Hannover ReTakaful B.S.C. (c)

FINANCIAL STATEMENTS

31 DECEMBER 2015

Commercial Registration	:	62686 (Licensed as a Locally Incorporated Reinsurance Firm (Islamic Principles) by the Central Bank of Bahrain)
Board of Directors	:	Jürgen Gräber, *Chairman* Mahomed Akoob Claude Chèvre Christian Lefebvre Gerald Segler
Registered Office	:	Al Zamil Tower, 17th floor P.O. Box 75180 Manama Kingdom of Bahrain

Hannover ReTakaful B.S.C. (c)

FINANCIAL STATEMENTS
For the year ended 31 December 2015

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REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 December 2015

The Board of Directors submit their report together with the audited financial statements of Hannover ReTakaful B.S.C. (c) ("the Company") for the year ended 31 December 2015.

Principal activity

The Company's principal activity is to carry out retakaful activities in conformity with the precepts of Islamic Sharia.

Financial performance

The results of the Company for the year ended 31 December 2015 are as follows:

Financial highlights	**2015 BD**	2014 BD
Gross contribution written	**69,091,346**	76,959,643
Shareholders' profit for the year	**2,734,185**	7,124,909
Equity attributable to shareholders	**60,506,188**	55,388,888
Policyholders' equity	**(25,924,894)**	(23,579,119)

Share capital

The Company has an authorised equity share capital of BD 50,000,000 and issued equity share capital of BD 20,000,000 divided into 20,000,000 shares of BD 1 each. The total issued equity share capital is fully paid up. The Board is pleased to propose a dividend of BHD 0.058 per share, subject to the approval of the Central Bank of Bahrain.

Public disclosures as required by the Central Bank of Bahrain

Appendix 1 to this report reflects the public disclosures as required by the Central Bank of Bahrain to the extent applicable to the Company in Bahrain.

Representations and audit

The Company's activities for the year ended 31 December 2015 have been conducted in accordance with the Bahrain Commercial Companies Law 2001, Volume 3 of the Central Bank of Bahrain (CBB) Rulebook and other relevant statutes of the Kingdom of Bahrain. There have been no events subsequent to 31 December 2015, which would in any way invalidate the financial statements on pages 14 to 46. There were no violations of the Bahrain Commercial Companies Law 2001, Volume 3 of the CBB Rulebook and CBB directives or the terms of the Company's Memorandum and Articles of Association during the year.

The Company has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors, KPMG Fakhro, who have signified their willingness to continue in office for the next accounting year.

Jürgen Gräber
Chairman
2 March 2016

Appendix 1 (Public Disclosures)

Financial position

Annual audited financial statements and auditor's report

The annual audited financial statements and auditors' report thereon as of and for the year ended 31 December 2015 are set out on pages 14 to 46 of the Financial Statements.

Solvency statement

Required minimum solvency margins

Required minimum solvency margin is the amount by which the retakaful firm's assets have to exceed its liabilities, both being valued in accordance with the provisions set out in the Central Bank of Bahrain's Rulebook applicable to takaful and retakaful entities. Required minimum solvency margins are determined for general retakaful and family retakaful business.

Particulars	**2015 Bahraini Dinars (000s)**	2014 Bahraini Dinars (000s)
Required minimum solvency margin for family retakaful	**400**	400
Required minimum solvency margin for general retakaful	**8,291**	7,057

Shareholders' available capital

Shareholders' available capital refers to the ability of the Company to maintain sufficient capital to enable it to meet, at all times, its Qard Hassan obligations to policyholders. The available capital of the Company comprises the following:

Particulars	**2015 Bahraini Dinars (000s)**	2014 Bahraini Dinars (000s)
Tier 1 or core capital comprising the highest quality capital elements that fully meet all the essential characteristics of capital	56,013	53,719
Tier 2 capital or supplementary capital comprising other instruments that fall short of the quality of Tier 1 capital but contribute to the overall financial strength of the Company	-	-
Deduction from Tier 1 capital	(1,797)	(2,328)
Shareholders' available capital	**54,216**	51,391

Appendix 1 (Public Disclosures)

Capital adequacy

To assess the Company's capital adequacy, the shareholders' available capital is compared to the required solvency margin. As of 31 December 2015, the excess of available capital above required solvency margin is as follows:

Particulars	**2015 Bahraini Dinars (000s)**	2014 Bahraini Dinars (000s)
Shareholders' available capital	54,216	51,391
Net admissible assets to cover solvency margin		
– Family retakaful fund	4,044	2,838
– General retakaful fund	(32,406)	(27,993)
Total available capital to cover required solvency margin	25,854	26,236
less: required solvency margin	8,691	7,457
Excess capital	**17,164**	18,779

Key ratios

A summary of key retakaful ratios of Hannover ReTakaful's general and family business and other operational ratios is presented below.

	2015		2014	
Ratio	**General Retakaful**	**Family Retakaful**	General Retakaful	Family Retakaful
Retakaful ratios				
Retention ratio	95.1%	98.9%	96.9%	99.1%
Gross contribution to shareholders' equity	79%	35.2%	72.8%	66.1%
Net contribution to shareholders' equity	75.1%	34.8%	66.8%	67.1%

Appendix 1 (Public Disclosures)

Combined ratios (shareholders' and policyholders' funds)

	2015	2014
Liquidity ratios		
Current ratio	10:1	19:1
Liabilities / liquid assets	103%	116%
Technical reserves / liquid assets	92%	103%
Solvency ratios		
Solvency ratio	197%	252%
Share capital and surplus as a % of liabilities	15%	18%
Technical reserves to shareholders' equity	169%	186%
Technical reserves to net contribution	167%	139%

Capital ratios	**2015**	2014
Investments to technical reserves	109%	98%
Return on paid up capital	14%	36%
Return on shareholders' equity	5%	13%
Return on total assets employed	0.4%	-1.5%

Code of Conduct and Ethics

In accordance with the requirements of the CBB Rulebook (High Level Controls Module), the Company has a corporate code of conduct and ethics in place which all directors and employees have to adhere to.

Role of Board of Directors and management, experience of Directors and management

The Board of Directors

The Company is controlled through its Board of Directors that is ultimately accountable and responsible for the management and performance of the Company. The Board's main roles are to create value to stakeholders, to provide entrepreneurial leadership to the Company, to approve the 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 of the Company consists of five members. Four of the five directors are non-executive directors. Resumes of the directors are as follows:

Appendix 1 (Public Disclosures)

Jürgen Gräber, Chairman

Mr. Jürgen Gräber graduated with a diploma in Economics from the University of Hannover, Germany. Post-graduation, Mr. Gräber joined Hannover Rück SE in 1981, and since then has been contributing to the success and growth of the Hannover Re Group serving in different areas of responsibility.

In 1992 he became Vice President with key responsibility for Asia, Africa and the Australian Market and was appointed as a Member of the Executive Board of the Hannover Re Group in 1997. Mr. Gräber was steering the Group's activities in the APAC region and the Advanced Solutions Team until 2001 when he became the Group's Coordinator for Property and Casualty (P&C) Reinsurance Business worldwide and took over responsibility for the US-market from September 1, 2001. In 2009 his responsibility changed from the US-market to Hannover Re's Specialty Lines Business (including Aviation & Space, Marine, Credit, Surety and Political Risks) as well as Retrocessions, Structured Reinsurance, Insurance Linked Securities, Quotations and Hannover Re's operations in the UK, Ireland and Africa. Since September 2014, Mr. Gräber's responsibilities encompass the coordination of the Group's worldwide P&C Reinsurance, the steering of business of the Iberian Peninsula, Central- & South America, Carribbean, the APAC and Africa regions, the writing of Agricultural Risks worldwide, Catastrophe XL business assumed by Hannover Re Bermuda as well as Structured Reinsurance, Insurance Linked Securities, Retrocessions and Quotations.

Mr. Gräber has been appointed as member of the Board of Directors of Hannover Retakaful B.S.C. (c) with effect from September 1, 2014, and elected as its Chairman.

Mahomed Akoob, Managing Director

Mr. Akoob is Associate member of the Insurance Institute of South Africa (AIISA) and a Follow member of the Institute of Risk Managers (FIRMA).

Mr. Akoob joined Munich Reinsurance Company in South Africa in 1976 and developed his career working in various short-term insurance and underwriting departments including claims and became the General Manager for Underwriting and Finance.

In 2002, Mr. Akoob joined the Hannover Re Group in South Africa as an Executive Director and Chief Financial Officer. His responsibilities included Corporate Finance, Investments, Information Technology and Reinsurance. He was instrumental in establishing the first takaful company in South Africa.

In 2006, Mr. Akoob was tasked with the responsibility of setting up Hannover ReTakaful B.S.C. (c) in Bahrain, where he was appointed as the Managing Director. He brought with him a wealth of experience in both treaty and facultative underwriting, as well as finance, strategic planning and management.

Claude Chèvre

Mr. Chèvre holds a degree in Mathematics.

After graduating he embarked on his professional career in 1995 at Union Reinsurance Company Life & Health in Zurich. Following the company's integration into the Swiss Re Group, Mr. Chèvre assumed responsibility for the Spanish market. He subsequently held various managerial positions in life and health reinsurance business; in 2002 he was appointed as a member of the Senior Management of Swiss Re.

Appendix 1 (Public Disclosures)

After two years with Winterthur Insurance Group, Mr. Chèvre joined Partner Re, Zurich, in 2007, where as a member of Senior Management he was initially responsible for the development of Asian business. Since 2008 he has served as Head of Life for Asian markets, Spain, Portugal and Latin America.

