bahrain
- Chairman & Managing Director of Fakhroo Investment WLL, Bahrain
- Chairman & Managing Director of Fakhroo Information Technology Service WLL, Bahrain
- Board Member of Zallaq Resort Co. (BSC), Bahrain
- Board Member of BMMI (BSC), Bahrain
- Board Member of Bahrain Cinema Co. (BSC), Bahrain
- Board Member of Shutdown Maintenance Services WLL, Bahrain

Corporate Governance Report

Year ended 31 December 2017

Dr. Abdul Rahman Ali Saif (Independent & Non-Executive) Board Member

Director since 28 February 2011
Ph.D. Economics from University of Leicester, UK

Directors' external appointments

- Chairman, BBK Geojit Securities (KSC), Kuwait
- Board Member of the Automotive Board and Board Member of National Motor Company, Bahrain
- Board Member of Bahrain Commercial Facilities Company (BCFC), Bahrain
- Deputy Chief Executive, Wholesale Banking Group in BBK (BSC), Bahrain

Mr. Bijan Khosrowshahi (Non-Executive) Board Member

Director since 28 February 2011
MBA and Bachelor Degree in Mechanical Engineering from Drexel University, USA

Directors' external appointments

- President and CEO of Fairfax International, London
- Board member of Gulf Insurance Group K.S.C.P., Kuwait
- Board member of Gulf Insurance & Reinsurance Company (GIRI), Kuwait.
- Board member of Arab Misr Insurance Group, Egypt
- Board member of Commercial International Bank (CIB), Egypt
- Board member of Arab Orient Insurance Company, Jordan
- Board member of Jordan Kuwait Bank, Jordan
- Board member of Alliance Insurance P.S.C., Dubai
- Board member of Colonnade Insurance S.A., Luxembourg
- Board member of Southbridge Compañía de Seguros Generales S.A., Chile
- Board member of La Meridional Compañía Argentina de Seguros S.A., Argentina
- Board member of SBS Seguros Colombia S.A., Colombia

Mr. Mohamed Ebrahim Zainal (Independent & Non-Executive) Board Member

Director since 5 March 2014
Masters of Business Administration from University of Strathclyde, Glasgow, UK
BSc. in Management Information Systems from University of Texas, Arlington, USA

Directors' external appointments

- Board Member of Mohamed Ali Zainal Abdulla BSC ©, Bahrain
- Board Member of Zainal Enterprises WLL, Bahrain

Mr. Thamer Ebrahim Arab (Executive) Board Member

Director since 23 March 2017
BSc. in Computer Science from California University, America

Directors' external appointments

- Deputy CEO for Support Departments in Gulf Insurance & Reinsurance Co., Kuwait
- Board Member of United Networks Group, Kuwait
- Secretary to the Board of Gulf Insurance Group, Kuwait

Mr. Mubarak Othman Al Ayyar (Executive) Board Member

Director since 23 March 2017
BSc. in Management from Ajman University of Science & Technology, UAE
CII in Insurance from the Chartered Insurance Institute, UK

Directors' external appointments

- Manager of Reinsurance Department in Gulf Insurance & Reinsurance Co., Kuwait
- Board Member of Egyptian Life Takaful, Egypt

DIRECTOR'S AND RELATED PARTIES' INTERESTS

The number of shares held by Directors as of 31 December 2017 was as follows:

Name of Directors	Type of shares	31 Dec 2017	31 Dec 2016
Mr. Murad Ali Murad	Ordinary	143,000	143,000
Mr. Hassan Mohammed Zainalabedin	Ordinary	462,028	462,028
Mrs. Shahnaz Ishaq Abdulrahman Ishaq*	Ordinary	617	617
Mr. Faisal Hassan Mohammed Zainalabedin*	Ordinary	29,782	29,782
Syscon Trading & Mechanical Services Co*	Ordinary	150,773	150,773
Mr. Shawqi Ali Fakhroo	Ordinary	250,467	250,467
Mr. Ali Shawqi Ali Fakhroo*	Ordinary	6,544	6,544
Inheritors of Ali Bin Yusuf Fakhroo*	Ordinary	421,553	421,553
Mr. Mohamed Ebrahim Ali Zainal**	Ordinary	38,851	33,434
Mr. Ebrahim Mohamed Ali Zainal*	Ordinary	2,338,671	2,338,671
Mohammed Ali Zainal Abdulla BSC (MAZA)*	Ordinary	726,808	726,808

* Related Party.

** Mr. Mohamed Ebrahim Zainal Purchased 5,417 shares in November 2017. Other Board members did not trade in the shares of the company during the financial year ended 31 December 2017.

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

Corporate Governance Report

Year ended 31 December 2017

6. BOARD MEETINGS

As per the charter of the Board, the directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

BOARD MEETINGS AND RECORD OF ATTENDANCE

During the year 2017, the Board of Directors met six times, and a record of the member's attendance at the meetings is set below:

Name of Director	Title	23 Feb	23 Mar	11 May	10 Aug	9 Nov	9 Dec	Meetings Attended
Mr. Murad Ali Murad	Chairman	■	■	■	■	■	■	6
Mr. Khalid Saoud Al Hasan	Vice Chairman	■	■	■	■	■	■	6
Mr. Hassan Mohammed Zainalabedin	Board Member	■	■	■	■	■	■	6
Dr. Emad Jawad Bukhamseen	Board Member	■	■	■	□	■	■	5
Dr. Abdul Rahman Ali Saif	Board Member	■	■	■	■	■	■	6
Mr. Adnan Ahmed Al-Baghli (Term ended on 23rd March 2017)	Board Member	■	□	□	□	□	□	1
Mr. Bijan Khosrowshahi	Board Member	■	□	■	■	■	■	5
Mr. Shawqi Ali Fakhroo	Board Member	■	■	■	■	■	■	6
Mr. Mohamed Ebrahim Zainal	Board Member	■	■	■	■	■	■	6
Mr. Khalil Abdeljawad Khamous (Term ended on 23rd March 2017)	Board Member	■	□	□	□	□	□	1
Mr. Thamer Ebrahim Arab (Appointed on 23rd March 2017)	Board Member	□	■	■	□	■	■	4
Mr. Mubarak Othman Al Ayyar (Appointed on 23rd March 2017)	Board Member	□	■	■	■	■	■	5

The summary of final decisions taken on Key Matters discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision
23 Feb 2017	Approved Financials at 31/12/2016.	Approved
	Recommendation to AGM to re-appoint E&Y as external auditors.	Approved
	Recommendation to AGM to pay cash dividend 30% of paid up to the shareholders.	Approved
	Approved BOD remunerations for 2016.	Approved
	Approved payment of bonus for 2016.	Approved
	Buying the entire shares of BISB in TIC.	Approved
	Execute the Mandatory Acquisition of TIC Shares.	Approved
23 Mar 2017	Approved the audit fees for E&Y.	Approved
	Approved the internal audit fees for KPMG Fakhroo.	Approved
	Appoint SICO as financial advisor for the mandatory offer.	Approved

Corporate Governance Report

Year ended 31 December 2017

11 May 2017	The mandatory offer document.	Approved
	Approved financials at 31/3/2017.	Approved
	The Complaints Policy and Risk Management Charter.	Approved
	The new terms of Reference of NRGCC.	Approved
	Change the composition of the Audit & RM Committee to comply with the CBB Requirements.	Approved
	Renew the Power of Attorney for the Company's Lawyer.	Approved
10 Aug 2017	Approved financials at 30/6/2017	Approved
	Amend the Investment Policy.	Approved
	Amend the HR manual for Bahrain & Kuwait offices.	Approved
	Amend the bonus policy.	Approved
	Amend the Directors' Compensation Policy.	Approved
	Nominate two members for the Board of Directors of TIC.	Approved
	Change the Company's logo.	Approved
9 Nov 2017	Approved the financials at 30/9/2017.	Approved
	Increase the audit fees of E&Y for 2017.	Approved
	The new terms of Reference of Audit & RM Committee.	Approved
	participate in the capital increase of the TIC for the full proposed amount of BD 2,250,000.	Approved
	Approved the authorized signatories with Gulf Bank-Kuwait.	Approved
9 Dec 2017	Approved the budget for the year 2018.	Approved
	The lawyer's annual fees for Kuwait Office.	Approved
	The new terms of Reference of Executive Committee.	Approved
	Recommendation to the next AGM to increase the authorized capital from BD 10 million to BD 20 million. It was also decided to recommend the increase of paid up capital from BD 7,150,000 to BD 14,300,000 through the distribution of bonus shares of one for one share to registered shareholders on the date of the AGM and provided that such increase shall be financed from the general reserve.	Approved
	The new organizational structure.	Approved
	Appoint of Assistant CEO – Support & Development.	Approved
	Appoint of Risk Management Officer.	Approved

Corporate Governance Report

Year ended 31 December 2017

7. BOARD COMMITTEES

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

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

BOARD COMMITTEES' RESPONSIBILITIES, MEETINGS AND RECORD OF ATTENDANCE

Executive Committee

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

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

The members of the Executive Committee and their attendance at the four meetings held during the year were as follows:

Name of Director	Title	23 Feb	11 May	10 Aug	9 Nov	Meetings Attended
Mr. Khalid Saoud Al Hasan	Chairman	■	■	■	■	4
Mr. Emad Jawad Bukhamseen	Vice Chairman	■	■	□	■	3
Dr. Abdul Rahman Ali Saif	Member	■	■	■	■	4
Mr. Bijan Khosrowshahi	Member	■	■	■	■	4
Mr. Mohamed Ebrahim Zainal (Term ended on 11th May 2017)	Member	■	■	□	□	2
Mr. Mubarak Othman Al Ayyar (Appointed on 11th May 2017)	Member	□	□	■	■	2

Audit Committee and Risk Management Committee

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

- Reviewing the Company's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed 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 matters such as impairment of fixed asset values and proposed changes in International Financial Reporting Standards and International Accounting Standards applicable to the Company;
- Reviewing compliance of requirements specified in the Rulebook issued by the Central Bank of Bahrain;
- Reviewing and approving the terms of engagement for the audit;
- Reviewing an annual report on the Company's systems of internal control and its effectiveness, 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

Under its charter, the Audit Committee monitors the integrity of the Company's financial statements and any formal announcements relating to the Company's performance. The Committee is responsible for monitoring the effectiveness of the external audit and internal process.

It is responsible for ensuring that an appropriate relationship between the Company and the external auditors is maintained. It also reviews annually the Company's systems of internal control and the processes for monitoring and evaluating the risks facing the Company. The Committee reviews the effectiveness of the internal audit and is responsible for approving, upon the recommendation of the Chief Executive Officer, the appointment and termination of the internal auditors. The Committee reviews its charter and its effectiveness annually and recommends to the Board, any changes required as a result of the review.

The Committee meets with the Directors and management, and as and when considered required with both the external and internal auditors.

The internal audit function is outsourced to KPMG, Bahrain who conduct their procedures as per the agreed terms of reference, and provide their periodic reports directly to the Audit Risk and Management Committee.

Corporate Governance Report

Year ended 31 December 2017

The members of the Audit Risk and Management Committee and their attendance at the four meetings held during the year were as follows:

Name of Director	Title	22 Feb	10 May	9 Aug	8 Nov	Meetings Attended
Mr. Hassan Mohammed Zainalabedin	Chairman	■	■	■	■	4
Mr. Shawqi Ali Fakhroo	Vice Chairman	■	■	■	■	4
Mr. Adnan Ahmed Al-Baghli (Term ended on 23rd March 2017)	Member	■	□	□	□	1
Mr. Khalil Abdeljawad Khamous (Term ended on 23rd March 2017)	Member	■	□	□	□	1
Mr. Thamer Ebrahim Arab (Appointed on 23rd March 2017)	Member	□	■	□	■	2
Mr. Mubarak Othman Al Ayyar (Appointed on 23rd March 2017 and term ended 11th May 2017)	Member	□	■	□	□	1
Mr. Mohamed Ebrahim Zainal (Appointed on 11th May 2017)	Member	□	□	■	■	2

Nomination, Remuneration and Governance Committee

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

- Assist the Board of Directors in identifying and nominating individuals qualified to serve as Board and committee members of the Board.
- Recommend the remuneration and rewards policy for the Company and in particular, for the directors and senior management team, and lead the performance review of Board and committees.
- Enhance the company's governance and compliance levels according to international standards and best practice to be in line with policies of regulatory authorities and statutory.

The members of the Nomination , Remuneration and Governance Committee and their attendance at the five meetings held during the year were as follows:

Name of Director	Title	12 Feb	2 May	15 Jun	7 Aug	5 Dec	Meetings Attended
Mr. Murad Ali Murad (Appointed on 23rd March 2017)	Chairman	□	■	■	■	■	4
Dr. Abdul Rahman Ali Saif	Vice Chairman	■	■	■	■	■	5
Mr. Khalid Saoud Al Hasan	Member	■	■	■	■	■	5
Mr. Hassan Mohammed Zainalabedin	Member	■	■	■	■	■	5

Corporate Governance Report

Year ended 31 December 2017

8. RISK MANAGEMENT, COMPLIANCE AND ANTI-MONEY LAUNDERING

Bahrain Kuwait Insurance Company BSC is fully aware of its responsibilities in observing all regulatory provisions and the best international practices in relation to its functioning. It is committed to complying with the international best practices on risk management, compliance and anti-money laundering as reflected by the requirements of the Central Bank of Bahrain.

The Company has Risk Management, Compliance and Anti-Money Laundering Officers. These functions are independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function. In addition, following a rigorous review to ensure compliance with the regulatory requirements in regard of these functions, the Risk Management, Compliance and Anti-Money Laundering Officers now reports directly to the Chief Executive Officer and has full access to the Board of Directors through the Board Audit and Risk Management Committee.

The Company retains an approved Anti-Money Laundering Policy, which contains Customer Due Diligence measures, procedures for identifying and reporting suspicious transactions, an annual awareness programme for staff training, record keeping requirements and documentation. The Internal and External Auditors regularly carry out an independent review of Anti Money Laundering controls for the attention of the Central Bank.

9. SOLVENCY

Solvency margin requirements are determined in accordance with the regulatory requirements established by the Central Bank of Bahrain and are calculated with reference to a prescribed premium and claims basis. Where these calculations resulting solvency margin requirements falling below the minimum fund size prescribed by regulations, such minimum fund size is considered as the required margin of solvency.

Summarised solvency position of the Company is given below:

	31 Dec, 2017 BD '000	31 Dec, 2016 BD '000
Capital available	28,896	30,979
Solvency margin required	4,246	3,861
Total excess of capital available over the solvency margin required	24,650	27,118

10. REMUNERATION POLICY

FOR DIRECTORS

The Board of directors is paid an annual remuneration as approved by the shareholders at the annual general meeting. While the amount of remuneration is not directly linked to the performance of the Company, factors such as the Company's performance, industry comparison and the time and effort committed by the directors to the Company, are considered for determining the total remuneration. Directors remuneration is accounted as an expense as per International accounting standards and CBB regulations, the payment of which is subject to approval by the shareholders at the annual general meeting. In addition, the members are paid sitting fees for the various sub-committees of the Board of directors.

FOR EMPLOYEES

As the quality of human capital is fundamental to success, the Company's remuneration policy is to attract, retain and motivate the best talent. In line with this strategy, employee remuneration and benefits are reviewed and revised annually in the context of business performance, industry and local practices. The executive management under the guidance of the CEO is responsible for administering the employee performance process. While a major component of employee remuneration consists of fixed monthly salaries and allowances, employees are provided with several other benefits like performance bonus, medical, life insurance cover and retirement benefits.

11. AUDITORS

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

Details with regards to the audit and non-audit fees for 2017, paid by the Company are stated below:

Audit fees	BD 67,202
Non-audit fees	BD 47,317

Corporate Governance Report

Year ended 31 December 2017

12. THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The division of responsibilities between the Chairman of the Board and the Chief Executive Officer is clearly defined and has been approved by the Board. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organizing the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day to day business of the Company. The Chairman facilitates the effective contribution of Directors and constructive relations between them, ensures that the directors receive accurate, timely and clear information and effective communication with shareholders.

The Chief Executive has direct charge of the Company on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Company.

SENIOR MANAGEMENT'S PROFILE

Mr. Ebrahim Alrayes Chief Executive Officer

Joined BKIC in 8th January 1984

Academic & Professional Qualification

- B. Com (Accounting) - Arab University of Beirut, Lebanon
- Certificate of Insurance Proficiency (COP) from Chartered Insurance Institute, UK

Assignments Held

- Vice Chairman of the Board & Chairman of Executive Committee of United Insurance Co., Bahrain
- Chairman of Technical Committee of AWRIS, Bahrain
- Board Member & Member of Audit Committee of Takaful International Co., Bahrain
- Vice Chairman of Bahrain Insurance Association
- Ex-Board Member of Arab Orient Insurance Co., Jordan
- Ex-Board Member of Egyptian Life Takaful Co., Egypt
- More than 34 years of expertise in Insurance Industry

BAHRAIN OFFICE

Mr. Waleed Mahmood General Manager

Joined BKIC on the 1st February 2005

Academic & Professional Qualification

- Chartered Insurer and an Associate of Chartered Insurance Institute, UK
- Master of Business Administration, Westminster University, UK
- Bachelor in Industrial Management (Marketing) - King Fahad University of Petroleum & Minerals, KSA

Assignments Held

- Board Member of Gulf Assist, Bahrain
- Ex-General Manager of United Insurance Co., Bahrain
- More the 27 years of experience, of which 21 years have been in Insurance Industry

Mr. K. M. Kurien Chief Underwriting Officer

Joined BKIC on 22nd October 1977

Academic & Professional Qualification

- Associate of Insurance Institute of India
- Bachelor of Arts

Assignments Held

- Ex-Chairman of Marine Committee of Bahrain Insurance Association and widely regarded as an expert in this field
- Currently overseeing all aspects of Underwriting, Claims, and Reinsurance across all classes of BKIC business.
- Actively involved in serving major Corporate Clients
- 44 years of substantial experience in Insurance Industry

Corporate Governance Report

Year ended 31 December 2017

Mr. R. Sundaram **Chief Financial Officer**

Joined BKIC on 28th September 2013

Academic & Professional Qualification

- B.Sc. with Mathematics
- Associate of The Institute of Chartered Accountants of India
- Associate of Chartered Insurance Institute, UK
- Associate of Insurance Institute of India
- Intermediate of Institute of Company Secretaries of India

Assignments Held

- Heads the Finance, Accounts and IT Departments of BKIC
- More than 33 years of experience in Insurance/Reinsurance Sectors

Mr. Ahmed A. Rahman Bucheeri **Chief Investment Officer**

Joined BKIC on 1st December 2011

Academic & Professional Qualification

- Chartered Alternative Investment Analyst
- Commercial studies Diploma
- Treasury and capital markets Diploma
- Investment representative program (Series 7)

Assignments Held

- Board Member of Takaful International Company, Bahrain
- Board Member INVITA Claims Management Company, Bahrain
- Manages investments and treasury of BKIC
- 18 years of experience in banking and investments

Mr. Manoj Badoni **Assistant General Manager - Technical**

Joined BKIC on 10th August 2016

Academic & Professional Qualification

- Masters in Economics (MA)
- Fellow of Insurance Institute of India (FII)

Assignments Held

- Responsible for Underwriting & Claims of Property, Engineering, Liability, Marine, Life & Medical Lines of business
- 30 years of experience in General Insurance Industry which includes FAC Reinsurance Underwriting

Corporate Governance Report

Year ended 31 December 2017

KUWAIT OFFICE

Mr. Abdulla Rabia **General Manager**

Joined BKIC on 20th January 1990

Academic & Professional Qualification

- Diploma in Motor Vehicle Engineering

Assignments Held

- Board Member of Takaful International Company, Bahrain
- Holds the overall responsibility of all functions of general management of BKIC Kuwait office
- 36 years of substantial experience in Insurance Sector all over GCC, of which 26 years have been in Insurance Industry in Kuwait Market
- Ex-Loss Adjuster with Bayne Adjusters and Surveyors Bahrain, Dubai and Saudi Arabia
- Experience in handling Engineering claims with Arab Insurance Group (ARIG) Bahrain

Mr. S. Ramakrishnan **Deputy General Manager**

Joined BKIC on 16th October 2001

Academic & Professional Qualification

- Fellow of Insurance Institute of India, India
- Associate of Chartered Insurance Institute
- Chartered Insurer
- Master of Business Administration
- Bachelor of Law

Assignments Held

- Holds the responsibility of Technical Department and Key Accounts
- Member of Referral Committee of Gulf Insurance Group
- 42 years of experience in Insurance Industry, out of which 22 years in Kuwait

Mr. K. Gandhi **Assistant General Manager**

Joined BKIC on 2nd July 2006

Academic & Professional Qualification

- Post Graduate in Engineering
- Associate of Indian Institute of Bankers, India
- Master of Business Administration

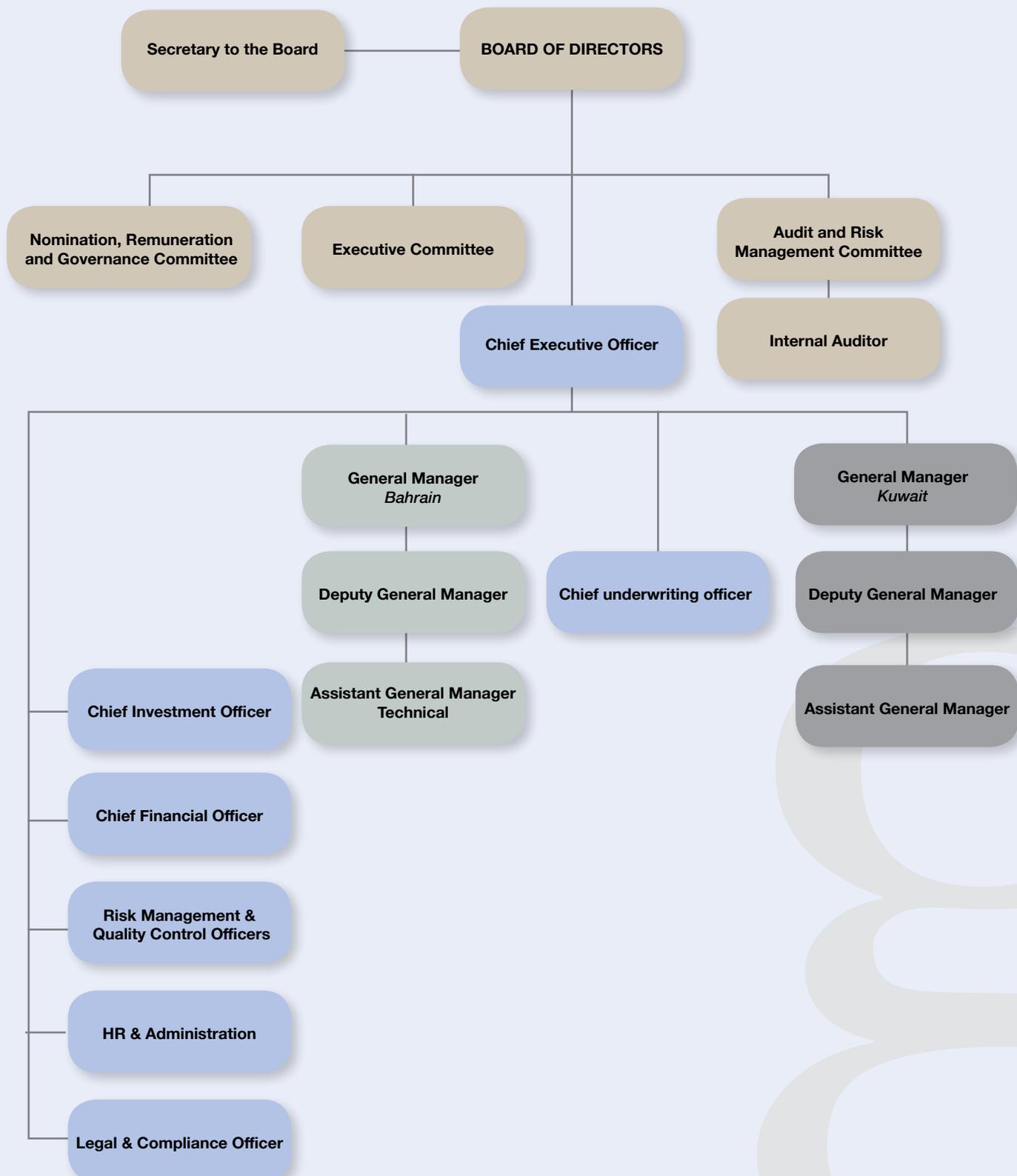
Assignments Held

- Holds the overall functional responsibility of Underwriting, Claims and Reinsurance of Non-Life Division
- Actively involved in serving major Corporate Clients and assists DGM in the day-to-day General Administration and Management of the Technical functions of the Company
- More than 33 years of experience in Insurance Industry, out of which 16 years in Gulf

Corporate Governance Report

Year ended 31 December 2017

13. Organisational Structure



Financial Highlights

Year ended 31 December 2017

71,500,000 SHARES

**BD34.51
million**

Shareholders' equity is BD 34.51 million in 2017 as compared to BD 33.81 million in 2016.

**BD2.60
million**

The Net Profit recorded was BD 2.60 million in 2017 as compared to BD 2.86 million in 2016.

**BD28.10
million**

Technical Reserves is BD 28.10 million in 2017 as compared to BD 13.10 million in 2016.

**BD1.17
million**

Underwriting Profit is BD 1.17 million in 2017 as compared to BD 1.76 million in 2016.

**BD59.50
million**

Gross Premium is BD 59.50 million in 2017 as compared to BD 42.07 million in 2016.

Return on Equity stands at

7.50%

in 2017 as against 8.50% in the year 2016.

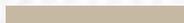
Financial Highlights

Year ended 31 December 2017

Contributing to the growth of our customers' prosperity

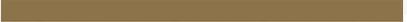
Technical Reserves

BD Millions

2017		28.10
2016		13.10
2015		13.15
2014		13.14
2013		13.55

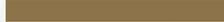
Gross Premiums

BD Millions

2017		59.50
2016		42.07
2015		38.12
2014		39.77
2013		38.18

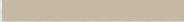
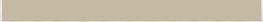
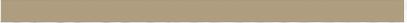
Net Profits

BD Millions

2017		2.60
2016		2.86
2015		2.71
2014		4.24
2013		3.70

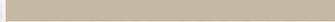
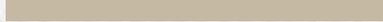
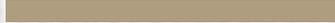
Underwriting Profits

BD Millions

2017		1.17
2016		1.76
2015		3.03
2014		2.96
2013		3.32

Shareholders' Equity

BD Millions

2017		34.51
2016		33.81
2015		34.16
2014		35.00
2013		33.30

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Directors and Management

BOARD OF DIRECTORS

Mr. Murad Ali Murad	- Chairman
Mr. Khalid Saoud Al Hasan	- Vice-Chairman
Mr. Hassan Mohammed Zainalabedin	- Director
Mr. Bijan Khosrowshahi	- Director
Mr. Adnan Ahmed Al-Baghli	- Director (Term ended on 23 March 2017)
Dr. Emad Jawad Ahmed Bukhamseen	- Director
Mr. Shawqi Ali Yusuf Fakhroo	- Director
Dr. Abdul Rahman Ali Saif	- Director
Mr. Mohamed Ebrahim Zainal	- Director
Mr. Khalil Abdeljawad Abdelfattah Khamous	- Director (Term ended on 23 March 2017)
Mr. Thamer Ebrahim Arab	- Director (Appointed on 23 March 2017)
Mr. Mubarak Othman Alayyar	- Director (Appointed on 23 March 2017)
Mr. Ali Hasan Fardan	- Secretary to the Board

EXECUTIVE COMMITTEE

Mr. Khalid Saoud Al Hasan	- Chairman
Dr. Emad Jawad Ahmed Bukhamseen	- Vice-Chairman
Mr. Bijan Khosrowshahi	- Member
Dr. Abdul Rahman Ali Saif	- Member
Mr. Mohamed Ebrahim Zainal	- Member (Term ended on 11 May 2017)
Mr. Mubarak Othman Alayyar	- Member (Appointed on 11 May 2017)

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Hassan Mohammed Zainalabedin	- Chairman
Mr. Shawqi Ali Yusuf Fakhroo	- Vice-Chairman
Mr. Adnan Ahmed Al-Baghli	- Member (Term ended on 23 March 2017)
Mr. Khalil Abdeljawad Abdelfattah Khamous	- Member (Term ended on 23 March 2017)
Mr. Thamer Ebrahim Arab	- Member (Appointed on 23 March 2017)
Mr. Mubarak Othman Alayyar	- Member (Term ended on 11 May 2017)
Mr. Mohamed Ebrahim Zainal	- Member (Appointed on 11 May 2017)

NOMINATION, REMUNERATION AND GOVERNANCE COMMITTEE

Mr. Murad Ali Murad	- Chairman
Dr. Abdul Rahman Ali Saif	- Vice-Chairman
Mr. Hassan Mohammed Zainalabedin	- Member
Mr. Khalid Saoud Al Hasan	- Member

GENERAL MANAGEMENT

Mr. Ebrahim Al-Rayes	- Chief Executive Officer
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Bahrain

Mr. Waleed Ahmed Mahmood	- General Manager
Mr. K M Kurien	- Chief Underwriting Officer
Mr. R Sundaram	- Chief Financial Officer
Mr. Ahmed Abdulrahman Bucheeri	- Chief Investment Officer
Mr. Manoj Badoni	- Assistant General Manager - Technical

Kuwait

Mr. Abdulla Rabia Mohammed	- General Manager
Mr. S Ramakrishnan	- Deputy General Manager
Mr. K Gandhi	- Assistant General Manager

Independent Auditors' Report to the Shareholders of Bahrain Kuwait Insurance Company (BSC)

Report on the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of Bahrain Kuwait Insurance Company B.S.C. ("the Company") and subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

"Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

"We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements."