Mr. Chèvre was first appointed as member of the Executive Board of Hannover Rück SE on November 1, 2011. Mr Chèvre was appointed to the Board of Hannover ReTakaful B.S.C. (c) on March 18, 2012.

Christian Lefebvre

Mr. Lefebvre, a qualified lawyer, joined Hannover Re on September 1, 1987, and moved to the new Facultative Casualty Team in early 1989. He was put in charge of the newly established department in 1993 and got promoted to a Director in 2003.

Mr. Lefebvre currently holds the position of Managing Director of the Direct & Facultative Division of the Hannover Re Group. This position encompasses, amongst others, the co-ordination & network steering of the world wide facultative business and the management of the Facultative Specialty Lines department.

Mr Lefebvre was appointed to the Board of Directors of Hannover ReTakaful B.S.C. (c) on July 5, 2009.

Gerald Segler

Mr Segler holds a degree in economics from the University of Hagen. He published academic works on the topics Market Risk Management within Regulatory Environment in Insurance and Competition of International Corporate Governance Systems in Business Research and Practice.

Prior to joining Hannover Re in 2003, Mr Segler was an Assistant Vice President at AP Asset Management AG and AP Anlage & Privatbank AG, Zurich, where he was responsible for steering of risk and cost economies for all Private Equity projects as well as market analysis for fixed income derivatives. Mr Segler currently heads the Investment & Collateral Management (ICM) department which is responsible, among others, for the asset management of the entire Hannover Re Group.

Mr. Segler is also the Chairman of the Board of Hannover Re Real Estate Holding, Inc., Orlando; Florida, USA, and a Managing Director of Hannover Re Euro RE Holdings GmbH, Hannover, as well as HAPEP II Komplementär GmbH, Hannover. Mr Segler was appointed to the Board of Directors of Hannover ReTakaful B.S.C. (c) on August 1, 2011.

The Board, which met four times during the year 2015, has a schedule of matters reserved for its approval.The specific responsibilities reserved for the Board of Directors include:

- setting the strategy and approving an annual budget and medium-term projections;
- reviewing operational and financial performance;
- approving major acquisitions, divestments and capital expenditure; for major acquisitions and divestments additional approval by the shareholders would be required;
- reviewing the systems of financial control and risk management;

- ensuring that appropriate management development and succession plans are in place;
- approving policies relating to Directors' remuneration and the severance of Directors' contracts;
- ensuring that a satisfactory dialogue takes place with shareholders, policyholders and the Sharia Board; and
- ensuring conduct of business is in compliance with Sharia rules and principles.

The Audit & Risk Committee

The Board of Directors has established an Audit & Risk Committee which met three times during the year. The Audit & Risk Committee of the Board of Directors is instrumental in the Board's fulfilment of its oversight responsibilities relating to:

- the integrity of the Company's financial statements
- the Company's compliance with legal and regulatory requirements
- the qualifications, independence and performance of the Company's external auditors
- monitoring the performance of the Company's internal audit function
- The business practices and ethical standards of the Company.

The internal audit function which has been outsourced reports to the Committee. The Committee is comprised of the following members:

Christian Lefebvre, Chairman; Mahomed Akoob; Gerald Segler.

The Nomination & Remuneration Committee

The Nomination and Remuneration Committee consists of Board Members to assist the Board in discharging its oversight duties relating to:

- Identify persons qualified to become members of the Board of Directors or Chief Executive Officer, Chief Financial Officer, Corporate Secretary and any other officers of the Company considered appropriate by the Board
- Make recommendations to the whole Board of Directors including recommendations of candidates for Board membership to be included by the Board of Directors on the agenda for the annual general meeting;
- Review the Company's remuneration policies for the Board of Directors and senior management;
- Make recommendations regarding remuneration policies and amounts for specific persons to the whole Board, taking account of total remuneration including salaries, fees, expenses and employee benefits; and
- Remunerate Board members based on their attendance and performance. The Committee is comprised of the following members:

Jürgen Gräber, Chairman; Mahomed Akoob; Claude Chèvre; Christian Lefebvre.

The Investment Committee

The Investment Committee consists of Board members to:

- Support the Board in making investment decisions which add to and enhance the Company's current strategy
- Support the Board in keeping tight contact with the Company's Sharia Supervisory Board whenever necessary.

- Approve the investment strategy determined. This strategy is set ensuring compliance with any legislative requirements and compliance with any Hannover Re Group Investment Guidelines.

Jürgen Gräber, Chairman; Mahomed Akoob; Gerald Segler.

Meeting Attendance

Director	02.03.2015		04.05.2015		27.07.2015		18.10.2015	
	Board	ARC	Board	ARC	Board	ARC	Board	ARC
Jürgen Gräber	√	*	√	*	√	*	√	*
Mahomed Akoob	√	√	√	√	√	√	√	√
Claude Chèvre	√	*	√	*	√	*	√	*
Christian Lefebvre	√	√	√	√	√	√	√	√
Gerald Segler	√	√	√	√	√	√	√	√

√ Present
* not applicable
ARC - Audit & Risk Committee

The Roles of the Chairman and the Managing Director

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, and ensures its effectiveness and sets its agenda. The Chairman is a Non-Executive and has no involvement in the day to day business of the Company. The Chairman facilitates the effective contribution of non-executive Directors and constructive relations between executive and non-executive Directors. He ensures that the Directors receive accurate, timely and clear information and facilitates effective communication with the Company's shareholders.

The Company has appointed Mahomed Akoob as Managing Director on 3 October 2006 who has been vested with the 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.

Corporate Governance

The Company remains committed to comply with the regulatory requirements of the Corporate Governance Guidelines as a framework for the governance of the Company. These guidelines developed to cover matters specifically stated in the Bahrain Commercial Companies Law, Bahrain's Corporate Governance Code (the "CGC"), the Company's Articles of Association, Rulebook Volume "3" of the Central Bank of Bahrain (the "CBB"), and other corporate governance matters deemed appropriate by the Board.

Appendix 1 (Public Disclosures)

With reference to Volume 3 of the Central Bank of Bahrain (CBB) Rulebook, Module HC, and its principles we are pleased to apprise that the Company is in compliance with the regulation as stated, reinforcing the values of responsibility, accountability, fairness and transparency of the Company.

The Sharia Supervisory Board

The Sharia Supervisory Board (SSB) is appointed by the Shareholders upon the recommndation of the Board of Directors. The responsibilities of the SSB are to:

- Set out the rules, regulations and procedures in terms of Shariah compliance;
- Advise on any Shariah matter and ensure compliance with Shariah within the Company.

The company has in addition employed the services of IFAAS (Islamic Financial Advisory & Assurance Services), an independent Sharia auditor, to review annually the Sharia compliance of the company.

The Sharia Supervisory Board consists of three Sharia scholars and meets twice a year.

Member	08.02.2015	22.11.2015
Dr. Mohamed Ali Elgari	√	√
Mufti Muhammad Hassan	√	√
Mufti Faizal Manjoo	√	√

√ Present

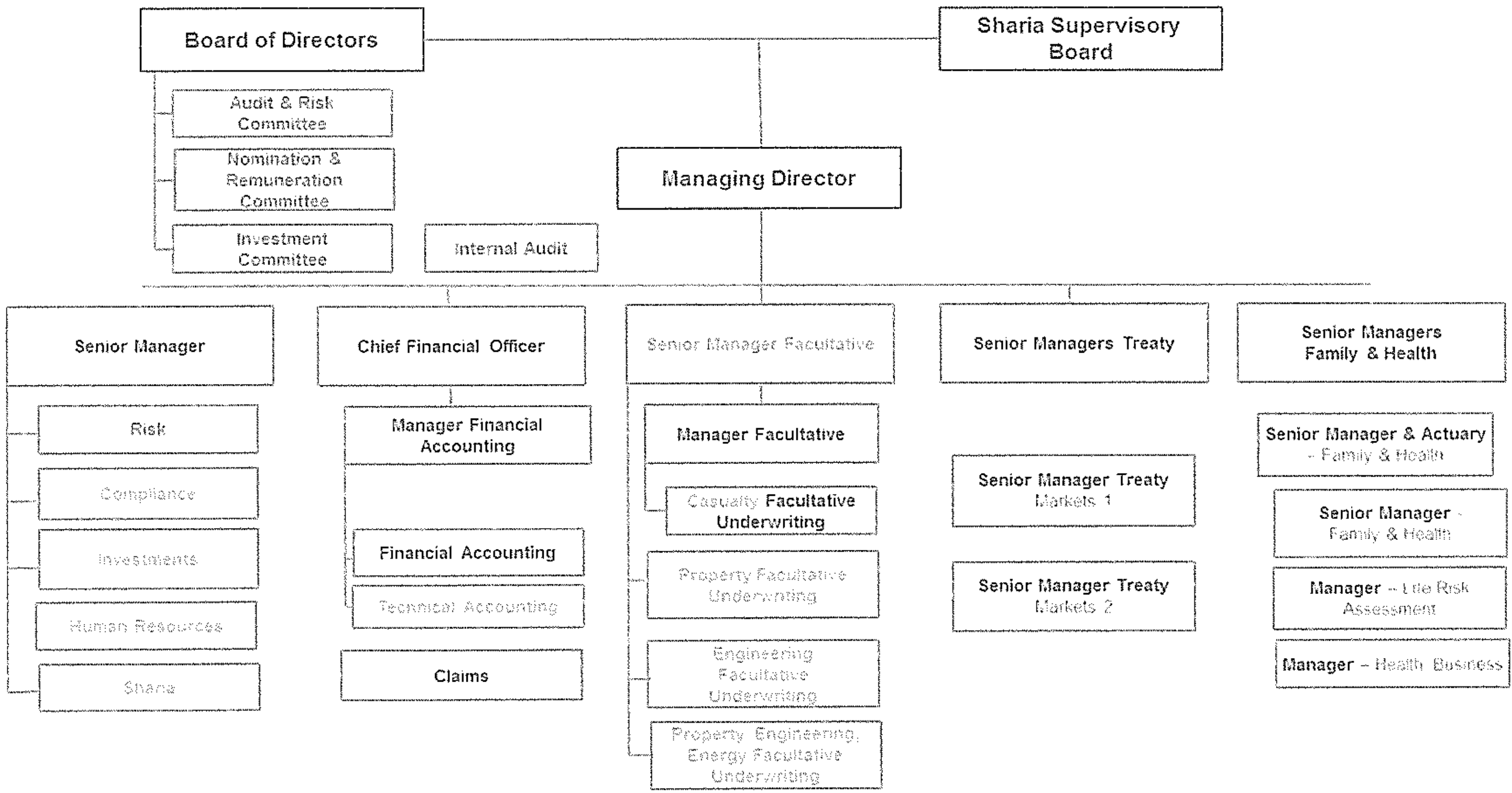
Management of the Company and Organisational Structure