Insurance liabilities

Risk: Insurance liabilities represent largest liability for the Group totaling to BD 107,351 thousand as of 31 December 2017. The Directors exercise significant judgements using a number of subjective assumptions when determining both the timing and the amounts of the insurance liabilities, especially those liabilities recognized for incurred but not reported (IBNR) claims. Given the magnitude of the balance, a small manipulation of an assumption could have a material impact on the result for the year.

There is a risk that inappropriate reserve projections are made, whether from inaccurate underlying data, invalid or inappropriate modelling techniques or the use of unreasonable assumptions. All of the above could lead to reserves falling outside a reasonable range of possible estimates and a misstatement in the financial statements. The provision for technical reserves may not be in accordance with the approved policy of the Group or may not be adequate.

Because of the significance of these judgments, insurance liabilities is a key area of focus. The basis of determining insurance liabilities is disclosed in the accounting policies and in Note 11 to the consolidated and separate financial statements.

Our response

For the relevant reserving process, we have performed test of controls over the claims administration and the valuation of individual reported claims reserves to confirm the operating effectiveness of those key controls. We obtained and reviewed the legal advisor letter and reconciled it to the reported claims register.

"We also tested the completeness and accuracy of the underlying data used in the actuarial calculations by performing reconciliations on the underlying data to the financial ledger and the actuarial data used by EY actuarial specialist when performing their audit on reported claims and incurred but not reported claims."

In addition, we have involved EY actuarial specialist to :

- Assess the approach and the methodology used by management in calculating the required insurance liabilities.
- Review the key assumptions and judgments used by management in calculating technical reserve.
- Assess the compliance of technical reserve actuarial report with the professional guidance available.
- Assess consistency in applying the reserving methodology across periods and evaluate prior year period releases for consistency with management's methodology.

"We also assessed the financial statements disclosures in relation to insurance liabilities."

Independent Auditors' Report to the Shareholders of Bahrain Kuwait Insurance Company (BSC) (Continued)

Report on the Consolidated and Separate Financial Statements (Continued)

Key audit matters (Continued)

Acquisition of a Subsidiary

Risk: Until 2 April 2017, Bahrain Kuwait Insurance Company B.S.C. (the Group) had a 40.9% stake (owned 25,582,845 ordinary shares) in Takaful International B.S.C. (Takaful), a listed Company on the Bahrain Bourse. On 2 April 2017 (the acquisition date), the Group increased its holding in the share capital of Takaful to 63.6% through a purchase of an additional 14,220,486 ordinary shares. As a result, effective 2 April 2017, Takaful became a subsidiary of the Group and has been consolidated in to the Group's financial statements from that date. On 28 June 2017, the Group further increased its shareholding from 63.6% to 67.3% in Takaful by purchasing an additional 2,244,956 shares.

This acquisition as of 2 April 2017 is significant to our audit as Takaful is now a subsidiary of the Group (previously accounted for as an associate) and because the amounts involved are material to the consolidated financial statements. Furthermore, the fair value assessment is complex and requires significant management judgment regarding the fair value of assets acquired and the liabilities assumed at the date of acquisition.

Our response

The business combination is currently accounted for using provisional amounts which is permissible under "IFRS 3 - Business Combinations".

The management is currently in the process of finalizing a formal valuation and the recognition of the newly acquired assets and liabilities. These final values will be in effect by the first quarter of 2018.

We have tested the provisional values used in the business combination against the underlying records of Takaful International Company B.S.C. (the "Subsidiary"). Once the formal valuation is complete, we will reassess the provisional values used in the business combination for the year ended 31 December 2017 to the confirmed fair value of the identifiable assets and liabilities at the acquisition date.

Furthermore, we assessed the appropriateness of the disclosures in the consolidated financial statements regarding the acquisition.

Other information included in the Groups 2017 annual report :

Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated and separate financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Directors report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the board of directors for the financial statements

"The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines if necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so."

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditors' Report to the Shareholders of Bahrain Kuwait Insurance Company (BSC) (Continued)

Report on the Consolidated and Separate Financial Statements (Continued) Auditor's responsibilities for the audit of the financial statements (Continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Regulatory Requirements

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

- a) the Group has maintained proper accounting records and the consolidated and separate financial statements are in agreement therewith; and
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated and separate financial statements.
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Group's memorandum and articles of association during the year ended 31 December 2017 that might have had a material adverse effect on the business of the Group or on its consolidated financial position.
- d) "satisfactory explanations and information have been provided to us by management in response to all our requests."

The partner in charge of the audit resulting in this independent auditor's report is Mr. Nader Rahimi.



Ernst & Young
Partner's registration no. 115
21 February 2018
Manama, Kingdom of Bahrain

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 BD '000	2016 BD '000
ASSETS			
Cash and balances with banks	7	37,748	33,925
Statutory deposits	8	5,032	4,282
Insurance receivables	9	22,460	13,927
Deferred acquisition costs	10	1,813	1,131
Reinsurers' share of insurance liabilities	11	80,901	32,948
Reinsurers' share of mathematical reserves		383	-
Investments	12	17,572	9,062
Investment in an associate		-	2,390
Property and equipment	13	5,225	3,226
Due from participants		964	-
TOTAL ASSETS		172,098	100,891
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	11	107,351	46,049
Mathematical reserves		2,063	-
Unearned commissions	14	2,540	2,399
Payables and accrued liabilities			
Insurance and reinsurance companies		11,641	11,489
Policyholders		4,862	1,785
Others	15	7,110	5,357
Total liabilities		135,567	67,079
Equity			
Share capital	16	7,150	7,150
Treasury shares	16	(3)	(3)
Share premium	16	4,362	4,362
Statutory reserve	16	3,783	3,781
General reserve	16	8,504	8,504
Investments fair value reserve		1,444	1,374
Currency translation reserve		(873)	(1,052)
Retained earnings		10,142	9,696
Equity attributable to shareholders of the parent		34,509	33,812
Non-controlling interests		2,022	-
Total equity		36,531	33,812
TOTAL LIABILITIES AND EQUITY		172,098	100,891

The comparative figures represent BKIC stand alone financial statements.



Mr. Murad Ali Murad
Chairman



Mr. Hassan Mohammed Zainalabedin
Director



Mr. Ebrahim Al-Rayes
Chief Executive Officer

The attached notes 1 to 29 form part of these financial statements

Company's Separate Statement of Financial Position

At 31 December 2017

	Note	2017 BD '000	2016 BD '000
ASSETS			
Cash and balances with banks	7	32,213	33,925
Statutory deposits	8	4,907	4,282
Insurance receivables	9	12,633	13,927
Deferred acquisition costs	10	1,348	1,131
Reinsurers' share of insurance liabilities	11	71,449	32,948
Reinsurers' share of mathematical reserves		-	-
Investments	12	12,267	9,062
Investment in a subsidiary		3,999	-
Investment in an associate		-	2,390
Property and equipment	13	3,142	3,226
Due from participants		-	-
TOTAL ASSETS		141,958	100,891
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	11	88,369	46,049
Mathematical reserves		-	-
Unearned commissions	14	2,207	2,399
Payables and accrued liabilities			
Insurance and reinsurance companies		9,171	11,489
Policyholders		2,129	1,785
Others	15	5,531	5,357
Total liabilities		107,407	67,079
Equity			
Share capital	16	7,150	7,150
Treasury shares	16	(3)	(3)
Share premium	16	4,362	4,362
Statutory reserve	16	3,781	3,781
General reserve	16	8,504	8,504
Investments fair value reserve		1,446	1,374
Currency translation reserve		(873)	(1,052)
Retained earnings		10,184	9,696
Equity attributable to shareholders of the parent		34,551	33,812
Non-controlling interests		-	-
Total equity		34,551	33,812
TOTAL LIABILITIES AND EQUITY		141,958	100,891



Mr. Murad Ali Murad
Chairman



Mr. Hassan Mohammed Zainalabedin
Director



Mr. Ebrahim Al-Rayes
Chief Executive Officer

The attached notes 1 to 29 form part of these financial statements

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Note	2017 BD '000	2016 BD '000
Gross premiums	17	59,507	42,073
Reinsurers' share of gross premiums	11	(33,104)	(29,969)
Retained premiums		26,403	12,104
Unearned premiums adjustment - gross		(2,417)	(3,846)
Unearned premiums adjustment - reinsurance		199	4,069
Net premiums		24,185	12,327
Gross claims paid	11	(51,360)	(18,641)
Reinsurers' share of claims paid	11	34,851	9,399
Outstanding claims adjustment - gross		(36,809)	6,548
Outstanding claims adjustment - reinsurance		34,771	(6,621)
Net claims		(18,547)	(9,315)
Premium deficiency reserves adjustment		(137)	(143)
Transfer to family takaful technical reserve		(522)	-
General and administration expenses	18	(5,835)	(3,365)
Amortisation of acquisition costs	10	(3,218)	(1,813)
Fee and commission income	19	5,246	4,072
		(4,466)	(1,249)
Underwriting profit		1,172	1,763
Investment income - net	20	1,597	1,754
Share of results of an associate	3	31	162
Corporate expenses		(909)	(773)
Other income	21	309	32
Other expenses	21	(498)	(81)
		530	1,094
Profit including participants' share		1,702	2,857
Less: Participants' share		(894)	-
Profit for the year		2,596	2,857
Attributable to:			
Shareholders of the parent		2,592	2,857
Non-controlling interests		4	-
		2,596	2,857
Basic and diluted earnings per share	22	36 Fils	40 Fils

The comparative figures represent BKIC stand alone financial statements.



Mr. Murad Ali Murad
Chairman



Mr. Hassan Mohammed Zainalabedin
Director



Mr. Ebrahim Al-Rayes
Chief Executive Officer

The attached notes 1 to 29 form part of these financial statements

Company's Separate Statement of Profit or Loss

Year ended 31 December 2017

	Note	2017 BD '000	2016 BD '000
Gross premiums	17	45,610	42,073
Reinsurers' share of gross premiums	11	(29,185)	(29,969)
Retained premiums		16,425	12,104
Unearned premiums adjustment - gross		(3,617)	(3,846)
Unearned premiums adjustment - reinsurance		1,691	4,069
Net premiums		14,499	12,327
Gross claims paid	11	(37,886)	(18,641)
Reinsurers' share of claims paid	11	28,237	9,399
Outstanding claims adjustment - gross		(38,286)	6,548
Outstanding claims adjustment - reinsurance		36,592	(6,621)
Net claims		(11,343)	(9,315)
Premium deficiency reserves adjustment		(137)	(143)
Transfer to family takaful technical reserve		-	-
General and administration expenses	18	(3,372)	(3,365)
Amortisation of acquisition costs	10	(2,378)	(1,813)
Fee and commission income	19	4,684	4,072
		(1,203)	(1,249)
Underwriting profit		1,953	1,763
Investment income - net	20	1,568	1,754
Share of results of an associate	3	31	162
Corporate expenses		(794)	(773)
Other income	21	30	32
Other expenses	21	(156)	(81)
		679	1,094
Profit including participants' share		2,632	2,857
Less: Participants' share		-	-
Profit for the year		2,632	2,857
Attributable to:			
Shareholders of the parent		2,632	2,857
Non-controlling interests		-	-
		2,632	2,857
Basic and diluted earnings per share	22	37 Fils	40 Fils



Mr. Murad Ali Murad
Chairman



Mr. Hassan Mohammed Zainalabedin
Director



Mr. Ebrahim Al-Rayes
Chief Executive Officer

The attached notes 1 to 29 form part of these financial statements

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 BD '000	2016 BD '000
Profit for the year	2,596	2,857
Other comprehensive income (loss) to be reclassified to statement of profit or loss in subsequent years:		
<i>Available-for-sale investments:</i>		
Fair value changes arising during the year	448	(223)
Share of other comprehensive income of an associate	37	21
Recycled to the statement of profit or loss on disposal/impairment	(230)	(732)
Recycled to the statement of profit or loss on derecognition of associate	(187)	-
	68	(934)
Currency translation differences	179	(124)
Net other comprehensive income (loss) for the year to be reclassified to the statement of profit or loss in subsequent years	247	(1,058)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,843	1,799
Attributable to:		
Shareholders of the parent	2,841	1,799
Non-controlling interests	2	-
	2,843	1,799

The comparative figures represent BKIC stand alone financial statements.

The attached notes 1 to 29 form part of these financial statements

Company's Separate Statement of Comprehensive Income

Year ended 31 December 2017

	2017 BD '000	2016 BD '000
Profit for the year	2,632	2,857
Other comprehensive income (loss) to be reclassified to statement of profit or loss in subsequent years:		
<i>Available-for-sale investments:</i>		
Fair value changes arising during the year	484	(223)
Share of other comprehensive income of an associate	37	21
Recycled to the statement of profit or loss on disposal/impairment	(262)	(732)
Recycled to the statement of profit or loss on derecognition of associate	(187)	-
	72	(934)
Currency translation differences	179	(124)
Net other comprehensive income (loss) for the year to be reclassified to the statement of profit or loss in subsequent years	251	(1,058)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,883	1,799
Attributable to:		
Shareholders of the parent	2,883	1,799
Non-controlling interests	-	-
	2,883	1,799

The attached notes 1 to 29 form part of these financial statements

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 BD '000	2016 BD '000
OPERATING ACTIVITIES			
Premiums received net of commission		61,457	41,945
Paid to insurance and reinsurance companies		(34,959)	(25,433)
Claims paid		(53,092)	(18,806)
Claims recovered		36,626	9,558
General and administrative expenses paid		(5,152)	(3,699)
Interest and other payments		(745)	(439)
Statutory deposits		(625)	(32)
Net cash flows from operating activities		3,510	3,094
INVESTING ACTIVITIES			
Dividends and interest received		1,702	1,229
Proceeds from sale of investments		5,611	7,788
Payments for investments purchased		(8,934)	(2,902)
Net cash inflow on acquisition of a subsidiary	3	4,354	-
Proceeds from sale of property and equipment		95	122
Purchase of property and equipment	13	(167)	(46)
Bank deposits with maturities of more than three months		(562)	(115)
Net cash flows from investing activities		2,099	6,076
FINANCING ACTIVITY			
Dividend paid		(2,223)	(2,158)
Cash flows used in financing activities		(2,223)	(2,158)
INCREASE IN CASH AND CASH EQUIVALENTS		3,386	7,012
Cash and cash equivalents at beginning of the year		18,242	11,230
Less: Bank deposits with maturities of more than three months and statutory deposits included in net cash inflow on acquisition of a subsidiary		(2,165)	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		19,463	18,242
COMPRISING:			
CASH AND BALANCES WITH BANKS			
Cash and balance in current accounts		13,177	11,652
Bank deposits with maturity of three months or less		6,286	6,590
CASH AND CASH EQUIVALENTS		19,463	18,242
Bank deposits with maturity of more than three months		18,285	15,683
Cash and balances with banks as per the consolidated statement of financial position		37,748	33,925

The comparative figures represent BKIC stand alone financial statements.

The attached notes 1 to 29 form part of these financial statements

Company's Separate Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 BD '000	2016 BD '000
OPERATING ACTIVITIES			
Premiums received net of commission		47,762	41,945
Paid to insurance and reinsurance companies		(30,606)	(25,433)
Claims paid		(37,678)	(18,806)
Claims recovered		28,192	9,558
General and administrative expenses paid		(3,410)	(3,699)
Interest and other payments		(243)	(439)
Statutory deposits		(625)	(32)
Net cash flows from operating activities		3,392	3,094
INVESTING ACTIVITIES			
Dividends and interest received		1,418	1,229
Proceeds from sale of investments		4,557	7,788
Payments for investments purchased		(7,277)	(2,902)
Net cash outflow on acquisition of a subsidiary	3	(1,568)	-
Proceeds from sale of property and equipment		95	122
Purchase of property and equipment	13	(106)	(46)
Bank deposits with maturities of more than three months		(383)	(115)
Net cash flows (used in) from investing activities		(3,264)	6,076
FINANCING ACTIVITY			
Dividend paid		(2,223)	(2,158)
Cash flows used in financing activities		(2,223)	(2,158)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,095)	7,012
Cash and cash equivalents at beginning of the year		18,242	11,230
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	16,147	18,242
COMPRISING:			
CASH AND BALANCES WITH BANKS			
Cash and balance in current accounts		11,190	11,652
Bank deposits with maturity of three months or less		4,957	6,590
CASH AND CASH EQUIVALENTS		16,147	18,242
Bank deposits with maturity of more than three months		16,066	15,683
Cash and balances with banks as per the Company's Separate Statement of financial position	7	32,213	33,925

The attached notes 1 to 29 form part of these financial statements

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Share capital BD '000	Treasury shares BD '000	Share premium BD '000	Statutory reserve BD '000	General reserve BD '000	Investments fair value reserve BD '000	Currency translation reserve BD '000	Retained earnings BD '000	Equity attributable to shareholders of the Parent BD '000	Non- Controlling interests BD '000	Total BD '000
Balance at 1 January 2017	7,150	(3)	4,362	3,781	8,504	1,374	(1,052)	9,696	33,812	-	33,812
Profit for the year	-	-	-	-	-	-	-	2,592	2,592	4	2,596
Other comprehensive income	-	-	-	-	-	68	179	-	247	-	247
Non-controlling interests' share of other comprehensive loss	-	-	-	-	-	2	-	-	2	(2)	-
Total comprehensive income	-	-	-	-	-	70	179	2,592	2,841	2	2,843
Dividend for the year 2016 (note 16)	-	-	-	-	-	-	-	(2,144)	(2,144)	-	(2,144)
Transfer to statutory reserve	-	-	-	2	-	-	-	(2)	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	78	78
Fair value of non-controlling interest	-	-	-	-	-	-	-	-	-	1,942	1,942
Balance at 31 December 2017	7,150	(3)	4,362	3,783	8,504	1,444	(873)	10,142	34,509	2,022	36,531
Balance at 1 January 2016	7,150	(3)	4,362	3,781	8,504	2,308	(928)	8,983	34,157	-	34,157
Profit for the year	-	-	-	-	-	-	-	2,857	2,857	-	2,857
Other comprehensive loss	-	-	-	-	-	(934)	(124)	-	(1,058)	-	(1,058)
Total comprehensive (loss) income	-	-	-	-	-	(934)	(124)	2,857	1,799	-	1,799
Dividend for the year 2015 (note 16)	-	-	-	-	-	-	-	(2,144)	(2,144)	-	(2,144)
Balance at 31 December 2016	7,150	(3)	4,362	3,781	8,504	1,374	(1,052)	9,696	33,812	-	33,812

The comparative figures represent BKIC stand alone financial statements.

The attached notes 1 to 29 form part of these financial statements

Company's Separate Statement of Changes in Equity

Year ended 31 December 2017

	Share capital BD '000	Treasury shares BD '000	Share premium BD '000	Statutory reserve BD '000	General reserve BD '000	Investments fair value reserve BD '000	Currency translation reserve BD '000	Retained earnings BD '000	Total BD '000
Balance at 1 January 2017	7,150	(3)	4,362	3,781	8,504	1,374	(1,052)	9,696	33,812
Profit for the year	-	-	-	-	-	-	-	2,632	2,632
Other comprehensive income	-	-	-	-	-	72	179	-	251
Total comprehensive income	-	-	-	-	-	72	179	2,632	2,883
Dividend for the year 2016 (note 16)	-	-	-	-	-	-	-	(2,144)	(2,144)
Balance at 31 December 2017	7,150	(3)	4,362	3,781	8,504	1,446	(873)	10,184	34,551
Balance at 1 January 2016	7,150	(3)	4,362	3,781	8,504	2,308	(928)	8,983	34,157
Profit for the year	-	-	-	-	-	-	-	2,857	2,857
Other comprehensive loss	-	-	-	-	-	(934)	(124)	-	(1,058)
Total comprehensive (loss) income	-	-	-	-	-	(934)	(124)	2,857	1,799
Dividend for the year 2015 (note 16)	-	-	-	-	-	-	-	(2,144)	(2,144)
Balance at 31 December 2016	7,150	(3)	4,362	3,781	8,504	1,374	(1,052)	9,696	33,812

The attached notes 1 to 29 form part of these financial statements

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

1 INCORPORATION AND ACTIVITIES

Bahrain Kuwait Insurance Company B.S.C. ("the Company") was formed pursuant to Amiri Decree 3 of 1975 under commercial registration number 4745 and is listed on the Bahrain Bourse and Boursa Kuwait. The registered office of the Company is at BKIC Tower 2775, Road 2835, Seef District 428, Kingdom of Bahrain. The Company and its subsidiaries (together the «Group») provide general insurance, takaful and related products and services.

The Company primarily conducts general insurance business through its head office and branches in the Kingdom of Bahrain (the «Head Office») and a branch office in the State of Kuwait (the «Kuwait Branch»).

The majority shareholder of the Group is Gulf Insurance Group K.S.C., a listed entity registered and incorporated in the State of Kuwait. The ultimate holding company is Kuwait Projects Company Holding K.S.C. (c), a listed entity registered and incorporated in the State of Kuwait.

The consolidated and separate financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 21 February 2018.

2 BASIS OF PREPARATION

Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant provisions of the Bahrain Commercial Companies Law, the Insurance Regulations contained in Volume 3 and applicable provisions of Volume 6 of the Central Bank of Bahrain's (CBB) rulebook, CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse and the Central Bank of Bahrain and Financial Institutions Law 2006.

Accounting convention

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

Functional currency

The consolidated and separate financial statements have been presented in Bahraini Dinars (BD) which is the functional currency of the Group and are rounded to the nearest BD thousands (BD '000) except when otherwise indicated.

3 BASIS OF CONSOLIDATION

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

3 BASIS OF CONSOLIDATION (Continued)

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

The following are the subsidiaries of the Group:

Name of the subsidiary	Country of incorporation	Effective ownership		Principal activity
		2017	2016	
Takaful International B.S.C	Bahrain	67.3%	40.9%	Takaful provider
Health 360 Ancilliary Services Co W.L.L.	Bahrain	40.4%	-	Third Party administration

Acquisition of Takaful International

Until 2 April 2017, the Group had a 40.9% stake in Takaful International B.S.C. (Takaful), a listed Company on the Bahrain Bourse, and owned 25,582,845 ordinary shares in Takaful. On 2 April 2017 (the acquisition date), the Group increased its holding in the share capital of Takaful to 63.6% through a purchase of an additional 14,220,486 ordinary shares. As a result, effective 2 April 2017, Takaful became a subsidiary of the Group and has been consolidated from that date onwards. On 28 June 2017, the Group further increased its shareholding from 63.6% to 67.3% in Takaful.

The principal activity of Takaful is to manage the General and Family takaful activities and investments by adopting wakala and mudaraba models respectively, on behalf of the participants in accordance with the Islamic Shari'a principles.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Takaful from the acquisition date to 31 December 2017.

The provisional fair values of the identifiable shareholders' assets and liabilities of Takaful as at the acquisition date were:

	Fair value recognised on acquisition BD '000
Assets	
Statutory deposit	125
Cash and bank balances	5,797
Investments	4,960
Takaful and retakaful receivables	9,909
Retakaful share of outstanding claims	9,115
Deferred retakaful contributions	3,649
Deferred policy acquisition costs	592
Retakaful share of family takaful technical reserves	1,708
Property and equipment	2,228
Other receivables and prepayments	673
Receivable from policyholders funds	849
	39,605

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

3 BASIS OF CONSOLIDATION (Continued)

Acquisition of Takaful International (Continued)

	Fair value recognised on acquisition BD '000
Liabilities	
Gross outstanding claims	(12,239)
Unearned contributions reserve	(9,395)
Unearned retakaful commissions	(553)
Family takaful technical reserves	(2,891)
Takaful, retakaful and other payables	(5,862)
Other liabilities and provisions	(1,585)
Employees' terminal benefits	(285)
Payable to shareholders fund	(849)
	(33,659)
Total provisional fair values of identifiable net assets	5,946
Total provisional fair values of identifiable net assets	5,946
Less: Deficit in participants' fund	70
Less: Participants' investment fair value reserve	3
Less: Non-controlling interests	(78)
Total provisional fair values of identifiable net assets attributable to shareholders	5,941
Less: Carrying value of Takaful already carried in the books after OCI adjustment	(2,272)
Less: Gain on revaluation of associate on acquisition	(158)
Less: Non-controlling interests	(2,156)
	(4,586)
Purchase consideration transferred	1,355
NET GAIN ON ACQUISITION	
Fair value of associate on acquisition	2,430
Less: Carrying value of Takaful already carried in the books after OCI adjustment	(2,272)
Net gain on acquisition included in investment income	158
Analysis of cash flows on acquisition	
Net cash acquired with Takaful (including deposits with maturities of more than three months)	5,922
Cash paid	(1,355)
Mandatory offer	(213)
Total cash paid	(1,568)
Net cash inflow on acquisition of Takaful	4,354

Transaction costs of BD 39,658 have been expensed and are included in administrative expenses in the consolidated statement of income and are part of operating cash flows in the consolidated statement of cash flows.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the previous financial year, except for the following new standards which became effective from 1 January 2017:

Amendments to IAS 7: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

Annual Improvements Cycle - 2014-2016: Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or associate) that is classified (or included in a disposal group that is classified) as held for sale.

Summary of significant accounting policies

Product classification

Insurance contracts are those contracts in which the Group [the insurer] has accepted significant insurance risk from another party [the policyholder] by agreeing to compensate the policyholder if a specified uncertain future event [the insured event] adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Cash and cash equivalents

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

Insurance receivables

Insurance receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated and separate statements of profit or loss.

Deferred acquisition costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised on the same basis used in the calculation of gross unearned premiums. Amortisation is recorded in the consolidated and separate statements of profit or loss.

Trade and settlement date accounting

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

Investments

The Group classifies its investments into held-to-maturity and available-for-sale categories. The Group determines the classification of its financial assets on initial recognition.

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at fair value, being the consideration paid for the acquisition of the investment including transaction costs directly attributable to the acquisition. After initial measurement these are measured at amortised cost,

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

using the effective interest rate method. Gains and losses are recognised in the consolidated and separate consolidated and separate statements of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Interest income from held-to-maturity investments are recognised on an accruals basis, using the effective yield method and included under investment income in the consolidated and separate statements of profit or loss.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. These investments are initially recorded at fair value. After initial measurement these are remeasured at fair value. Fair value gains and losses are reported as a separate component in other comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the consolidated and separate statements of profit or loss. Dividend income on available for sale investments is included under investment income in the consolidated and separate statements of profit or loss.