Management of the Company is as follows:

Managing Director	Mahomed Akoob
Chief Financial Officer	Philipp Schapper
Senior Manager - Finance & Compliance*	Ridwaan Patel
Senior Manager – Treaty	Fadhel Al Sabea
Senior Manager – Treaty	Adham El-Muezzin
Senior Manager – Facultative	Kumaraswamy Puvvada
Senior Manager – Head of Family & Health	Naveed Shahid
Senior Manager – Family & Health	Hania Abdeljalil
Senior Manager – Health Business	Dr. Zakir Hussain
Manager – Financial Accounting	Sathyajith Tiranagama
Manager – Facultative Business	Christof Metje
Manager – Life Risk Assessment	Mansoor Iftikar

* Senior Manager Finance & Compliance is also the Company Secretary, Compliance Officer and Money Laundering Reporting Officer.

Appendix 1 (Public Disclosures)



Appendix 1 (Public Disclosures)

Internal control

The Board of Directors:

- is responsible for the Company's system of internal control;
- sets appropriate policies on internal controls;
- seeks regular assurance that enable it to satisfy itself that the system is functioning effectively; and
- ensures that the system of internal control is effective in managing risks in the manner which it has approved.

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

Compliance

The Company has complied with applicable provisions of the regulations stipulated in the Central Bank of Bahrain Financial Institutions Law 2006, Volume 3 of the CBB Rulebook and CBB directives, Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), Bahrain Commercial Companies Law 2001, its license and the terms of its Memorandum and Articles of Association. The Company has carried out its retakaful activities in conformity with the precepts of Islamic Sharia.

Risk management strategies and practices

The Company classifies its risks relating to retakaful and investment funds both from an external and internal perspective. Underwriting and claims processes are standardized and are subject to frequent review by management. There are clear authority limits on claims processing and underwriting and operational practices in line with international standards. The Company's investment policy is diversified to provide stable and sustainable investment returns. Internal control risks are mitigated by putting in place adequate internal control systems and testing them on a frequent basis. Refer to notes 17 to 19 of the Financial Statements for the Company's risk identification and management.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors of the Company reports to the Group's Board of Directors. The Hannover Re Group has established global risk management guidelines which the Company's Board of Directors takes into consideration while developing and monitoring the Company's risk management policies.

REPORT OF THE SHARIA SUPERVISORY BOARD
for the year ended 31 December 2015

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

Report of the Sharia Supervisory Board

For the period ended 31 December 2015

To the Shareholders of Hannover ReTakaful B.S.C. (c) ("the Company")

Assalamu Alalkum Wa Rahmat Allah Wa Barakatuh

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the agreements relating to the transactions and applications introduced by the Company during the year ended 31 December 2015.

We have also conducted our review to form an opinion as to whether the Company has complied with the Sharia Rules and Principles and also with the specific fatwa's, rulings and guidelines issued by us.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with Islamic Sharia Rules and Principles, it is our responsibility to form an independent opinion, based on our review of the Company and report to you. We conducted our review which included examining, on a test basis of each type of transaction, the relevant documentation and procedures adopted by the Company.

We planned and performed our review so as to obtain all the Information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated Islamic Sharia Rules and Principles.

In our opinion:

- The agreements, transactions and dealings, in so far as applicable, entered into by the Company during the period ended 31 December 2015 that we have reviewed are in compliance with the Islamic Sharia Rules and Principles;
- The allocation of profit and charging of losses relating to Investment accounts conform to the basis that has been approved by us in accordance with Islamic Sharia Rules and Principles;

We beg Allah, the Almighty to grant the Company all the success and straight-forwardness.

Wassalamu Alalkum Wa Rahmat Allah Wa Barakatuh

Dated 6 Jamad–al-Awal 1437 H corresponding to 15 February 2016

....
Dr. Mohamed Ali Elgari (Chairman)

....
Mufti Muhammad Hassan

....
Mufti Faizal Manjoo

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Hannover ReTakaful BSC (c),
Manama, Kingdom of Bahrain

Report on the financial statements

We have audited the accompanying financial statements of Hannover ReTakaful BSC (c) ("the Company"), which comprise the statement of financial position as at 31 December 2015, the statements of income, policyholders' revenues and expenses, policyholders' surplus and deficit, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of Board of Directors and auditors
These financial statements and the Company's undertaking to operate in accordance with Islamic Sharia rules and principles are the responsibility of the board of directors of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of the results of its operations, policyholders' revenue and expenses, policyholders' surplus and deficit, changes in shareholders' equity and cash flows for the year then ended, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and Sharia rules and principles as determined by the Sharia Supervisory Board of the Company.

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

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
b) the financial information contained in the directors' report is consistent with the financial statements;
c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and CBB directives) or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG

KPMG Fakhro
Partner Registration No. 83
2 March 2016

STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

Bahraini Dinars

	Note	2015	2014
ASSETS			
Cash and cash equivalents	4	16,498,972	14,096,790
Statutory deposit		150,064	150,060
Investment securities	5	86,897,036	81,906,127
Retakaful receivables	6 (a)	16,258,573	8,278,725
Accrued contribution receivable	7	22,876,056	33,183,627
Deferred acquisition costs	8	5,000,796	4,527,257
Retrocessionaires' share of unearned contribution reserves	10	293,853	-
Retrocessionaires' share of loss reserves (related parties)	11 & 15 (b)	932,559	5,660,494
Prepayments, equipment and other assets		256,068	267,253
Total assets		**149,163,977**	148,070,333
SHAREHOLDERS' EQUITY, POLICYHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital	9	20,000,000	20,000,000
Statutory reserve		3,573,995	3,300,577
Dividend reserve		1,000,000	1,000,000
Retained earnings		35,932,193	31,088,311
Total shareholders' equity (page 18)		**60,506,188**	55,388,888
Policyholders' equity (page 17)		**(25,924,894)**	(23,579,119)
Liabilities			
Loss reserves	11	80,078,143	88,734,948
Unearned contribution reserve	10	28,121,043	23,339,309
Commission reserve		329,396	1,000,185
Retakaful payables	6 (b)	5,007,606	2,197,571
Related party payables	15 (c)	157,989	188,890
Other liabilities		888,506	799,661
Total liabilities		**114,582,683**	116,260,564
Total shareholders' equity, policyholders' equity and liabilities		**149,163,977**	148,070,333

The Board of Directors approved the financial statements consisting of pages 14 to 46 on 2 March 2016.

J. Gr W

Jürgen Gräber
Chairman

Mahomed Akoob
Managing Director

The accompanying notes from 1 to 24 form an integral part of these financial statements.

STATEMENT OF INCOME
for the year ended 31 December 2015 Bahraini Dinars

	Note	2015	2014
INCOME			
Wakala fee for managing retakaful activities		6,072,414	8,724,960
Change in deferred wakala fee		141,457	183,266
Earned wakala fee		**6,213,871**	8,908,226
Investment income	13	344,077	2,085,760
Total income		**6,557,948**	10,993,986
EXPENSES			
Staff cost		(962,209)	(945,070)
General and administrative expenses	14	(491,218)	(497,118)
Foreign exchange gains / (losses)		12,779	(43,774)
Impairment of qard hassan		(2,383,115)	(2,383,115)
Total expenses		**(3,823,763)**	(3,869,077)
Profit for the year		**2,734,185**	7,124,909

The Board of Directors approved the financial statements consisting of pages 14 to 46 on 02 March 2016.

Jürgen Gräber
Chairman

Mahomed Akoob
Managing Director

The accompanying notes from 1 to 24 form an integral part of these financial statements.

STATEMENT OF POLICYHOLDERS' REVENUE AND EXPENSES
for the year ended 31 December 2015

Bahraini Dinars

	Note	**2015**	2014
REVENUE			
Gross contributions		69,091,346	76,959,643
Retrocessionaires' share of contributions		(2,591,011)	(1,580,775)
Change in gross unearned contributions	10	(5,398,255)	(388,615)
Change in retrocessionaires' share of unearned contributions	10	309,966	(849,667)
Earned contributions		**61,412,046**	74,140,586
Foreign exchange loss		(101,159)	(1,018,937)
Investment income		272,935	1,083,070
Total revenue		**61,583,822**	74,204,719
EXPENSES			
Claims settled - net		(46,220,163)	(32,130,756)
Movement in loss reserves	11	1,575,330	(29,883,208)
Claims incurred		**(44,644,833)**	(62,013,964)
Policy acquisition costs		(13,976,931)	(12,680,944)
Movement in deferred acquisition cost	8	589,485	291,964
Movement in commission reserve		626,751	(78,629)
Wakala fee		(6,072,413)	(8,724,960)
Movement in deferred wakala fee		(141,457)	(183,267)
Allowance for doubtful debts		(125,988)	(158,816)
Other income		907	7,269
Total expenses		**(63,744,479)**	(83,541,347)
Deficit of revenue over expenses for the year		**(2,160,657)**	(9,336,628)

The accompanying notes from 1 to 24 form an integral part of these financial statements.