Property and equipment

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

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

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

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

Foreign currency translation

The consolidated and separate financial statements are presented in Bahraini Dinars which is the functional currency of the Group. The Group's Kuwait office, however uses the Kuwaiti Dinar as its functional currency.

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

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

The assets and liabilities of the Kuwait branch are translated into Bahraini Dinars at the rate of exchange prevailing at the consolidated and separate statements of financial position date and the consolidated and separate statements of profit or loss is translated at average exchange rates for the year. The exchange differences arising on the translation are taken directly to 'currency translation reserve' a separate component of equity.

Treasury shares

Own equity instruments which are acquired are deducted from equity and accounted for at weighted average cost. No gain or loss is recognised in the consolidated and separate statements of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such gains or losses are recorded in equity.

Dividends on share capital

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

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

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Gross premiums

Gross premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

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

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

Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the consolidated and separate statements of financial position date. The proportions attributable to subsequent periods are deferred and are determined on the same basis used in the calculation of gross unearned premiums.

Fee and commission income

Policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods then they are deferred and amortised on the same basis used in the calculation of gross unearned premiums.

Interest income

Interest income is recognised in the consolidated and separate statements of profit or loss as it accrues and is calculated by using the effective interest rate method.

Rental income

Rental income is recognised on an accrual basis.

Dividends

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

Claims

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

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Reinsurance commissions

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

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Group or Company from its obligations to policyholders.

Premiums and claims are presented on a gross basis.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinsurance (Continued)

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance assets that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated and separate statements of profit or loss.

Offsetting

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

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

Fair value of financial instruments

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

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated and separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated and separate financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management assesses the need to involve external valuers for valuation of investment properties at each reporting date.

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the consolidated and separate statements of profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each consolidated and separate statements of financial position date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated and separate statements of profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

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

Derecognition of financial assets and financial liabilities

Financial assets

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

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

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

Financial liabilities

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

Insurance liabilities

Insurance liabilities comprise outstanding claims and unearned premiums.

Outstanding claims

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

Unearned premiums

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

Liability adequacy test

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

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' end of service benefits

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

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

Provisions

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

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued but not yet effective up to the date of issuance of the Group's consolidated and separate financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards (where applicable) when they become effective:

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time. The Group intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change

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5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 16 Leases (Continued)

in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date together with IFRS 9 (see above). The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

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At 31 December 2017

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as a held to maturity investment or an available-for-sale investment. Investments are classified as held to maturity if the investment has fixed or determinable payments and a fixed maturity and for which the Group has the intent and ability to hold till maturity. All other investments are classified as available-for-sale.

Estimates and assumptions

The ultimate liability arising from claims made under insurance contracts

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

All insurance contracts are subject to a liability adequacy test, as is explained in the accounting policy for insurance liabilities above.

Impairment losses on available-for-sale securities

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

Impairment losses on held-to-maturity

The Group reviews its individually significant held-to-maturity investments at each consolidated and separate statements of financial position date to assess whether an impairment loss should be recorded in the consolidated and separate statements of profit or loss. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Impairment losses on receivables

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

Going concern

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

7 CASH AND BALANCES WITH BANKS

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Cash and bank current accounts	13,177	11,190	11,652	11,652
Bank deposits with maturity of three months or less	6,286	4,957	6,590	6,590
Cash and cash equivalents	19,463	16,147	18,242	18,242
Bank deposits with maturity of more than three months	18,285	16,066	15,683	15,683
Cash and balances with banks	37,748	32,213	33,925	33,925

Notes to the Consolidated and Company's Separate Financial Statements

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8 STATUTORY DEPOSITS

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Kingdom of Bahrain	250	125	125	125
State of Kuwait	4,782	4,782	4,157	4,157
	5,032	4,907	4,282	4,282

Kingdom of Bahrain

Under the Central Bank of Bahrain and Financial Institutions Law of 2006, all insurance companies operating in the Kingdom of Bahrain must maintain deposits with a retail bank licensed to do business in Bahrain. Such deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the Central Bank of Bahrain.

State of Kuwait

Deposits are required to be placed with Kuwaiti banks in compliance with the regulations of the Kuwaiti Ministry of Commerce and Industry. The deposits, which are based on prior year gross premiums of the Kuwait Branch, are of a revolving nature.

Statutory deposit of BD 4,782 thousand (2016: BD 4,157 thousand) is pledged as security for a regulatory guarantee issued by a bank in favour of the Ministry of Commerce and Industry of the State of Kuwait.

9 INSURANCE RECEIVABLES

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Policyholders	13,486	10,287	12,051	12,051
Insurance and reinsurance companies	9,642	2,492	1,539	1,539
Allowance for impairment	(1,636)	(752)	(724)	(724)
	21,492	12,027	12,866	12,866
Other	968	606	1,061	1,061
	22,460	12,633	13,927	13,927

As at 31 December 2017, a gross amount of insurance receivables of BD 3,616 thousand (2017 Company: BD 1,280 thousand) (2016 Group and Company: BD 1,111 thousand) were impaired. Movements in the allowance for impairment of insurance receivables were as follows:

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
At 1 January	724	724	717	717
At 1 April - Acquisition of Takaful	703	-	-	-
Charge for the year	205	24	10	10
Foreign exchange adjustment	4	4	(3)	(3)
At 31 December	1,636	752	724	724

At 31 December, the ageing of unimpaired insurance receivables was as follows:

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

9 INSURANCE RECEIVABLES (Continued)

9.1 Group

	Past due but not impaired					
	Total BD '000	Neither past due nor impaired BD '000	Less than 120 days BD '000	121 to 180 days BD '000	181 to 365 days BD '000	More than 365 days BD '000
2017	21,492	3,913	6,718	2,187	6,494	2,180
2016	12,866	2,754	3,525	3,924	2,276	387

9.2 Company

	Past due but not impaired					
	Total BD '000	Neither past due nor impaired BD '000	Less than 120 days BD '000	121 to 180 days BD '000	181 to 365 days BD '000	More than 365 days BD '000
2017	12,027	632	4,723	1,514	4,630	528
2016	12,866	2,754	3,525	3,924	2,276	387

Allowance for impairment represents the allowance for impaired receivables as per the Group's policy. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

10 DEFERRED ACQUISITION COSTS

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
At 1 January	1,131	1,131	1,141	1,141
At 1 April - Acquisition of Takaful	592	-	-	-
Acquisition costs	3,300	2,587	1,810	1,810
Amortisation for the year	(3,218)	(2,378)	(1,813)	(1,813)
Foreign exchange adjustment	8	8	(7)	(7)
At 31 December	1,813	1,348	1,131	1,131

11 INSURANCE LIABILITIES

11.1 Group

	2017			2016		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
Outstanding claims	69,212	(56,989)	12,223	20,013	(13,002)	7,011
Unearned premiums	37,857	(23,912)	13,945	25,893	(19,946)	5,947
Premium deficiency reserve	282	-	282	143	-	143
	107,351	(80,901)	26,450	46,049	(32,948)	13,101

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

11 INSURANCE LIABILITIES (Continued)

(a) Outstanding claims

Movement in outstanding claims

	2017			2016		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
<i>At 1 January</i>						
Reported claims	16,213	(11,907)	4,306	23,456	(18,416)	5,040
IBNR claims	3,800	(1,095)	2,705	3,245	(1,334)	1,911
	20,013	(13,002)	7,011	26,701	(19,750)	6,951
<i>At 1 April - Acquisition of Takaful</i>						
Reported claims	9,951	(8,006)	1,945	-	-	-
IBNR claims	2,312	(1,109)	1,203	-	-	-
	12,263	(9,115)	3,148	-	-	-
	32,276	(22,117)	10,159	26,701	(19,750)	6,951
Incurred during the year	88,169	(69,622)	18,547	12,093	(2,778)	9,315
(Paid) recovered during the year	(51,360)	34,851	(16,509)	(18,641)	9,399	(9,242)
Foreign exchange adjustment	127	(101)	26	(140)	127	(13)
At 31 December	69,212	(56,989)	12,223	20,013	(13,002)	7,011
<i>At 31 December</i>						
Reported claims	62,990	(54,933)	8,057	16,213	(11,907)	4,306
IBNR claims	6,222	(2,056)	4,166	3,800	(1,095)	2,705
	69,212	(56,989)	12,223	20,013	(13,002)	7,011

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

11 INSURANCE LIABILITIES (Continued)

(b) Unearned premiums

	2017			2016		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
At 1 January	25,893	(19,946)	5,947	22,139	(15,943)	6,196
At 1 April						
- Acquisition of Takaful	9,395	(3,649)	5,746	-	-	-
Premiums written (ceded)	59,507	(33,104)	26,403	42,073	(29,969)	12,104
Premiums earned	(57,090)	32,905	(24,185)	(38,227)	25,900	(12,327)
Foreign exchange adjustment	151	(117)	34	(92)	66	(26)
At 31 December	37,856	(23,911)	13,945	25,893	(19,946)	5,947

11.2 Company

	2017			2016		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
Outstanding claims	58,426	(49,695)	8,731	20,013	(13,002)	7,011
Unearned premiums	29,661	(21,754)	7,907	25,893	(19,946)	5,947
Premium deficiency reserve	282	-	282	143	-	143
	88,369	(71,449)	16,920	46,049	(32,948)	13,101

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

11 INSURANCE LIABILITIES (Continued)

(a) Outstanding claims

Movement in outstanding claims

	2017			2016		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
<i>At 1 January</i>						
Reported claims	16,213	(11,907)	4,306	23,456	(18,416)	5,040
IBNR claims	3,800	(1,095)	2,705	3,245	(1,334)	1,911
	20,013	(13,002)	7,011	26,701	(19,750)	6,951
Incurred during the year	76,172	(64,829)	11,343	12,093	(2,778)	9,315
(Paid) recovered during the year	(37,886)	28,237	(9,649)	(18,641)	9,399	(9,242)
Foreign exchange adjustment	127	(101)	26	(140)	127	(13)
At 31 December	58,426	(49,695)	8,731	20,013	(13,002)	7,011
<i>At 31 December</i>						
Reported claims	53,743	(48,240)	5,503	16,213	(11,907)	4,306
IBNR claims	4,683	(1,455)	3,228	3,800	(1,095)	2,705
	58,426	(49,695)	8,731	20,013	(13,002)	7,011

(b) Unearned premiums

	2017			2016		
	Gross BD '000	Reinsurers' share BD '000	Net BD '000	Gross BD '000	Reinsurers' share BD '000	Net BD '000
At 1 January	25,893	(19,946)	5,947	22,139	(15,943)	6,196
Premiums written (ceded)	45,610	(29,185)	16,425	42,073	(29,969)	12,104
Premiums earned	(41,993)	27,494	(14,499)	(38,227)	25,900	(12,327)
Foreign exchange adjustment	151	(117)	34	(92)	66	(26)
At 31 December	29,661	(21,754)	7,907	25,893	(19,946)	5,947

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At 31 December 2017

11 INSURANCE LIABILITIES (Continued)

Claims development - Group

The following tables show the estimate of cumulative incurred claims, including both reported claims and IBNR for each successive accident year at each consolidated statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

	Accident year									Total BD '000
	2009 BD '000	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000	2014 BD '000	2015 BD '000	2016 BD '000	2017 BD '000	
Gross outstanding claims										
At end of accident year	24,957	26,741	27,633	34,528	52,792	30,972	31,923	35,858	86,671	
One year later	25,847	27,561	26,019	34,252	61,977	33,227	32,879	42,085	-	
Two years later	25,020	26,562	27,766	33,507	60,778	34,047	34,045	-	-	
Three years later	24,602	26,663	28,838	33,313	56,861	34,570	-	-	-	
Four years later	24,225	26,705	28,371	33,260	57,041	-	-	-	-	
Five years later	24,417	26,488	28,467	33,388	-	-	-	-	-	
Six years later	24,055	26,102	28,656	-	-	-	-	-	-	
Seven years later	24,119	26,122	-	-	-	-	-	-	-	
Eight years later	24,261	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	24,261	26,122	28,656	33,388	57,041	34,570	34,045	42,085	86,671	366,839
Cumulative payments to date	(23,155)	(25,964)	(28,094)	(32,689)	(55,873)	(32,939)	(30,165)	(32,233)	(38,263)	(299,375)
Liability recognised in the consolidated statement of financial position	1,106	158	562	699	1,168	1,631	3,880	9,852	48,408	67,464
Liability in respect of years prior to 2009										1,748
Total liability included in the consolidated statement of financial position										69,212

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11 INSURANCE LIABILITIES (Continued)

Claims development - Group (Continued)

	Accident year									Total BD '000
	2009 BD '000	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000	2014 BD '000	2015 BD '000	2016 BD '000	2017 BD '000	
Net outstanding claims										
At end of accident year	10,337	11,943	12,658	15,217	16,235	16,555	15,940	18,858	17,047	
One year later	9,726	11,192	11,372	14,812	16,716	16,754	16,688	21,154	-	
Two years later	9,586	11,016	11,393	14,976	17,108	17,365	17,967	-	-	
Three years later	9,351	10,942	11,353	15,175	17,414	18,119	-	-	-	
Four years later	9,126	10,653	11,260	15,206	17,679	-	-	-	-	
Five years later	9,335	10,571	11,292	15,342	-	-	-	-	-	
Six years later	9,175	10,484	11,484	-	-	-	-	-	-	
Seven years later	9,151	10,570	-	-	-	-	-	-	-	
Eight years later	9,288	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	9,288	10,570	11,484	15,342	17,679	18,119	17,967	21,154	17,047	138,650
Cumulative payments to date	(9,149)	(10,452)	(11,175)	(14,806)	(17,105)	(17,391)	(16,729)	(19,585)	(10,288)	(126,680)
Liability recognised in the consolidated statement of financial position	139	118	309	536	574	728	1,238	1,569	6,759	11,970
Liability in respect of years prior to 2009										253
Total liability included in the consolidated statement of financial position										12,223

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11 INSURANCE LIABILITIES (Continued)

Claims development - Company

The following tables show the estimate of cumulative incurred claims, including both reported claims and IBNR for each successive accident year at each separate statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

	Accident year								2017 BD '000	Total BD '000
	2009 BD '000	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000	2014 BD '000	2015 BD '000	2016 BD '000		
Gross outstanding claims										
At end of accident year	15,382	16,813	16,743	21,043	36,242	15,054	17,828	16,343	70,535	
One year later	15,752	17,337	14,774	19,436	43,529	15,327	17,288	21,122	-	
Two years later	15,095	16,297	14,665	18,684	41,691	15,608	18,003	-	-	
Three years later	14,643	16,447	15,711	18,254	37,683	15,921	-	-	-	
Four years later	14,333	16,506	15,188	18,156	37,809	-	-	-	-	
Five years later	14,496	16,278	15,282	18,243	-	-	-	-	-	
Six years later	14,100	15,894	15,451	-	-	-	-	-	-	
Seven years later	14,171	15,921	-	-	-	-	-	-	-	
Eight years later	14,360	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	14,360	15,921	15,451	18,243	37,809	15,921	18,003	21,122	70,535	227,365
Cumulative payments to date	(13,314)	(15,795)	(14,982)	(17,625)	(36,948)	(14,865)	(15,403)	(12,850)	(28,894)	(170,676)
Liability recognised in the separate statement of financial position	1,046	126	469	618	861	1,056	2,600	8,272	41,641	56,689
Liability in respect of years prior to 2009										1,737
Total liability included in the separate statement of financial position										58,426

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11 INSURANCE LIABILITIES (Continued)

Claims development - Company (Continued)

	Accident year								2017 BD '000	Total BD '000
	2009 BD '000	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000	2014 BD '000	2015 BD '000	2016 BD '000		
Net outstanding claims										
At end of accident year	6,802	7,964	8,213	9,462	9,416	8,584	8,247	8,839	7,758	
One year later	6,013	7,051	6,689	8,339	8,991	8,073	8,138	10,623	-	
Two years later	5,875	6,879	6,430	8,448	8,958	8,322	9,213	-	-	
Three years later	5,652	6,864	6,362	8,449	9,235	8,954	-	-	-	
Four years later	5,535	6,590	6,239	8,495	9,395	-	-	-	-	
Five years later	5,670	6,497	6,279	8,515	-	-	-	-	-	
Six years later	5,547	6,415	6,417	-	-	-	-	-	-	
Seven years later	5,512	6,429	-	-	-	-	-	-	-	
Eight years later	5,565	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	5,565	6,429	6,417	8,515	9,395	8,954	9,213	10,623	7,758	72,869
Cumulative payments to date	(5,435)	(6,323)	(6,126)	(7,998)	(8,852)	(8,297)	(8,148)	(9,658)	(3,551)	(64,388)
Liability recognised in the separate statement of financial position	130	106	291	517	543	657	1,065	965	4,207	8,481
Liability in respect of years prior to 2009										250
Total liability included in the separate statement of financial position										8,731

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At 31 December 2017

12 INVESTMENTS

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
<i>Available-for-sale</i>				
Quoted equity investments	8,670	8,016	3,146	3,146
Unquoted equity investments	1,492	1,412	1,176	1,176
Other managed funds	4,609	38	47	47
	14,771	9,466	4,369	4,369
<i>Held-to-maturity</i>				
Fixed rate bonds	3,090	3,090	4,991	4,991
	3,090	3,090	4,991	4,991
Allowance for impairment (note 12.3)	(289)	(289)	(298)	(298)
	2,801	2,801	4,693	4,693
	17,572	12,267	9,062	9,062

- 12.1 During the year an impairment loss of BD 340 thousand (2016: BD 626 thousand) relating to equity investments and other managed funds has been recognised in the consolidated statement of profit or loss. An impairment loss of BD 85 thousand (2016: BD 626 thousand) relating to equity investments and other managed funds has been recognised in the separate statement of profit or loss.
- 12.2 As at 31 December 2017, the gross amount of impaired debt investments for both Group and Company was BD 407 thousand (Group and Company 2016: BD 415 thousand).
- 12.3 The movement in allowance for impairment relating to held-to-maturity investments was as follows:

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
At 1 January	298	298	357	357
(Write backs) / charge during the year (note 12.4)	(9)	(9)	(59)	(59)
At 31 December	289	289	298	298

- 12.4 During the year final settlement was made on account of part principal repayment amounting to BD 9 thousand for a fully impaired held-to-maturity investments.

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13 PROPERTY AND EQUIPMENT

13.1 Group

	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
<i>Cost:</i>				
At 1 January 2017	3,735	2,571	142	6,448
At 1 April - Acquisition of Takaful	2,327	2,366	122	4,815
Additions during the year	-	167	-	167
Disposals during the year	-	(12)	(90)	(102)
Written off during the year	-	(15)	(10)	(25)
Foreign exchange adjustment	-	6	1	7
At 31 December 2017	6,062	5,083	165	11,310
<i>Accumulated depreciation:</i>				
At 1 January 2017	642	2,448	132	3,222
At 1 April - Acquisition of Takaful	439	2,063	85	2,587
Depreciation for the year	147	227	19	393
Relating to disposals	-	(12)	(87)	(99)
Relating to written off	-	(15)	(10)	(25)
Foreign exchange adjustment	-	6	1	7
At 31 December 2017	1,228	4,717	140	6,085
<i>Carrying amount:</i>				
At 31 December 2017	4,834	366	25	5,225
Estimated useful lives	25 years	3-10 years	4 years	

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At 31 December 2017

13 PROPERTY AND EQUIPMENT (Continued)

13.2 Company

	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
<i>Cost:</i>				
At 1 January 2017	3,735	2,571	142	6,448
Additions during the year	-	106	-	106
Disposals during the year	-	(12)	(90)	(102)
Foreign exchange adjustment	-	6	1	7
At 31 December 2017	3,735	2,671	53	6,459
<i>Accumulated depreciation:</i>				
At 1 January 2017	642	2,448	132	3,222
Depreciation for the year	107	74	5	186
Relating to disposals	-	(12)	(86)	(98)
Foreign exchange adjustment	-	6	1	7
At 31 December 2017	749	2,516	52	3,317
<i>Carrying amount:</i>				
At 31 December 2017	2,986	155	1	3,142
Estimated useful lives	25 years	3-10 years	4 years	

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13 PROPERTY AND EQUIPMENT (Continued)

13.3 Group and Company

	Land and buildings BD '000	Furniture and equipment BD '000	Vehicles BD '000	Total BD '000
<i>Cost:</i>				
At 1 January 2016	3,735	2,621	168	6,524
Additions during the year	-	46	-	46
Disposals during the year	-	(91)	(26)	(117)
Foreign exchange adjustment	-	(5)	-	(5)
At 31 December 2016	3,735	2,571	142	6,448
<i>Accumulated depreciation:</i>				
At 1 January 2016	534	2,427	128	3,089
Depreciation for the year	108	117	30	255
Relating to disposals	-	(91)	(26)	(117)
Foreign exchange adjustment	-	(5)	-	(5)
At 31 December 2016	642	2,448	132	3,222
<i>Carrying amount:</i>				
At 31 December 2016	3,093	123	10	3,226
Estimated useful lives	25 years	3-10 years	4 years	

Properties owned by the Group

Properties owned by the Group	Address	Description	Existing use	Nature	Terms of tenant's lease	Age of the property
BKIC Tower	Building 2775, Road 2835 Seef - Block - 428 Kingdom of Bahrain	Building measuring 6,591 square meters	Operational purpose	Freehold	Not applicable	5 years and 11 months
Salmabad branch building	Building 1390, Road 426 Salmabad 704 Kingdom of Bahrain	Building measuring 612 square meters	Operational purpose	Freehold	Not applicable	16 years
Takaful Head office*	Building 680, Road 2811 Seef - Block - 428 Kingdom of Bahrain	Building measuring 3,626 square meters	Operational purpose	Freehold	Not applicable	12 years
Takaful Salmabad branch*	Building 2164, Road 437 Salmabad 704 Kingdom of Bahrain	Building measuring 550 square meters	Operational purpose	Freehold	Not applicable	9 years

* The Group's effective ownership for each of the above properties is 67.3%. This is based on the Group's effective ownership of Takaful International Co. as listed in note 3 of the consolidated financial statements.

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14 UNEARNED COMMISSIONS

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
At 1 January	2,399	2,399	2,083	2,083
At 1 April - Acquisition of Takaful	554	-	-	-
Commission received	4,574	4,035	3,938	3,938
Commission earned (note 20)	(5,004)	(4,244)	(3,612)	(3,612)
Foreign exchange adjustment	17	17	(10)	(10)
At 31 December	2,540	2,207	2,399	2,399

15 PAYABLES AND ACCRUED LIABILITIES - OTHERS

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Due to garages, spare part suppliers and others	1,986	1,557	1,228	1,228
Provision for employees' leaving indemnities	1,446	1,140	1,213	1,213
Accrued expenses	1,192	909	793	793
Premiums booked in advance	885	885	624	624
Premium reserve deposits	386	386	919	919
Unclaimed dividends	334	230	309	309
Current portion of deferred TPA income	260	-	-	-
Provision for leave pay	166	132	146	146
Advance claim recoveries	92	92	36	36
Other liabilities	363	200	89	89
	7,110	5,531	5,357	5,357

Retirement benefit costs

The Group employed 156 Bahrainis and 59 expatriates in Bahrain branches and 9 Kuwaitis and 43 expatriates in its Kuwait Branch and 2 expatriates in the Group's Qatar branch at 31 December 2017 (2016: 85 Bahrainis and 29 expatriates in Bahrain branches and 10 Kuwaitis and 45 expatriates in its Kuwait Branch).

Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and the Group contributes a fixed percentage of salaries. The Group's contributions in respect of Bahraini employees amounted to BD 252 thousand and the Company's contributions in respect of Bahraini employees amounted to BD 121 thousand (Group and Company 2016: BD 117 thousand).

Pension rights (and other social benefits) for Kuwaiti employees are covered by the Public Institute for Social Security scheme to which employees and the Group contributes a fixed percentage of salaries. The Group's contributions in respect of Kuwaiti employees amounted to BD 13 thousand (2016: BD 11 thousand).

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15 PAYABLES AND ACCRUED LIABILITIES - OTHERS (Continued)

Provision for employees' leaving indemnities

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
At 1 January	1,213	1,213	1,201	1,201
At 1 April - Acquisition of Takaful	285	-	-	-
Charge for the year	345	257	237	237
Paid during the year	(397)	(330)	(225)	(225)
At 31 December	1,446	1,140	1,213	1,213

16 EQUITY AND RESERVES

Equity - Group and Company

	2017 BD '000	2016 BD '000
<i>Authorised share capital</i>		
100 million ordinary shares of 100 fils each (2016: 100 million ordinary shares of 100 fils each)	10,000	10,000

Issued and fully paid share capital

71.5 million ordinary shares of 100 fils each (2016: 71.5 million ordinary shares of 100 fils each).

	2017 %	2016 %	2017 BD '000	2016 BD '000
Bahraini shareholders	30.55	30.55	2,184	2,184
Kuwaiti shareholders				
Gulf Insurance Group K.S.C.	56.12	56.12	4,013	4,013
Warba Insurance Company S.A.K.	13.33	13.33	953	953
	100.00	100.00	7,150	7,150

Based on the Group's Board of Directors' resolution dated 9th November 2017, the Company is committed to participate in the right's issue of Takaful International Company B.S.C. it's subsidiary, for the full proposed amount of BD 2,250 thousand in order for Takaful International Company B.S.C. to comply with the regulatory requirements of capital adequacy and solvency margin established by the Central Bank of Bahrain. As of the date of the financial statements, the rights issue has not yet taken place. (Refer Note 28)

- (i) Treasury shares represent 38,433 (2016: 38,433) shares relating to odd lots allotted to the Group, without any cash consideration, at the time of a rights issue and include subsequent bonus share issues on these shares.
- (ii) Names and nationalities of the major shareholders and the number of shares held in which they have an interest of 5% or more of outstanding shares are as follows:

Notes to the Consolidated and Company's Separate Financial Statements

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16 EQUITY AND RESERVES (Continued)

At 31 December 2017

Name of the shareholder	Nationality	Number of shares	Percentage of total outstanding shares
Gulf Insurance Group K.S.C.	Kuwait	40,126,909	56.12
Warba Insurance Company S.A.K.	Kuwait	9,533,332	13.33
BBK B.S.C.	Bahrain	4,879,818	6.82

At 31 December 2016

Name of the shareholder	Nationality	Number of shares	Percentage of total outstanding shares
Gulf Insurance Group K.S.C.	Kuwait	40,126,909	56.12
Warba Insurance Company S.A.K.	Kuwait	9,533,332	13.33
BBK B.S.C.	Bahrain	4,879,818	6.82

(iii) Distribution schedule of equity shares is as follows:

At 31 December 2017

Categories	Number of shares	Number of shareholders	Percentage of total outstanding shares
Less than 1%	13,894,462	3,731	19.44%
1% up to less than 5%	3,065,479	2	4.29%
5% up to less than 10%	4,879,818	1	6.82%
10% up to less than 20%	9,533,332	1	13.33%
20% and above	40,126,909	1	56.12%
Total	71,500,000	3,736	100.00%

At 31 December 2016

Categories	Number of shares	Number of shareholders	Percentage of total outstanding shares
Less than 1%	13,894,462	3,741	19.44%
1% up to less than 5%	3,065,479	2	4.29%
5% up to less than 10%	4,879,818	1	6.82%
10% up to less than 20%	9,533,332	1	13.33%
20% and above	40,126,909	1	56.12%
Total	71,500,000	3,746	100.00%

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At 31 December 2017

16 EQUITY AND RESERVES (Continued)

Share premium

The share premium is not available for distribution except in the circumstances stipulated in the Bahrain Commercial Companies Law and following approval of the Central Bank of Bahrain.

Statutory reserve

As required by the Bahrain Commercial Companies Law and the Insurance Regulations contained in Volume 3 of the Central Bank of Bahrain Rulebook, 10% of the profit for the year is to be transferred to a statutory reserve until such time as the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following approval of the Central Bank of Bahrain.