STATEMENT OF POLICYHOLDERS' SURPLUS AND DEFICIT
for the year ended 31 December 2015

Bahraini Dinars

2015	**General retakaful**	**Family retakaful**	**Total accumulated deficit**	**Surplus distribution reserve**	**Total policy holders' equity**
(Deficit) / surplus as at 1 January 2015 representing policyholders' equity	(27,694,124)	3,070,071	(24,624,053)	1,044,934	(23,579,119)
(Deficit) / surplus of revenue over expenses for the year	(3,130,973)	970,316	(2,160,657)	-	(2,160,657)
Transfer to surplus reserve	-	(1,224,077)	-	1,224,077	-
Foreign exchange movement				(25,625)	(25,625)
Surplus distributed during the year	-	-	-	(159,493)	(159,493)
Accumulated (deficit) / surplus at 31 December 2015 representing policyholders' equity	**(30,825,097)**	**2,816,310**	**(26,784,710)**	**2,083,893**	**(25,924,894)**

2014	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' equity
(Deficit) / surplus as at 1 January 2014 representing policyholders' equity	(18,031,646)	2,744,221	(15,287,425)	1,192,924	(14,094,501)
(Deficit) / surplus of revenue over expenses for the year	(9,662,478)	325,850	(9,336,628)	-	(9,336,628)
Surplus distributed during the year	-	-	-	(147,990)	(147,990)
Accumulated (deficit) / surplus at 31 December 2014 representing policyholders' equity	(27,694,124)	3,070,071	(24,624,053)	1,044,934	(23,579,119)

The accompanying notes from 1 to 24 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the year ended 31 December 2015

Bahraini Dinars

2015	**Share capital**	**Statutory reserve**	**Dividend reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2015	20,000,000	3,300,577	1,000,000	31,088,311	55,388,888
Profit for the year (page 15)	-	-	-	2,734,185	2,734,185
Total recognised income and expense for the year	-	-	-	2,734,185	2,734,185
Impairment of qard hassan				2,383,115	2,383,115
Transfer to statutory reserve	-	273,418	-	(273,418)	-
At 31 December 2015	**20,000,000**	**3,573,995**	**1,000,000**	**35,932,193**	**60,506,188**

2014	Share capital	Statutory reserve	Dividend reserve	Retained earnings	Total
Balance as at 1 January 2014	20,000,000	2,588,086	1,000,000	22,292,778	45,880,864
Profit for the year (page 15)	-	-	-	7,124,909	7,124,909
Total recognised income and expense for the year	-	-	-	7,124,909	7,124,909
Impairment of qard hassan	-	-	-	2,383,115	2,383,115
Transfer to statutory reserve	-	712,491	-	(712,491)	-
At 31 December 2014	20,000,000	3,300,577	1,000,000	31,088,311	55,388,888

The accompanying notes from 1 to 24 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2015 Bahraini Dinars

	Note	2015	2014
OPERATING ACTIVITIES			
Combined profit / (loss) for the year		**573,528**	(2,211,719)
Adjustments for non-cash items			
Depreciation expenses		110,401	113,758
Impairment of qard hassan		2,383,115	2,383,115
Increase in unearned contribution reserve		4,487,881	689,827
(Decrease) / increase in loss reserves net of retrocession recovery		(3,928,869)	28,180,471
Decrease in deferred acquisition costs		(473,540)	(189,089)
(Decrease) / increase in commission reserve		(670,789)	46,290
Provision for employees' end of service benefits		65,453	58,007
Amortisation of sukuks		564,629	597,167
Profit from disposal of equipment and other assets		-	(30)
Realised gain on disposal of investment securities		(88,125)	113,513
Profit from sukuks / placements and fair value changes in sukuks		(1,093,517)	(3,879,510)
		1,930,167	25,901,802
Changes in operating assets and liabilities			
(Increase) / decrease in retakaful receivables		(7,979,848)	3,563,347
Decrease / (increase) in accrued contribution receivable		10,307,571	(15,146,892)
Decrease in related party receivables		-	227,702
(Increase) / decrease in other assets		(5,355)	90,928
Decrease in related party payables		(30,902)	(1,323,880)
Increase / (decrease) in retakaful payables		2,810,036	(197,395)
Increase in other liabilities		23,402	130,589
Net cash generated from operating activities		**7,055,071**	13,246,201
INVESTING ACTIVITIES			
Purchase of equipment and other assets		(93,869)	(145,578)
Proceeds from disposal of equipment and other assets		-	30
Profit received from sukuks and placements		3,075,443	2,751,249
Purchase of sukuks		(52,682,538)	(40,684,485)
Proceeds from redemption of sukuks		45,207,568	28,832,785
Net cash used in investing activities		**(4,493,396)**	(9,245,999)
FINANCING ACTIVITIES			
Surplus distributed		(159,493)	(147,990)
Net cash used in financing activities		**(159,493)**	(147,990)
Net increase in cash and cash equivalents		**2,402,182**	3,852,212
Cash and cash equivalents at the beginning of the year		14,096,790	10,244,578
Cash and cash equivalents at the end of the year		**16,498,972**	14,096,790
Represented in the books of			
Shareholders		2,547,654	3,339,727
Policyholders		13,951,318	10,757,063
Cash and cash equivalents	4	**16,498,972**	14,096,790

The accompanying notes from 1 to 24 form an integral part of these financial statements.

1 STATUS AND OPERATIONS

Hannover ReTakaful BSC (c) ("the Company") is a Bahrain Shareholding Company (closed) incorporated in the Kingdom of Bahrain on 3 October 2006, under the Bahrain Commercial Companies Law 2001 and is licensed as a retakaful company with the Central Bank of Bahrain ("CBB" or "the regulator"). The Company is authorized to carry out Life and Non-Life retakaful activities in conformity with the precepts of Islamic Sharia. The Company is a wholly owned subsidiary of Hannover Rück SE based in Hannover, Germany. The retakaful activities are organised on a calendar year basis with the policyholders pooling their contributions to compensate for losses suffered in the pools on occurrence of a defined event.

2 BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In line with the requirements of AAOIFI and the CBB Rulebook, for matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards.

b) Principal financial statements

As per FAS 12 General Presentation and Disclosure in the Financial Statements of Islamic Takaful Companies issued by the AAOIFI, the Company is required to present the statement of financial position comprising shareholder and policyholder assets and liabilities, shareholders' statement of income, the statement of policyholders' revenues and expenses, the statement of policyholders' surplus and deficit, the statement of changes in shareholders' equity, and the statement of cash flows.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment securities at fair value through income statement and derivative financial instruments that are measured at fair value.

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation and critical judgments in applying accounting policies on the amounts recognised in the financial statements are described in the following notes:

2 *BASIS OF PREPARATION (continued)*

- Note 3 b) *(ii)* - Estimates of accrued contributions
- Note 3 b) *(vi)* - Reserve estimation for takaful agreements
- Note 3 b) (viii) - Assessment of adequacy of liability arising from takaful agreements
- Note 3 f) - Estimates of useful lives and residual values of furniture and equipment
- Note 3 n) - Impairment

e) Qard Hassan

Qard Hassan is a funding by shareholders to policyholders computed based on solvency margin and capital adequacy rules of the Central Bank of Bahrain. Qard Hassan is tested annually for impairment. In the statement of financial position, Qard Hassan receivables by shareholders are eliminated against Qard Hassan payables by the policyholders for presentation. The Company has adopted a policy of writing down 20% of Qard Hassan each year in line with the changes made to CBB Rulebook.

f) New standards, amendments and interpretations effective from 1 January 2015

There are no AAOIFI accounting standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that have a material impact on the Company.

g) New Standards, amendments and interpretations issued but not yet effective

There are no accounting standards and interpretations that have been issued by AAOIFI during 2015 effective from annual periods beginning on or after 1 January 2016 that are relevant to the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the location in which the entity operates ("the functional currency"). The financial statements are presented in Bahraini Dinars ("BD"), which is also the Company's functional currency.

(ii) Transactions and balances

Monetary assets and liabilities are translated into Bahraini Dinars at exchange rates ruling at the balance sheet date. Transactions in foreign currencies during the year are converted at average exchange rates. Foreign exchange gains and losses are recognized in the statement of income and the statement of policyholders' revenue and expenses.

b) Retakaful

(i) Classification of agreements

The Company issues agreements to manage the retakaful risk on the basis of solidarity. Retakaful agreements are those agreements where the retakaful operator accepts to manage the retakaful fund of the policyholders by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Company defines "adversely affects" as the possibility of having to compensate the policyholder on the occurrence of an event as per the terms of the agreement. Takaful risk is risk other than financial risk that is managed by the retakaful operator on behalf of the takaful operator.

Financial risk is the risk of a possible future change in one or more of a security price, index of prices or rates or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the agreement. Takaful risk is significant if, and only if, a covered event could cause the Company to pay significant additional benefits. Once an agreement is classified as a takaful agreement it remains classified as a takaful agreement until all rights and obligations are extinguished or expired.

(ii) Gross contributions

Gross contributions comprise the total contributions in relation to agreements entered into during the financial year, together with adjustments arising in the financial year to contributions receivable in respect of business written in previous financial years. It includes an estimate of contributions written but not reported to the Company at the reporting date ("pipeline contributions") which are reported in the statement of financial position as accrued contributions receivable.

Contributions, net of retakaful, are taken to income over the terms of the related agreements or policies. Gross contributions are recognised in the policyholders' statement of revenue and expenses from the date of attachment of risk over the policy period. The unexpired portion of such contributions relating to the period of risk extending to beyond the financial year is included under "unearned contributions reserves" in the statement of financial position. The earned proportion of contributions is recognised as revenue in the policyholders' statement of revenue and expenses.

(iii) Retrocessionaires' share of contributions

Retrocessionaires' share of contributions depicts amounts paid to retrocessionaires in accordance with the retrocession contracts of the Company.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(iv) *Unearned contribution reserves*

Unearned contribution reserves are set up regarding future risk periods to be earned in the following or subsequent financial periods, for the unexpired period of takaful as at the reporting date. In case of proportional treaties unearned contribution reserves have been calculated on retained contributions by the 1/8th method, whereas in case of non-proportional treaties and facultative business, the 1/365th method is used in order to spread the contribution earned over the tenure of the retakaful agreements. In retakaful business, flat rates are used if the data required for calculation of pro rata items is not available.

Retrocessionaires' share of unearned contributions reserve is calculated according to the contractual conditions on the basis of the gross unearned contribution reserves.

(v) *Policy acquisition costs and deferred acquisition costs*

Policy acquisition costs, principally consisting of commissions and other variable costs directly connected with the acquisition or renewal of existing retakaful agreements, are recognised in the policyholders' statement of revenue and expenses. The deferred portion of acquisition costs for proportional treaties have been calculated by the 1/8th method whereas for non-proportional treaties and facultative business, deferred acquisition costs are calculated by the 1/365th method.

(vi) *Claims*

Gross claims are recognised in the policyholders' statement of revenue and expenses when the claim amount payable to policyholders and third parties is determined as per the terms of the retakaful agreements. Claims incurred comprise the settlement and the handling costs of paid and outstanding claims arising from events occurring during the financial period.

Claims recovered include amounts recovered from retrocessionaires' companies in respect of the gross claims paid by the Company, in accordance with the retrocession contracts held by the Company. It also includes salvage and other claim recoveries.

Loss reserves represent estimates of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. Provision for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by the management based on currently available information and past experience modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. The loss reserves are based on estimates that may diverge from the actual amounts payable. The methods used, and the estimates made, are reviewed regularly. The provision for claims incurred but not reported ("IBNR") is calculated based on actuarial valuations of historic claims developments.

(vii) *Retakaful receivables*

Retakaful receivables comprise the accounts receivable under retakaful business which are carried at cost less impairment. A provision for impairment is established when there is evidence that the Company will not be able to collect all amounts due according to the terms of the receivables. Bad debts are written off during the year in which they are identified. Please refer to Note 19 b) (iv) regarding the provision for impairment.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(viii) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the takaful liabilities using current estimates of future cash flows under retakaful agreements. In performing these tests, current best estimates of future contractual cash flows and claims handling expenses are used. Any deficiency is charged to the statement of policyholders' revenue and expenses by establishing a provision for losses arising from liability adequacy tests.

(ix) Retrocession contracts

Retrocession contracts are contracts entered into by the Company with reinsurers for the purpose of limiting its net loss potential through the diversification of its risks, under which the Company is compensated for losses on retakaful agreements issued. Assets, liabilities and income and expenses arising from ceded retakaful agreements are presented separately from the assets, liabilities, income and expenses from the related retakaful agreements because the retrocession contracts do not relieve the Company from its direct obligations to its policyholders.

The benefits, to which the Company are entitled under its retrocession contracts held, are recognised as retakaful assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured retakaful agreements. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying retakaful agreements and in accordance with the terms of each retrocession contract.

Retakaful liabilities are primarily contributions payable for retrocession contracts and are recognised as an expense when due.

c) Wakala fee

The Company manages the general and family operations on behalf of the policyholders for a wakala fee calculated as a proportion of gross contributions. Wakala fee as a proportion of unearned contributions is deferred and recognised over the subsequent periods. Wakala fee rates are approved by the Sharia Supervisory Board.

d) Surplus / deficit in policyholders' funds

Surplus in policyholders' funds represents surplus of revenues over expenses arising from retakaful activities and are distributed among the policyholders by calendar year on development of business. The timing, quantum and the basis of distribution are decided by the Sharia Supervisory Board of the Company.

Deficiency in policyholders' funds is made good by an interest free loan (Qard Hassan) from the shareholders' funds to the extent required to meet the policyholders' claims and liabilities as and when they arise.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

This loan is to be repaid from future surplus arising from retakaful operations. This loan is tested at each reporting date for impairment and the portion of the loan that is considered impaired is charged to the income statement.

Surplus within the Individual ReTakaful Participants Fund is distributed among the fund participants, in proportion to their net contribution, who have not made any claim or claimed lower than the contribution paid and the amount claimed during the period. The surplus available for distribution to participants, is computed based on a weighted average of five years of net surplus after wakala fees and is charged to the statement of comprehensive income as incurred but does not become payable until after the end of the year.

On liquidation of the Company, the surplus, if any, in the policyholders' fund will be donated to charity or distributed to policyholders in accordance with the decision of the Sharia Supervisory Board.

e) Investment securities

Investment securities comprise investments in sukuk (Islamic bonds) issued by entities where the Company holds less than 20% of the equity interest in an entity. Investment securities exclude investments in subsidiaries, associates and jointly controlled entities.

(i) Classification

Investment securities are classified as fair value through income statement, carried at amortised costs or at fair value through equity. Management determines the appropriate classification of investments at the time of purchase.

Securities are classified as at fair value through income statement if they are acquired for the purpose of generating a profit from short-term fluctuations in price or if so designated by management. Equity type instruments that are not designated as fair value through income statement are classified as at fair value through equity.

A debt type investment shall be classified and measured at amortised cost if the following conditions are met (a) the instrument is managed on a contractual yield basis; (b) the instrument is not held for trading and has not been designated at fair value through income statement.

A debt type investment shall be classified and measured at fair value through income statement if it does not meet the conditions to be measured at amortised cost.

(ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Company agrees to purchase or sell the asset, at which date the Company becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risk and rewards of ownership.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(iii) *Measurement*

Investment securities are measured initially at fair value, which is the value of the consideration given. Trading investments are initially recognised at fair value and transaction costs are expensed in the income statement. Other investment securities are recognised initially at fair value, plus attributable transaction costs.

(iv) *Subsequent measurement*

Investments at fair value through income statement shall be re-measured at their fair value at the end of each reporting period. The resultant re-measurement gain/loss, if any, will be the difference between the book value or carrying amount and the fair value and shall be recognized in the income statement. All other gains or losses arising from these investments shall be recognized in the income statement.

(v) *Measurement principles*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Company measures the fair value of quoted investments using the market bid-prices in an active market for that instrument.

f) Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the statement of income as incurred. Gains or losses on disposal are reflected in other income. Depreciation is provided on straight-line basis over the expected useful lives of the assets, which are as follows:

Asset class	Estimated useful life
Office equipment, furniture & fittings	4 years
Computer equipment & motor vehicles	3 years

Depreciation methods, useful lives, and residual values are reassessed annually.

g) Provisions

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

h) Zakah

As per the requirements of AAOIFI standards, disclosure of Zakah due per share is required to be made in the financial statements. Both shareholders of the Company are not obliged to pay Zakah, therefore the Company does not collect or pay Zakah on behalf of its shareholders.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

i) Statutory reserve

In accordance with the Bahrain Commercial Companies Law 2001, 10 % of the annual net profit is appropriated to a statutory reserve, until it reaches 100 % of the paid-up share capital according to the Articles of the company. This reserve is distributable only in accordance with the provisions of the law.

j) Employees' end of service benefits

Employees are covered by the pension schemes prevailing in the Kingdom of Bahrain. Eligible employees are entitled to end of service benefits as per the labour law in the Kingdom of Bahrain, based on length of service and final remuneration. The Company accrues for its liability annually on the basis as if all employees left the Company at the reporting date.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances in current accounts and short term placements with banks with an original maturity period of 3 months or less. They are carried at amortized cost.

l) Statutory deposit

In accordance with the regulations of the Central Bank of Bahrain Law, the Company maintains a deposit with a designated national bank which cannot be withdrawn, except with the prior approval of the CBB.

m) Dividend reserves

A dividend reserve was set up in 2011 covering 5% of the paid-in capital (BHD 1,000,000).

n) Impairment

(i) *Financial assets*
The Company assesses at each reporting date whether there is objective evidence that an asset is impaired. Objective evidence that investment securities / other assets (including equity securities) are impaired can include the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) *Other non-financial assets*
The carrying amount of the Company's assets (other than for financial assets covered above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income / statement of policyholders' revenue and expenses. Impairment losses are reversed only if there is evidence that the impairment no longer exists and there has been a change in the estimates used to determine the recoverable amount.