As the statutory reserve exceeds the minimum required limit of 50% of the paid up share capital due to additional voluntary transfers in previous years, no transfer is made in 2017 (2016: Nil).

General reserve

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

Dividends

Dividends for 2017 amounted to BD 1,787 thousand (25 fils per share) [for 2016: BD 2,145 thousand (30 fils per share)].

Proposed appropriations

The Board of Directors, at a meeting held on 21 February 2018, recommended the following appropriations, which are subject to approval of the shareholders at the Annual General Meeting to be held on 22 March 2018.

	2017 BD '000	2016 BD '000
- Cash dividend of 25 fils per share (2016: 25 fils per share)	1,787	2,145
- Transfer to general reserve	-	-

17 GROSS PREMIUMS

17.1 Group

	2017 BD '000	2016 BD '000
Led by the Group - net of refunds	55,835	39,896
Led by other insurance companies - Group's share	3,672	2,177
	59,507	42,073

17.2 Company

	2017 BD '000	2016 BD '000
Led by the Company - net of refunds	42,468	39,896
Led by other insurance companies - Company's share	3,142	2,177
	45,610	42,073

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18 GENERAL AND ADMINISTRATION EXPENSES

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Employee related costs	3,900	2,480	2,389	2,389
Depreciation (note 13)	393	186	255	255
Other operating expenses	968	706	721	721
Other takaful expenses	574	-	-	-
	5,835	3,372	3,365	3,365

19 FEE AND COMMISSION INCOME

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Commission income (note 14)	5,004	4,244	3,612	3,612
Policy and other fees	242	440	460	460
	5,246	4,684	4,072	4,072

20 INVESTMENT INCOME - NET

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Interest income on:				
held-to-maturity investments	223	223	220	220
balances with banks	698	612	532	532
Available-for-sale financial assets				
Dividend income	493	476	542	542
Interest on AFS bonds	293	161		
Gain on sale of investments	387	338	1,300	1,300
Write back on held-to-maturity				
investments (note 12.3)	9	9	59	59
Gain on remeasurement of a subsidiary	158	158	-	-
	2,261	1,977	2,653	2,653
Impairment loss on investments (note 12)	(340)	(85)	(626)	(626)
Investment management expenses	(256)	(256)	(256)	(256)
Advisory fees	(68)	(68)	(17)	(17)
	1,597	1,568	1,754	1,754

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21 OTHER INCOME AND EXPENSES

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Other income				
TPA fees - Takaful	260	-	-	-
Foreign exchange gain	14	14	28	28
Profit on sale of assets	14	12	4	4
Miscellaneous income	21	4	-	-
	309	30	32	32

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Other expenses				
Shareholder's expense - Takaful	342	-	-	-
Provision for National Labour / Support Tax and Zakat tax	52	52	18	18
Bank charges	47	47	41	41
Provision for doubtful debts (note 21.1)	24	24	10	10
Bad debts	15	15	3	3
Provision for impaired other receivables	11	11	-	-
Interest expense on premium reserve deposit	7	7	9	9
	498	156	81	81

21.1 Provision for doubtful debts

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Charge for the year (note 9)	205	205	10	10
Less: Transferred to participants	(181)	(181)	-	-
Provision for doubtful debts	24	24	10	10

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22 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding at the consolidated and separate statement of financial position date.

The income and share data used in the computation of earnings per share are as follows:

	2017 Group	2017 Company	2016 Company
Profit for the year (BD - thousand)	2,592	2,632	2,857
Weighted average number of ordinary shares outstanding, net of treasury shares	71,461,567	71,461,567	71,461,567
Earnings per share	36 Fils	37 Fils	40 Fils

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

Other information	2017	2016
Proposed cash dividend per share (note 16)	25 Fils	30 Fils
Net asset value per share	483 Fils	473 Fils
Share price per Bahrain Bourse at 31 December	480 Fils	600 Fils
Price to earnings ratio at 31 December	13 times	15 times
Total market capitalisation at 31 December (BD - thousand)	34,320	42,900

23 CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 December 2017, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

23.1 Group

	Available- for-sale BD '000	Financial assets at amortised cost BD '000	Loans and receivables BD '000	Total BD '000
Cash and balances with banks	-	-	37,748	37,748
Statutory deposits	-	-	5,032	5,032
Insurance receivables	-	-	22,460	22,460
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	57,510	57,510
Investments	14,771	2,801	-	17,572
	14,771	2,801	122,750	140,322

	Financial liabilities BD '000
Insurance liabilities	
- Outstanding claims - Reported claims	67,858
Payables and accrued liabilities	23,838
	91,696

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23 CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

23.2 Company

	Available- for-sale BD '000	Financial assets at amortised cost BD '000	Loans and receivables BD '000	Total BD '000
Cash and balances with banks	-	-	32,213	32,213
Statutory deposits	-	-	4,907	4,907
Insurance receivables	-	-	12,633	12,633
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	48,240	48,240
Investments	9,466	2,801	-	12,267
	9,466	2,801	97,993	110,260
				Financial liabilities BD '000
Insurance liabilities				
- Outstanding claims - Reported claims				53,743
Payables and accrued liabilities				16,832
				70,575

At 31 December 2016, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

23.3 Group and Company

	Available- for-sale BD '000	Financial assets at amortised cost BD '000	Loans and receivables BD '000	Total BD '000
Cash and balances with banks	-	-	33,925	33,925
Statutory deposits	-	-	4,282	4,282
Insurance receivables	-	-	13,927	13,927
Reinsurers' share of insurance liabilities				
- Outstanding claims - Reported claims	-	-	11,907	11,907
Investments	4,369	4,693	-	9,062
	4,369	4,693	64,041	73,103
				Financial liabilities BD '000
Insurance liabilities				
- Outstanding claims - Reported claims				16,213
Payables and accrued liabilities				18,632
				34,845

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24 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models.

The fair values of the funds that are listed on active markets are determined by reference to their quoted bid prices. The fair values of unlisted funds are based on net asset values which are determined by the fund manager using the quoted market prices of the underlying assets, if available, or other acceptable methods such as a recent price paid by another investor or the market value of a comparable company.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

24.1 Group

	31 December 2017			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	5,316	-	-	5,316
Trade and commerce	977	-	-	977
Industrial	2,055	-	-	2,055
Communications	8	-	-	8
Consumer Service	1,618	-	-	1,618
Other sectors	1,954	1	-	1,955
Unquoted equity investments				
Insurance	-	80	1,352	1,432
Industrial	-	56	-	56
Consumer Service	-	66	59	125
Other sectors	-	307	-	307
Other managed funds				
Other sectors	884	38	-	922
	12,812	548	1,411	14,771

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24 FAIR VALUE MEASUREMENT (Continued)

24.2 Company

	31 December 2017			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	3,859	-	-	3,859
Trade and commerce	-	-	-	-
Industrial	2,046	-	-	2,046
Communications	-	-	-	-
Consumer Service	1,378	-	-	1,378
Other sectors	734	38	-	772
Unquoted equity investments				
Insurance	-	-	1,352	1,352
Industrial	-	-	-	-
Consumer Service	-	-	59	59
Other sectors	-	-	-	-
Other managed funds				
Other sectors	-	-	-	-
	8,017	38	1,411	9,466

24.3 Group and Company

	31 December 2016			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Available-for-sale investments				
Quoted equities				
Banking	2,089	-	-	2,089
Trade and commerce	-	-	-	-
Industrial	226	-	-	226
Communications	758	-	-	758
Consumer Service	73	-	-	73
Other sectors	-	-	-	-
Unquoted equity investments				
Insurance	-	-	1,167	1,167
Consumer Service	-	-	9	9
Other managed funds				
Other sectors	-	47	-	47
	3,146	47	1,176	4,369

Valuations are dated 31 December each year.

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24 FAIR VALUE MEASUREMENT (Continued)

Reconciliation of movement in level 3 financial instruments measured at fair value - Group and Company

	At 1 January 2017 BD '000	Losses recognised in other comprehensive income BD '000	At 31 December 2017 BD '000
Available-for-sale investments			
Unquoted equity investments	1,176	235	1,411

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value hierarchies, and no transfers into or out of Level 3 fair value hierarchy (2016: No transfers).

Significant unobservable inputs to valuation - Available-for-sale investment in unquoted equity

A reasonably possible increase (decrease) in the key assumptions by 10% would result in a fair value (decrease) increase of (BD 141 thousand) BD 141 thousand [2016: (BD 117 thousand) BD 117 thousand]. The fair values of the financial assets and financial liabilities are not materially different from their carrying values at the reporting date.

In case of available-for-investments, the impairment charge in the statement of profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through other comprehensive income) and, would not have an effect on the consolidated and Company's separate statement of profit or loss.

Carrying amount and fair values of financial instruments not carried at fair value

The management assessed that the fair values of cash and bank balances, insurance receivables, reinsurers' share of insurance liabilities - reported claims, insurance liabilities - reported claims, payables to insurance and reinsurance companies, policyholders and other payables, approximate their carrying amounts largely due to short-term maturities of these instruments. These financial instruments are classified under level 2 of the fair value hierarchy.

Carrying amount and fair values of financial instruments not carried at fair value (continued)

A majority of the Group's held-to-maturity investments are in quasi-sovereign bonds. Following the impairment allowance recognised on certain of these bonds, management has assessed that the fair values of held-to-maturity investments approximate their carrying amounts as at the reporting date. Fair values of held-to-maturity investments are classified under level 2 of the fair value hierarchy.

25 SEGMENTAL INFORMATION

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

- **Fire and general** offers insurance policies to cover various risks of fire, general accident and engineering, medical, group life and special contingency;
- **Motor** offers insurance policies to cover risks of motor third party, motor comprehensive and extended warranty; and
- **Marine and aviation** offers insurance policies to cover risks of marine cargo, marine hull and marine aviation.
- **Family Takaful** offers insurance policies to cover risks of group life, education, protection, savings etc.

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

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At 31 December 2017

25 SEGMENTAL INFORMATION (Continued)

2017 Group

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Total BD '000
Gross premiums from external customers	38,979	17,169	2,232	1,127	59,507
Retained premiums	9,609	15,902	345	547	26,403
Net premiums	9,481	13,755	321	628	24,185
Fee and commission income	4,481	202	549	14	5,246
Segment revenue	13,962	13,957	870	642	29,431
Net claims	6,764	11,292	84	407	18,547
Net Premium deficiency reserves adjustment	-	137	-	-	137
Transfer to family takaful technical reserve	-	-	-	522	522
General and administrative expenses	2,819	2,417	398	201	5,835
Acquisition costs	2,025	1,049	82	62	3,218
Underwriting profit (loss)	2,354	(938)	306	(550)	1,172
Unallocable income*					1,937
Unallocable expenses**					(1,407)
Profit including participants' share					1,702
Less: Participants' share					(894)
Profit for the year					2,596

2017 Company

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Total BD '000
Gross premiums from external customers	31,990	11,686	1,934	-	45,610
Retained premiums	5,307	10,834	284	-	16,425
Net premiums	5,346	8,894	259	-	14,499
Fee and commission income	3,884	306	494	-	4,684
Segment revenue	9,230	9,200	753	-	19,183
Net claims	3,576	7,684	83	-	11,343
Net Premium deficiency reserves adjustment	-	137	-	-	137
General and administrative expenses	1,594	1,472	306	-	3,372
Acquisition costs	1,505	813	60	-	2,378
Underwriting profit (loss)	2,555	(906)	304	-	1,953
Unallocable income*					1,629
Unallocable expenses**					(950)
Profit including participants' share					2,632
Less: Participants' share					-
Profit for the year					2,632

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At 31 December 2017

25 SEGMENTAL INFORMATION (Continued)

2016 Group and Company

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Total BD '000
Gross premiums from external customers	32,233	7,958	1,882	-	42,073
Retained premiums	4,617	7,306	181	-	12,104
Net premiums	4,673	7,451	203	-	12,327
Fee and commission income	3,134	278	660	-	4,072
Segment revenue	7,807	7,729	863	-	16,399
Net claims	2,428	6,832	55	-	9,315
Net Premium deficiency reserves adjustment	-	143	-	-	143
General and administrative expenses	1,553	1,478	334	-	3,365
Acquisition costs	1,332	396	85	-	1,813
Underwriting profit (loss)	2,494	(1,120)	389	-	1,763
Unallocable income*					1,948
Unallocable expenses**					(854)
Profit including participants' share					2,857
Less: Participants' share					-
Profit for the year					2,857

*Includes investment income - net, share of results of an associate and other income.

**Includes corporate expenses and other expenses.

The following table presents disclosure of segment assets:

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Unallocable assets * BD '000	Total BD '000
Segment assets						
2017 Group	75,384	5,265	1,192	1,256	89,001	172,098
2017 Company	68,091	3,636	1,070	-	69,161	141,958
2016 Group and Company	28,911	4,063	1,105	-	66,812	100,891

	Fire and general BD '000	Motor BD '000	Marine and aviation BD '000	Family Takaful BD '000	Unallocable liabilities** BD '000	Total BD '000
Segment liabilities						
2017 Group	85,829	21,564	1,450	3,111	23,613	135,567
2017 Company	74,893	14,394	1,289	-	16,831	107,407
2016 Group and Company	35,170	11,938	1,340	-	18,631	67,079

* Segments assets do not include cash and cash equivalents, statutory deposits, insurance receivables, investments, investment property and property and equipment as these assets are managed on an integrated basis.

** Segment liabilities do not include payable and accrued liabilities as these liabilities are managed on an integrated basis.

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25 SEGMENTAL INFORMATION (Continued)

Cash flows relating to segments are not disclosed separately as these are managed on an integrated basis.

2017 Group

	Bahrain BD '000	Kuwait BD '000	Qatar BD '000	Total BD '000
Gross premiums from external customers*	43,797	15,550	160	59,507
Non-current assets**	5,202	23	-	5,225

2017 Company

	Bahrain BD '000	Kuwait BD '000	Qatar BD '000	Total BD '000
Gross premiums from external customers*	30,061	15,549	-	45,610
Non-current assets**	3,119	23	-	3,142

2016 Group and Company

	Bahrain BD '000	Kuwait BD '000	Qatar BD '000	Total BD '000
Gross premiums from external customers*	26,179	15,894	-	42,073
Non-current assets**	3,191	35	-	3,226

* The gross premium information is based on the location of the customer.