4 CASH AND CASH EQUIVALENTS

	2015	2014
Cash and bank balances	15,619,342	13,927,197
Placements with banks and financial institutions	879,630	169,593
	16,498,972	14,096,790

5 INVESTMENT SECURITIES

	2015	2014
Investments at fair value through income statement	**86,897,036**	81,906,127

These comprise:

	2015	2014
Debt type		
- Quoted sukuks	83,536,977	80,817,954
- Unquoted sukuks	2,225,990	-
Equity type		
- Quoted sukuks	1,134,068	1,088,173
	86,897,036	81,906,127

6 RETAKAFUL RECEIVABLES AND PAYABLES

(a) Retakaful Receivables

	2015	2014
Current		
- General	7,607,547	4,607,129
- Family	8,986,666	3,881,246
	16,594,213	8,488,375
Less: Provision for doubtful debts	(335,640)	(209,650)
	16,258,573	8,278,725

General retakaful receivables include deposits amounting to BD 2,435,274 (2014: BD 2,318,936) held by cedants.

Family retakaful receivables include deposits amounting to BD 6,020,556 (2014: BD 2,088,804) held by cedants.

(b) Retakaful Payables

	2015	2014
Current		
- General	3,750,617	1,056,173
- Family	1,256,989	1,141,398
	5,007,606	2,197,571

7 ACCRUED CONTRIBUTION RECEIVABLE

	2015	2014
Current		
- General	9,849,547	5,700,099
- Family	13,026,509	27,483,528
	22,876,056	33,183,627

8 DEFERRED ACQUISITION COSTS

	2015			2014		
	Gross	Retro-ceded	Net	Gross	Retro-ceded	Net
At 1 January	4,527,257	-	4,527,257	4,338,167	-	4,338,167
Increase during the year (net)	589,485	-	589,485	291,964	-	291,964
Foreign exchange losses	(115,946)	-	(115,946)	(102,874)	-	(102,874)
At 31 December	**5,000,796**	-	**5,000,796**	4,527,257	-	4,527,257

9 SHARE CAPITAL

	2015	2014
Authorised equity share capital of 50,000,000 (2014: 50,000,000) shares of BD 1 each	**50,000,000**	50,000,000
Issued, subscribed and paid up capital comprising 20,000,000 (2014: 20,000,000) shares of BD 1 each	**20,000,000**	20,000,000

10 UNEARNED CONTRIBUTION RESERVES

	2015			2014		
	Gross	**Retro-ceded**	**Net**	Gross	Retro-ceded	Net
At 1 January	23,339,309	-	23,339,309	23,503,046	(853,565)	22,649,481
Increase during the year (net)	5,398,255	(309,966)	5,088,289	388,615	849,667	1,238,282
Foreign exchange losses / (gains)	(616,521)	16,113	(600,408)	(552,352)	3,898	(548,454)
At 31 December	**28,121,043**	**(293,853)**	**27,827,190**	23,339,309	-	23,339,309

11 LOSS RESERVES

	2015			2014		
	Gross	**Retroceded**	**Net**	Gross	Retroceded	Net
Outstanding claims reported	39,305,476	(5,660,494)	33,644,982	33,159,014	(475,781)	32,683,233
IBNR reserves	49,429,472	-	49,429,472	22,210,750	-	22,210,750
At 1 January	88,734,948	(5,660,494)	83,074,454	55,369,764	(475,781)	54,893,983
Increase during the year (net)	(5,752,876)	4,177,546	(1,575,330)	35,762,371	(5,879,163)	29,883,208
Foreign exchange (gains)/losses	(2,903,929)	550,389	(2,353,540)	(2,397,187)	694,450	(1,702,737)
At 31 December	**80,078,143**	**(932,559)**	**79,145,584**	88,734,948	(5,660,494)	83,074,454
Outstanding claims reported	35,148,547	(932,559)	34,215,988	39,305,476	(5,660,494)	33,644,982
IBNR reserves	44,929,596	-	44,929,596	49,429,472	-	49,429,472
At 31 December	**80,078,143**	**(932,559)**	**79,145,584**	88,734,948	(5,660,494)	83,074,454

12 CLAIMS DEVELOPMENT DATA

The table below shows the net non-life loss reserves in the years 2011 to 2015. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

Underwriting year	2011	2012	2013	2014	2015	Total
General retakaful- Gross Estimate of incurred claims costs:						
- End of underwriting year	8,795,122	7,793,338	10,249,085	19,552,736	16,182,411	16,182,411
- One year later	15,868,187	19,919,014	24,657,289	37,755,533		37,755,533
- Two years later	20,452,403	21,636,029	22,984,713			22,984,713
- Three years later	20,848,161	21,067,572				21,067,572
- Four years later	19,824,693					19,824,693
Current estimate of incurred claims	19,824,693	21,067,572	22,984,713	37,755,533	16,182,411	117,814,922
Cumulative payments to date	(14,801,046)	(15,687,030)	(12,869,873)	(20,671,918)	(1,880,648)	(65,910,515)
Liability recognised	5,023,647	5,380,542	10,114,840	17,083,615	14,301,763	51,904,407
Liability in respect of prior years						5,541,229
Total liability included in the statement of financial position						**57,445,636**

12 CLAIMS DEVELOPMENT DATA (continued)

Underwriting year	2011	2012	2013	2014	2015	Total
General retakaful- Net Estimate of incurred claims costs:						
- End of underwriting year	8,795,122	7,793,338	10,249,085	14,369,211	16,182,411	16,182,411
- One year later	15,868,187	19,462,588	24,657,289	32,072,588		32,072,588
- Two years later	20,452,403	21,159,061	22,984,713			22,984,713
- Three years later	20,848,161	20,135,014				20,135,013
- Four years later	19,824,693					19,824,693
Current estimate of incurred claims	19,824,693	20,135,014	22,984,713	32,072,588	16,182,411	111,199,418
Cumulative payments to date	(14,801,046)	(15,687,030)	(12,869,873)	(14,988,973)	(1,880,648)	(60,227,570)
Liability recognised	5,023,647	4,447,984	10,114,840	17,083,615	14,301,763	50,971,849
Liability in respect of prior years						5,541,229
Total liability included in the statement of financial position						**56,513,078**

13 INVESTMENT INCOME

	2015	2014
Profit from sukuks	594,392	2,183,153
Profit from placements with banks	2,679	2,250
Investment related expenses - net	(252,994)	(99,643)
	344,077	2,085,760

14 GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Administration expenses	240,186	237,804
Depreciation	110,401	113,758
Other operating expenses	140,631	145,556
	491,218	497,118

15 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include other group companies, directors and key management personnel of the Company. Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company.

a) Transactions with related parties

		2015	2014
Retrocessionaires' share of contributions to			
- Hannover Re Bermuda Ltd., Bermuda	*Entity within the Hannover Re Group*	**2,433,593**	2,871,573
- Hannover Rück SE, Germany	*Parent company of the Hannover Re Group*	**157,418**	201,362
Claims paid – retroceded Hannover Re Bermuda Ltd., Bermuda	*Entity within the Hannover Re Group*	**5,682,945**	-
Claims recovery from Hannover Re Bermuda Ltd., Bermuda	*Entity within the Hannover Re Group*	**(4,177,546)**	5,879,163
Expenses recharged to - Hannover Rueck SE, Bahrain Branch, Bahrain	*Branch of the Parent company of the Hannover Re Group*	**1,228,826**	1,218,604
Reimbursement of administrative expenses to			
- Hannover Rück SE, Germany	*Parent company of the Hannover Re Group*	**80,791**	61,995
- Hannover Rück SE Malaysia Branch, Malaysia	*Branch of the Parent Company of the Group*	**8,141**	60,731
Reimbursement of investment related expenses			
- Talanx Asset Management GmbH, Germany	*Entity within the Talanx Group (Ultimate Parent)*	**52,513**	-

b) Retrocessionaires' share of loss reserves at 31 December

		2015	2014
Hannover Re Bermuda Ltd., Bermuda	*Entity within the Hannover Re Group*	**932,559**	5,660,494

15 RELATED PARTY TRANSACTIONS (continued)

c) Amounts payable at 31 December

		2015	2014
Hannover Rück SE, Germany	*Parent company of the Hannover Re Group*	**157,989**	188,890

16 SEGMENT INFORMATION

a) Analysis of policyholders' revenue and expenses by primary segment

The Company's retakaful business consists of two business segments, General and Family Retakaful.

2015	General Retakaful	Family Retakaful	Total
REVENUE			
Gross contributions	47,817,078	21,274,268	69,091,346
Retrocessionaires' share of contributions	(2,356,621)	(234,390)	(2,591,011)
Change in gross unearned contributions	(3,942,242)	(1,456,013)	(5,398,255)
Change in retrocessionaires' share of unearned contributions	310,041	(75)	309,966
Earned contributions	**41,828,256**	**19,583,790**	**61,412,046**
Claims settled	(24,384,457)	(21,835,706)	(46,220,163)
Movement in loss reserves	(4,839,150)	6,414,480	1,575,330
Policy acquisition costs	(12,857,153)	(1,119,778)	(13,976,931)
Movement in deferred acquisition costs	589,485	-	589,485
Movement in commission reserve	-	626,751	626,751
Wakala fee	(3,495,305)	(2,577,109)	(6,072,414)
Deferred wakala fee	(227,552)	86,096	(141,456)
Total underwriting costs	**(45,214,132)**	**(18,405,266)**	**(63,619,398)**
Underwriting results	**(3,385,876)**	**1,178,524**	**(2,207,352)**
Foreign exchange gains / (losses)	184,218	(285,377)	(101,159)
Allowance for doubtful debts	(125,988)	-	(125,988)
Investment income	195,767	77,168	272,935
Other income	907	-	907
Surplus / (deficit) of revenue over expenses for the year	**(3,130,972)**	**970,315**	**(2,160,657)**