** Non-current assets for this purpose consist of property and equipment and investment property and is based on the location of the property and equipment.

26 RISK MANAGEMENT

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

Financial assets include cash and cash equivalents, deposits, receivables and investments. Financial liabilities include payables (to insurance and reinsurance companies, policyholders and other parties). Accounting policies for financial assets and financial liabilities are set out in note 4.

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

a) Insurance risk

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

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

Underwriting and retention policies and procedures and limits precisely regulate who is authorised and accountable for concluding insurance and reinsurance contracts and on what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

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

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At 31 December 2017

26 RISK MANAGEMENT (Continued)

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

Concentration of insurance risk

The Group does not have any single insurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the statement of profit or loss (2016: same). The geographical and segmental concentration of insurance risk is set out in note 25.

b) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Bahraini Dinars and Kuwaiti Dinars and its exposure to foreign exchange risk arises primarily because the Kuwaiti Dinar is not pegged to the United States Dollar or Bahraini Dinar. The table below summarises the Group's exposure to foreign currency exchange rate risk at the statement of financial position date by categorising monetary assets and liabilities by major currencies.

Currency risk - Group

	31 December 2017				
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
ASSETS					
Cash and balances with banks	13,787	19,332	4,576	53	37,748
Statutory deposits	250	4,782	-	-	5,032
Insurance receivables	16,044	3,779	2,219	418	22,460
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	43,235	10,849	-	849	54,933
Investments	4,182	841	9,370	3,179	17,572
	77,498	39,583	16,165	4,499	137,745

	31 December 2017				
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
LIABILITIES					
Insurance liabilities - outstanding claims - Reported claims	50,567	11,352	-	1,071	62,990
Unearned commissions	1,377	1,153	-	10	2,540
Payables and accrued liabilities	13,089	7,265	3,134	125	23,613
	65,033	19,770	3,134	1,206	89,143
Net exposure	12,465	19,813	13,031	3,293	48,602

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At 31 December 2017

26 RISK MANAGEMENT (Continued)

b) Currency Risk (Continued)

Currency risk - Company

31 December 2017					
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
ASSETS					
Cash and balances with banks	9,127	19,332	3,722	32	32,213
Statutory deposits	125	4,782	-	-	4,907
Insurance receivables	8,540	3,779	314	-	12,633
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	37,392	10,848	-	-	48,240
Investments	3,097	714	6,001	2,455	12,267
	58,281	39,455	10,037	2,487	110,260

31 December 2017					
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
LIABILITIES					
Insurance liabilities - outstanding claims - Reported claims	42,391	11,352	-	-	53,743
Unearned commissions	1,054	1,153	-	-	2,207
Payables and accrued liabilities	6,432	7,265	3,134	-	16,831
	49,877	19,770	3,134	-	72,781
Net exposure	8,404	19,685	6,903	2,487	37,479

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

26 RISK MANAGEMENT (Continued)

b) Currency Risk (Continued)

Currency risk - Group and Company

	31 December 2016				
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
ASSETS					
Cash and balances with banks	11,283	17,395	5,209	38	33,925
Statutory deposits	125	4,157	-	-	4,282
Insurance receivables	6,937	6,990	-	-	13,927
Reinsurers' share of insurance reserves - outstanding claims					
- Reported claims	3,850	8,057	-	-	11,907
Investments	4,694	1,382	2,286	700	9,062
	26,889	37,981	7,495	738	73,103

	31 December 2016				
	Bahraini Dinars BD '000	Kuwaiti Dinars BD '000	United States Dollars BD '000	Other BD '000	Total BD '000
LIABILITIES					
Insurance liabilities - outstanding claims - Reported claims	7,462	8,751	-	-	16,213
Unearned commissions	1,103	1,296	-	-	2,399
Payables and accrued liabilities	4,737	7,918	5,976	-	18,631
	13,302	17,965	5,976	-	37,243
Net exposure	13,587	20,016	1,519	738	35,860

A 5% movement in the Kuwaiti Dinar exchange rate against the Bahraini Dinar would impact other comprehensive income by BD 756 thousand (2016: BD 772 thousand).

c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group's short-term deposits are at fixed interest rates and mature within six months. Investments in bonds consist of both fixed rate instruments and have maturities ranging from 1 year to 10 years.

The Group does not use any derivative financial instruments to hedge its interest rate risk.

A 50 basis point change in the interest rates would impact the consolidated statement of profit or loss by BD 189 thousand and the company's separate statement of profit or loss by BD 161 thousand (2016 Group and Company: BD 170 thousand).

d) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risk with respect to its investments (listed and unlisted shares, bonds and managed funds). The geographical concentration of the Group's investments is set out below:

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At 31 December 2017

26 RISK MANAGEMENT (Continued)

d) Price risk (Continued)

Geographical concentration of investments

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Bahrain	7,418	5,468	6,744	6,744
UAE	3,645	1,902	73	73
Saudi Arabia	2,166	1,748	402	402
Kuwait	1,841	1,714	1,429	1,429
Qatar	1,836	1,435	414	414
Asia/BRIC	476	-	-	-
Other countries/global	190	-	-	-
	17,572	12,267	9,062	9,062

The Group limits market risk by maintaining a diversified portfolio, proactively monitoring the key factors that affect stock and bond market movements and periodically analysing the operating and financial performance of investees.

The Group's equity investments comprise securities quoted on the stock exchanges in Bahrain and Kuwait. A 5% change in the prices of the equities, with all other variables held constant, would impact the Group's equity by BD 236 thousand and the Company's equity by BD 192 thousand (Group and Company 2016: BD 157 thousand). There would be no impact on the statement of profit or loss as all equity investments are classified as available-for-sale.

e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise. The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

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

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At 31 December 2017

26 RISK MANAGEMENT (Continued)

e) Liquidity risk (Continued)

Liquidity risk - Group

	31 December 2017			
	One year or less BD '000	More than one year BD '000	No term BD '000	Total BD '000
ASSETS				
Cash and balances with banks	37,748	-	-	37,748
Statutory deposits	-	-	5,032	5,032
Insurance receivables	21,344	1,116	-	22,460
Deferred acquisition costs	1,813	-	-	1,813
Reinsurers' share of insurance liabilities	80,901	-	-	80,901
Reinsurers' share of mathematical reserves	383	-	-	383
Investments	1,081	7,026	9,465	17,572
Investment in a subsidiary	-	-	-	-
Property and equipment	-	-	5,225	5,225
Recoverable from participants	964	-	-	964
	144,234	8,142	19,722	172,098
LIABILITIES				
Insurance liabilities	107,351	-	-	107,351
Mathematical reserves	2,063	-	-	2,063
Unearned commissions	2,540	-	-	2,540
Payables and accrued liabilities	20,368	3,245	-	23,613
	132,322	3,245	-	135,567

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

26 RISK MANAGEMENT (Continued)

e) Liquidity risk (Continued)

Liquidity risk - Company

	31 December 2017			
	One year or less BD '000	More than one year BD '000	No term BD '000	Total BD '000
Assets				
Cash and balances with banks	32,213	-	-	32,213
Statutory deposits	-	-	4,907	4,907
Insurance receivables	12,105	528	-	12,633
Deferred acquisition costs	1,348	-	-	1,348
Reinsurers' share of insurance liabilities	71,449	-	-	71,449
Reinsurers' share of mathematical reserves	-	-	-	-
Investments	118	2,683	9,466	12,267
Investment in a subsidiary	-	-	3,999	3,999
Property and equipment	-	-	3,142	3,142
Recoverable from participants	-	-	-	-
	117,233	3,211	21,514	141,958
LIABILITIES				
Insurance liabilities	88,369	-	-	88,369
Mathematical reserves	-	-	-	-
Unearned commissions	2,207	-	-	2,207
Payables and accrued liabilities	13,666	3,165	-	16,831
	104,242	3,165	-	107,407

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At 31 December 2017

26 RISK MANAGEMENT (Continued)

e) Liquidity risk (Continued)

Liquidity risk - Group and Company

	31 December 2016			
	One year or less BD '000	More than one year BD '000	No term BD '000	Total BD '000
ASSETS				
Cash and balances with banks	33,925	-	-	33,925
Statutory deposits	-	-	4,282	4,282
Insurance receivables	13,540	387	-	13,927
Deferred acquisition costs	1,131	-	-	1,131
Reinsurers' share of insurance liabilities	32,948	-	-	32,948
Investments	918	3,775	4,369	9,062
Investment in an associate	-	-	2,390	2,390
Property and equipment	-	-	3,226	3,226
	82,462	4,162	14,267	100,891
LIABILITIES				
Insurance liabilities	46,049	-	-	46,049
Unearned commissions	2,399	-	-	2,399
Payables and accrued liabilities	16,165	2,466	-	18,631
	64,613	2,466	-	67,079

f) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk on receivables is limited to receivables from policyholders which are carried net of impairment losses, and to insurance and reinsurance companies. The Group manages credit risk with respect to receivables from policyholders by monitoring risks in accordance with defined policies and procedures.

Management seeks to minimise credit risk with respect to insurance and reinsurance companies by only ceding business to companies with good credit ratings in London, as well as European and Middle East reinsurance markets.

The Group manages credit risk on its cash deposits and investments by ensuring that the counterparties have an appropriate credit rating. The Group does not have an internal credit rating of counterparties and uses external credit rating agencies' websites to rate the companies. The following balances are with counterparties having a credit rating of BBB- (2016: BBB-) or above:

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Cash and balances with banks	37,748	32,213	33,925	33,925
Statutory deposits	5,032	4,907	4,282	4,282
Reinsurers' share of insurance reserves				
- Outstanding claims - Reported claims	54,933	48,240	11,907	11,907
Investments - held-to-maturity	2,801	2,801	4,693	4,693

The Group's maximum exposure to credit risk on its financial assets was BD 126,941 thousand and the Company's maximum exposure to credit risk on its financial assets was BD 102,189 thousand (Group and Company 2016: BD 69,756 thousand).

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26 RISK MANAGEMENT (Continued)

g) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Group's cash and cash equivalents, investments, receivables and payables are not materially different from their carrying values as shown in the consolidated and separate statement of financial position and further discussed in note 24.

h) Capital management

Capital requirements are set and regulated by the Central Bank of Bahrain. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue capital securities.

The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to the Group's objectives, policies and processes for capital management from the previous year.

27 RELATED PARTIES

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

Transactions with related parties included in the statement of profit or loss are as follows:

27.1 Group

	31 December 2017			
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Gross premiums	4	2,147	56	209
Reinsurers' share of gross premiums	-	7,443	-	-
Gross claims paid	-	653	2	114
Reinsurers' share of claims paid	-	1,710	-	-
Fee and commission income	-	1,255	6	-
Acquisition costs	-	1	-	-

Notes to the Consolidated and Company's Separate Financial Statements

At 31 December 2017

27 RELATED PARTIES (Continued)

27.2 Company

31 December 2017				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Gross premiums	1	2,020	56	209
Reinsurers' share of gross premiums	-	7,443	-	-
Gross claims paid	-	653	2	114
Reinsurers' share of claims paid	-	1,710	-	-
Fee and commission income	-	1,255	6	-
Acquisition costs	-	1	-	-

27.3 Group and Company

31 December 2016				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Gross premiums	2	1,545	137	273
Reinsurers' share of gross premiums	-	4,377	-	-
Gross claims paid	-	653	11	99
Reinsurers' share of claims paid	-	1,345	-	-
Fee and commission income	-	1,007	31	-
Acquisition costs	-	1	-	-

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

27.4 Group

31 December 2017				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Insurance receivables	3	1,013	-	26
Reinsurers' share of insurance liabilities	-	4,445	-	-
Insurance liabilities	-	3,240	-	-
Payables and accrued liabilities	-	-	-	-
Available for sale - investments	-	81	-	-

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27 RELATED PARTIES (Continued)

27.5 Company

31 December 2017				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Insurance receivables	1	670	-	26
Reinsurers' share of insurance liabilities	-	4,445	-	-
Insurance liabilities	-	3,240	-	-
Payables and accrued liabilities	-	-	-	-
Available for sale - investments	-	-	-	-

27.6 Group and Company

31 December 2016				
	Key management personnel BD '000	Shareholders BD '000	Associate BD '000	Entities related to shareholders BD '000
Insurance receivables	1	305	20	37
Reinsurers' share of insurance liabilities	-	1,452	30	-
Insurance liabilities	-	221	-	-
Payables and accrued liabilities	-	12	22	-

Compensation of key management personnel

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

	2017 Group BD '000	2017 Company BD '000	2016 Group BD '000	2016 Company BD '000
Salaries and benefits	914	595	622	622
Remuneration and attendance fees to Directors	213	168	178	178
Employees' end of service benefits	54	42	50	50
	1,181	805	850	850

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At 31 December 2017

28 CONTINGENT LIABILITIES

A contingent liability exists at the consolidated statement of financial position date in respect of letters of guarantee amounting to BD 4,948 thousand (2016: BD 4,318 thousand) issued by banks in Kuwait in favour of the Ministries of Commerce and Industry and Health, State of Kuwait to comply with statutory requirements. The Group maintains a deposit of BD 4,807 thousand (2016: BD 4,181 thousand) in the same banks to cover the amounts guaranteed.

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial position.

Commitments

Based on the Group's Board of Directors' resolution dated 9th November 2017, the Company is committed to participate in the right's issue of Takaful International Company B.S.C. it's subsidiary, for the full proposed amount of BD 2,250 thousand in order for Takaful International Company B.S.C. to comply with the regulatory requirements of capital adequacy and solvency margin established by the Central Bank of Bahrain. As of the date of the financial statements, the rights issue has not yet taken place.

29 COMPARATIVE INFORMATION

This is the first set of BKIC's consolidated financial statements following Takaful becoming a subsidiary. All comparative balances and figures in the consolidated statements of financial position, profit or loss, comprehensive income, changes in equity and changes in cashflows reflect the Company's performance only. These balances and figures correspond to BKIC's previously issued audited financial statements for the year ended 31 December 2016.

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