NOTES TO THE FINANCIAL STATEMENTS Bahraini Dinars

16 SEGMENT INFORMATION (CONTINUED)

2014	General Retakaful	Family Retakaful	Total
REVENUE			
Gross contributions	40,345,741	36,613,902	76,959,643
Retrocessionaires' share of contributions	(1,268,564)	(312,211)	(1,580,775)
Change in gross unearned contributions	(1,248,643)	860,028	(388,615)
Change in retrocessionaires' share of unearned contributions	(849,667)	-	(849,667)
Earned contributions	36,978,867	37,161,719	74,140,586
Claims settled	(20,932,674)	(11,198,082)	(32,130,756)
Movement in loss reserves	(9,946,419)	(19,936,789)	(29,883,208)
Policy acquisition costs	(12,187,812)	(493,132)	(12,680,944)
Movement in deferred acquisition costs	291,964	-	291,964
Movement in commission reserve	-	(78,629)	(78,629)
Wakala fee	(3,905,124)	(4,819,836)	(8,724,960)
Deferred wakala fee	84,774	(268,041)	(183,267)
Total underwriting costs	(46,595,291)	(36,794,509)	(83,389,800)
Underwriting results	(9,616,424)	367,210	(9,249,214)
Foreign exchange gain / (losses)	(697,114)	(321,823)	(1,018,937)
Allowance for doubtful debts	(158,816)	-	(158,816)
Investment income	809,877	273,193	1,083,070
Other income	-	7,269	7,269
Surplus / (deficit) of revenue over expenses for the year	(9,662,477)	325,849	(9,336,628)

16 SEGMENT INFORMATION (CONTINUED)

b) Analysis of policyholders' contribution by secondary segment

– geographical location of the risk insured

	General Retakaful	Family Retakaful	Total
2015			
Gross contribution from takaful companies in:			
Middle East & African countries	43,927,575	16,954,184	60,881,759
Other countries	3,889,503	4,320,084	8,209,587
	47,817,078	**21,274,268**	**69,091,346**
2014			
Gross contribution from takaful companies in:			
Middle East & African countries	36,061,182	17,746,484	53,807,666
Other countries	4,284,558	18,867,419	23,151,977
	40,345,740	36,613,903	76,959,643

NOTES TO THE FINANCIAL STATEMENTS Bahraini Dinars

16 SEGMENT INFORMATION (CONTINUED)

c) Analysis of segment assets and segment liabilities

	General Retakaful		Family Retakaful		Shareholder		Eliminations		Total	Total
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
2015										
Cash and cash equivalents	4,767,195	4,864,987	9,184,124	5,892,077	2,547,653	3,339,726	-	-	16,498,972	14,096,790
Statutory deposit	-	-	-	-	150,064	150,060	-	-	150,064	150,060
Investment securities	34,434,398	34,518,504	8,939,252	10,247,724	43,523,386	37,139,899	-	-	86,897,036	81,906,127
Retakaful receivables	7,271,906	4,397,478	8,986,667	3,881,247	-	-	-	-	16,258,573	8,278,725
Accrued contribution receivable	9,849,547	5,700,099	13,026,509	27,483,528	-	-	-	-	22,876,056	33,183,627
Wakala fee receivable	-	-	-	-	2,974,829	3,378,924	(2,974,829)	(3,378,924)	-	-
Deferred wakala fee	1,461,478	1,689,030	930,393	844,297	-	-	(2,391,871)	(2,533,327)	-	-
Deferred acquisition costs	5,000,796	4,527,257	-	-	-	-	-	-	5,000,796	4,527,257
Retrocessionaires' share of unearned contribution reserves	293,853	-	-	-	-	-	-	-	293,853	-
Retrocessionaires' share of loss reserves	932,559	5,660,494	-	-	-	-	-	-	932,559	5,660,494
Related party receivables	-	-	-	-	-	-	-	-	-	-
Qard Hassan loan/ receivable	-	-	-	-	7,149,345	9,532,460	(7,149,345)	(9,532,460)	-	-
Prepayments, equipment and other assets	-	-	-	-	256,068	267,253	-	-	256,068	267,253
Total assets	**64,011,732**	61,357,849	**41,066,945**	48,348,873	**56,601,345**	53,808,322	**(12,516,045)**	(15,444,711)	**149,163,977**	148,070,333

NOTES TO THE FINANCIAL STATEMENTS

Bahraini Dinars

16 SEGMENT INFORMATION (CONTINUED)

	General Retakaful		Family Retakaful		Shareholder		Eliminations		Total	Total
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Liabilities										
Loss reserves	57,445,634	57,781,276	22,632,509	30,953,672	-	-	-	-	80,078,143	88,734,948
Unearned contribution reserve	20,440,563	16,925,602	7,680,480	6,413,707	-	-	-	-	28,121,043	23,339,309
Commission reserve	-	-	329,396	1,000,185	-	-	-	-	329,396	1,000,185
Retakaful payables	3,750,617	1,056,172	1,256,989	1,141,399	-	-	-	-	5,007,606	2,197,571
Wakala fee payable	1,244,692	1,373,348	4,122,008	4,538,902	-	-	(5,366,700)	(5,912,250)	-	-
Related party payables	12,629	-	145,360	186,003	-	2,887	-	-	157,989	188,890
Qard Hassan loan/payable	11,915,575	11,915,575	-	-	-	-	(11,915,575)	(11,915,575)	-	-
Other liabilities	27,119	-	-	-	861,387	799,661		-	888,506	799,661
Total liabilities	**94,836,829**	89,051,973	**36,166,742**	44,233,868	**861,387**	802,548	**(17,282,275)**	(17,827,825)	**114,582,683**	116,260,564
Policyholders' equity	**(30,825,097)**	(27,694,124)	**4,900,203**	4,115,005	-	-	-	-	**(25,924,894)**	(23,579,119)
Shareholders' equity										
Share capital	-	-	-	-	20,000,000	20,000,000	-	-	20,000,000	20,000,000
Statutory reserve	-	-	-	-	3,573,995	3,300,577	-	-	3,573,995	3,300,577
Dividend reserve	-	-	-	-	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Retained earnings	-	-	-	-	31,165,963	28,705,197	4,766,230	2,383,114	35,932,193	31,088,311
Total shareholders' equity	-	-	-	-	**55,739,958**	53,005,774	**4,766,230**	2,383,114	**60,506,188**	55,388,888
Total liabilities and equity	**64,011,732**	61,357,849	**41,066,945**	48,348,873	**56,601,345**	53,808,322	**(12,516,045)**	(15,444,711)	**149,163,977**	148,070,333

17 INSURANCE RISK MANAGEMENT

a) Background

The Company accepts to manage the retakaful pools through its written retakaful agreements with policyholders. By the very nature of a retakaful agreement, this risk is random and therefore unpredictable. The policyholder pool is exposed to uncertainty surrounding the timing, frequency and severity of claims under these agreements. The Company's Board of Directors monitors the aggregate risk data and takes overall risk management decisions. Two key elements of the Company's takaful risk management framework are its underwriting strategy and retakaful strategy, as discussed below.

b) Underwriting strategy

The Company's underwriting strategy for the policyholders' pools is driven by the general underwriting guidelines of the Hannover Re Group. The objective of this strategy is to build balanced pools based on a large number of similar risks, thereby reducing the variability of the pools' outcome. The underwriting strategy is set out in an annual group business plan that is approved by the Hannover Re Group. This strategy is cascaded by the business units through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the pool. The underwriters have the right to refuse renewal or to change the terms and conditions of the agreement at renewal. The Company's Board of Directors meets quarterly to review certain management information including contribution income and other key ratios.

c) Retrocession strategy

The Company uses retrocession for a portion of the retakaful risks it underwrites in order to control the pools' exposure to losses and protect capital resources. Ceded retrocession contains credit risk, as discussed in the financial risk management section. The Board monitors developments in the retro programme and its ongoing adequacy. The Company buys a combination of proportional and non-proportional retro treaties to reduce the net exposure to the entity for an event.

d) Risk exposure and concentration of retrocession risk

The Company's risk exposure to retro risk, its geographical concentration and the extent to which the entity has covered these risks by retrocession is set out in note 16.

17 *INSURANCE RISK MANAGEMENT (continued)*

e) Sensitivity analysis

The following table provides an analysis of the sensitivity of profit and policyholder equity to changes in the assumptions used to measure retakaful agreement provisions and retakaful assets at the reporting date. The analysis has been prepared for a change in one variable at a time with other assumptions remaining constant. The effect is shown before and after retakaful.

	Statement of policyholders' revenue and expenses		**Policyholders' equity**	
2015	**Gross of retakaful**	**Net**	**Gross of retakaful**	**Net**
Expense rate				
1 % increase	**(690,913)**	**(665,003)**	**(690,913)**	**(665,003)**
1 % decrease	**690,913**	**665,003**	**690,913**	**665,003**
Expected loss ratio				
1 % increase	**(636,931)**	**(614,120)**	**(636,931)**	**(614,120)**
1 % decrease	**636,931**	**614,120**	**636,931**	**614,120**
2014				
Expense rate				
1 % increase	(769,596)	(753,789)	(769,596)	(753,789)
1 % decrease	769,596	753,789	769,596	753,789
Expected loss ratio				
1 % increase	(765,710)	(741,406)	(765,710)	(741,406)
1 % decrease	765,710	741,406	765,710	741,406

The nature of the Company's exposures to retakaful risk and its objectives, policies and processes for managing retakaful risk have not changed significantly from the prior period.

18 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain cedant and market confidence and to sustain the future development of the business. The Board of Directors monitors contribution income and profit earned during the period as key indicators for capital management. The Company's objectives for managing capital are:

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

The CBB supervises the Company through a set of regulations that set out certain minimum capital requirements. It is the Company's policy to hold capital as an aggregate of the capital requirement of the relevant supervisory body and a specified margin, to absorb changes in both capital and capital requirements. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

19 FINANCIAL RISK MANAGEMENT

a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company's key areas of exposure to credit risk include cash and cash equivalents, statutory deposit, investment securities - debt type, retrocessionaires' share of loss reserves and retakaful receivables.

19 *FINANCIAL RISK MANAGEMENT (continued)*

(i) Management of credit risk

The Company manages its credit risk by placing limits on its exposure to counterparties and asset classes. The Company has a policy of evaluating the credit quality and reviewing public rating information before making investments. The Company's exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders and related groups of policyholders. The Company seeks retrocession only within the Hannover Re Group, which minimises the credit risk.

(ii) Overall exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The credit exposure at the reporting date was:

Total financial assets

	Policyholders		Shareholders	
	2015	2014	**2015**	2014
Cash and cash equivalents	13,951,319	10,757,064	2,547,653	3,339,726
Statutory deposit	-	-	150,064	150,060
Investment in securities	43,373,650	44,766,228	43,523,386	37,139,899
Retakaful receivables	16,258,573	8,278,725	-	-
Retrocessionaires' share of loss reserves	932,559	5,660,494	-	-
Wakala fee receivables	-	-	3,764,089	3,378,924
	74,516,101	69,462,511	**49,985,192**	44,008,609

(iii) Concentration of credit risk

Of the above exposure to credit risk, the Company has entered into placements with banks for BD 1,029,965 (2014: BD 319,655).

(iv) Assets that are past due

The nature of the Company's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

The ageing of retakaful receivables at the end of the reporting period was as follows;

19 *FINANCIAL RISK MANAGEMENT (continued)*

	General Retakaful		Family Retakaful	Total	
	2015 gross	Less: Allowance doubtful debts	2015	2015	2014
Neither past due nor impaired	4,747,647	-	7,167,733	11,915,380	6,567,459
Past due 91 – 180 days	942,670	-	963,864	1,906,534	134,977
Past due 181 – 365 days	936,211	-	327,503	1,263,714	938,622
Above 365 days	981,018	(335,640)	527,567	1,172,945	637,667
	7,607,546	**(335,640)**	**8,986,667**	**16,258,573**	8,278,725

The Company believes that the retakaful receivables that are past due by more than 180 days are still collectable in full to the extent that no allowance for doubtful debts is made, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customer credit ratings, when available. An allowance for doubtful debts is made when there is evidence that the company will be unable to collect any amounts due.

The credit quality of retakaful receivables is assessed based on credit policy established by the risk management committee of the Group. The Company has monitored customer credit risk by analysing the credit quality of retakaful receivables periodically.

(v) As per the CBB Rulebook Volume 3, the Company has impaired 20% of the qard hassan during the year: BD 2,383,115 (2014: BD 2,383,115).

c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations from its financial and retakaful liabilities that are settled by delivering cash or another financial asset. The Company is exposed to calls on its available cash resources mainly from claims arising from retakaful agreements. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of lapses/surrenders. The natures of Company's exposure to liquidity risk and its objective, policies and processes for managing liquidity risk have not changed significantly from the prior period.

(i) Management of liquidity risk

The Hannover Re Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Company's liquidity risk approach is prescribed in the Investment Guidelines and is consistently monitored to ensure adequate liquidity.

(ii) Exposure to liquidity risk

An analysis of the contractual maturities of the Company's financial liabilities (including contractual undiscounted profit payments) is presented below.

19 *FINANCIAL RISK MANAGEMENT (continued)*

Policyholders

	Carrying amount	Contractual cash flows	1 year or less
2015			
Claims reserves reported	35,148,547	35,148,547	35,148,547
Retakaful payables	5,007,606	5,007,606	5,007,606
Related party payables	157,989	157,989	157,989
Other liabilities	27,119	27,119	27,119
Wakala fee payable	5,366,700	5,366,700	5,366,700
Total	**45,707,961**	**45,707,961**	**45,707,961**
2014			
Claims reserves reported	39,305,476	39,305,476	39,305,476
Retakaful payables	2,197,571	2,197,571	2,197,571
Related party payables	188,890	188,890	188,890
Wakala fee payable	5,912,250	5,912,250	5,912,250
Total	47,604,187	47,604,187	47,604,187

Shareholders

	Carrying amount	Contractual cash flows	1 year or less
2015			
Other payables	600,542	600,542	600,542
Total	**600,542**	**600,542**	**600,542**
2014			
Related Party payables	2,887	2,887	2,887
Other payables	604,260	604,260	604,260
Total	607,147	607,147	607,147

(iii) *Disclosures of non-financial assets and liabilities*

Disclosures relating to financial assets and liabilities - current and non-current, are provided throughout these financial statements. Disclosures relating to non-financial assets and liabilities representing best estimates are as stated below.

19 FINANCIAL RISK MANAGEMENT (continued)

Non-financial assets	**2015**	2014
Policyholders		
Accrued contribution receivable	22,876,056	33,183,627
Deferred acquisition costs	5,000,796	4,527,257
Deferred wakala fee	2,391,871	2,533,327
Retrocessionaires' share of unearned contribution reserve	293,853	-
	30,562,576	40,244,211
Shareholders		
Equipment and other assets	**256,068**	267,253
Non-financial liabilities		
Policyholders		
Unearned contribution reserve	28,121,043	23,339,309
Commission reserve	329,396	1,000,185
Loss reserves – IBNR	44,929,596	49,429,472
	73,380,035	73,768,966

Non-financial liabilities	**2015**	2014
Shareholders		
Other liabilities	260,846	195,400
	260,846	195,400

d) Market risk

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices will affect the value of the Company's assets, the amount of its liabilities and / or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risks and its objectives, policies and processes for managing market risk have not changed significantly from the prior period.

19 FINANCIAL RISK MANAGEMENT (continued)

(i) Management of market risk

All entities in the Hannover Re Group manage market risks locally in accordance with their asset/liability management framework. For each of the major components of market risk, the Hannover Re Group has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of risk and the exposure of the Company at the reporting date to each major risk are addressed below.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's liabilities are denominated in Bahraini Dinars, United States Dollars, Malaysian Ringgit, Kuwaiti Dinars, Euros and other currencies. The Bahraini Dinar is effectively pegged to the United States Dollar, thus currency rate risks occur only in respect of Malaysian Ringgit, Euros and Kuwaiti Dinars. The Company is not significantly exposed to currency risk in relation to other currencies as these include exposure in currencies of other GCC countries which are pegged with United States Dollars. The Company actively pursues a natural hedge between its assets and liabilities.

31 December 2015	**Malaysian Ringgit**	**Euro**	**Kuwaiti Dinars**	**Total**
Total assets	11,533,397	2,781,280	1,350,117	15,664,794
Total liabilities	(13,294,628)	(692,270)	(2,759,027)	(16,745,925)
Net (liabilities) / assets	**(1,761,231)**	**2,089,010**	**(1,408,910)**	**(1,081,131)**
31 December 2014				
Total assets	22,827,745	7,078,726	2,387,472	32,293,943
Total liabilities	(20,642,785)	(1,868,036)	(2,827,568)	(25,338,389)
Net (liabilities) / assets	2,184,960	5,210,690	(440,096)	6,955,554

The assets and liabilities above were translated at exchange rates at the reporting date.

A 10% variance in Euro exchange rate will have an impact of BD 208,901 (2014: BD 521,069), 10% variance in Malaysian Ringgit exchange rate will have an impact of BD 176,123 (2014: BD 218,496), 10% variance in Kuwaiti Dinars exchange rate will have an impact of BD 140,891 (2014: BD 44,010) on the statement of policyholders' revenue and expenses, statement of income, policyholders' equity and shareholders' equity respectively.

19 FINANCIAL RISK MANAGEMENT (continued)

(iii) Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates. The Company does not have material exposure to variations in profit rates as it invests primarily in fixed income instruments.

(iv) Other market price risk

The primary goal of the Company's investment strategy is to ensure low risk returns and invest excess surplus funds available with the Company in low risk securities. Market price risk arises from investments held by the Company. The Investment Guidelines prescribe the acceptable limits in market price movement of securities. The Managing Director and Senior Manager – Finance & Compliance are responsible for ensuring compliance with the Investment Guidelines and reporting on the performance of the portfolio to the Investment Committee of the Company's Board of Directors.

20 SOLVENCY MARGIN AND CAPITAL ADEQUACY

The CBB Rulebook stipulates that solvency margin requirements are determined separately for the policyholders funds (general takaful and family takaful). The total available capital to cover the required solvency margin is BD 25.854 million (2014: BD 26.235 million).

The solvency margin required for the general takaful funds is BD 8.291 million (2014: BD 7.1 million) and for the family takaful funds is BD 0.4 million (2014: BD 0.4 million) as per the regulations issued by the CBB.

21 COMPARATIVES

The comparative figures for the previous year has been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping does not affect the previously reported profit, comprehensive income or equity.

22 SHARIA SUPERVISORY BOARD

The Company's business activities are subject to the supervision of the Sharia Board consisting of three scholars appointed by the General Assembly for a period of three years. The Sharia Supervisory Board has the power to review the Company's business operations and activities in order to confirm that the Company is complying with Sharia rules and principles. The Sharia Supervisory Board has access to all the Company's records, transactions and information sources.

23 PROPOSED DIVIDEND

The Board of Directors recommended the dividend appropriation of BD 0.058 per share equating to BD 1,160,000 for approval of the Shareholders at the Annual General Meeting, to be held on 15 April 2016.

24 EARNINGS PROHIBITED BY SHARIA

There were no earnings realized during the year (2014: Nil) from transactions which are not permitted by Sharia.