

Takaful International Company B.S.C.

**INTERIM CONDENSED FINANCIAL
STATEMENTS**

31 MARCH 2021 (REVIEWED)

CONTENTS

	Page
General information	2
Directors and management	3
Review report to the Board of Directors	4
Interim condensed financial statements	
Interim statement of financial position	5
Interim statement of profit or loss	6
Interim statement of changes in shareholders' equity	7
Interim statement of changes in participants' fund	8
Interim statement of cash flows	9 to 10
Notes to the interim condensed financial statements	11 to 23
Supplementary disclosure to the condensed interim financial statements	24 to 25

Takaful International Company B.S.C.
General information

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Commercial registration : 21100 obtained on 11 April 1989

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PRINCIPAL BANKERS

Bahrain Islamic Bank
Al Salam Bank

SHARE REGISTRAR

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AUDITORS

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Manama, Kingdom of Bahrain
Kingdom of Bahrain

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Actuary

Lux Actuaries & Consultants
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Dubai, UAE

P.O. Box : 371557
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Takaful International Company B.S.C.

Directors and management

BOARD OF DIRECTORS

Jamal Ali Al Hazeem	- Chairman
AbdulRahman Abdulla Mohammed	- Vice-Chairman
Khaled Saud Al Hasan	- Director
Ebrahim Mohamed Sharif Alrayes	- Director
Ahmed AbdulRahman Bucheeri	- Director
Osama Kamel Kishk	- Director
Dr. Osama T. Albaharna	- Director
Rashed Ali Abdulrahim	- Director
Khalid Jamal Al Muzaire	- Director (Resigned 23 March 2021)
Abdulla Rabea Mohamed Rabea	- Director
Saleh Fahad Al Zouman	- Director (Appointed 23 March 2021)
Ali Hasan Fardan	- Secretary to the Board

EXECUTIVE COMMITTEE

Khaled Saud Al Hasan	- Chairman
AbdulRahman Abdulla Mohammed	- Vice Chairman
Abdulla Rabea Mohamed Rabea	- Member
Ebrahim Mohamed Sharif Alrayes	- Member (Left executive committee on 23 March 2021)
Ahmed AbdulRahman Bucheeri	- Member
Saleh Fahad Al Zouman	- Member (Appointed 23 March 2021)

AUDIT COMMITTEE

Ebrahim Mohamed Sharif Alrayes	- Chairman (Joined audit committee on 23 March 2021)
Khalid Jamal Al Muzaire	- Chairman (Resigned 23 March 2021)
Rashed Ali Abdulrahim	- Vice Chairman
Osama Kamel Kishk	- Member
Dr. Osama T. Albaharna	- Member

NOMINATION & REMUNERATION COMMITTEE

Jamal Ali Al Hazeem	- Chairman
Khaled Saud Al Hasan	- Vice Chairman
Khalid Jamal Al Muzaire	- Member (Resigned 23 March 2021)
Rashed Ali Abdulrahim	- Member
Ebrahim Mohamed Sharif Alrayes	- Member (Joined Nomination & remuneration committee on 23 March 2021)

RISK COMMITTEE

Dr. Osama T. Albaharna	- Chairman
Osama Kamel Kishk	- Vice Chairman
Ahmed AbdulRahman Bucheeri	- Member
Abdulaziz A. Al Othman	- Member (Deputy Chief Executive Officer)

Sharia'a Supervisory Board

Dr. Shaikh Abdul Latif Mahmood Al Mahmood	- Chairman
Dr. Shaikh Osama Mohammed Bahar	- Deputy Chairman
Shaikh Essam Mohammed Ishaq	- Member

EXECUTIVE MANAGEMENT

Essam M. Al Ansari	- Chief Executive Officer
Abdulaziz A. Al Othman	- Deputy Chief Executive Officer
Santosh Shreenivas Prabhu	- Chief Financial Officer
Jijan Abraham Stephen	- Chief Underwriting Officer - General Takaful
Reema Nowrooz	- Chief Underwriting Officer - Family Takaful & Healthcare
Lamia E. Hassan	- Chief Underwriting Officer - Motor Takaful
Sayed Jaffer K. Hussain	- Manager - Information Systems
Najat Al Wadi	- Manager - Governance, Risk Management & Compliance

REPORT ON REVIEW OF THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF TAKAFUL INTERNATIONAL COMPANY B.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of Takaful International B.S.C. (the "Company") as at 31 March 2021, comprising of the interim statement of financial position as at 31 March 2021 and the related interim statements of profit or loss, changes in shareholders' equity, changes in participants' fund and cash flows for the three-month period then ended and explanatory notes. The Board of Directors of the Company is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies described in note 2. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies described in note 2 to the interim condensed financial statements.

Other matter

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of interim condensed financial statements for the three-month period ended 31 March 2020. We have not reviewed the comparative information for the three-month period ended 31 March 2020 presented in these interim condensed financial statements which have been extracted from management accounts of the Company and, we do not express any review conclusion on them.



4 May 2021
Manama, Kingdom of Bahrain

Takaful International Company B.S.C.
INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Shareholders			General takatuf			Family takatuf			Total		
	Reviewed	Audited		Reviewed	Audited		Reviewed	Audited		Reviewed	Audited	
	31 March 2021	31 December 2020	BD	31 March 2021	31 December 2020	BD	31 March 2021	31 December 2020	BD	31 March 2021	31 December 2020	BD
ASSETS												
Cash and investments:												
Statutory deposit	125,000	125,000								125,000	125,000	
Cash and balances with banks	7,359,564	7,678,395		9,963,296	8,512,369		2,531,405	2,100,488		19,854,265	18,291,252	
Investments	2,746,539	2,634,093		2,190,159	2,031,884		1,253,600	1,252,954		6,190,298	5,918,931	
Investment in an associate	184,897	260,776		-	-		-	-		184,897	260,776	
	10,416,000	10,698,264		12,153,455	10,544,253		3,785,005	3,353,442		26,354,460	24,595,959	
Takatuf and retakatuf receivables	-	-		7,938,390	5,599,724		475,015	486,885		8,413,405	6,086,609	
Retakatuf providers' share of takatuf liabilities	-	-		6,335,062	5,583,715		352,773	300,570		6,687,835	5,884,285	
Deferred acquisition costs	744,544	493,161		-	-		-	-		744,544	493,161	
Property and equipment	76,670	72,728		-	-		-	-		76,670	72,728	
Right-of-use assets	581,452	-		-	-		-	-		581,452	-	
Other receivables, accrued income and prepayments	1,054,987	1,156,184		540,095	373,669		43,818	27,070		1,638,900	1,556,923	
Retakatuf providers' share of family takatuf technical reserves	-	-		-	-		2,550,251	2,550,251		2,550,251	2,550,251	
TOTAL ASSETS	12,873,653	12,420,337		26,967,002	22,101,361		7,206,862	6,718,218		47,047,517	41,239,916	
LIABILITIES, PARTICIPANTS' FUNDS AND OWNERS' EQUITY												
Liabilities												
Takatuf liabilities	-	-		20,735,447	17,363,546		663,938	498,210		21,399,385	17,861,756	
Unearned commissions	-	-		407,063	285,762		-	-		407,063	285,762	
Family takatuf technical reserves	-	-		-	-		5,197,202	5,052,328		5,197,202	5,052,328	
Payables and accrued liabilities:												
Takatuf and retakatuf companies	-	-		3,548,677	2,256,096		861,454	792,177		4,410,131	3,048,273	
Participants'	518,792	350,760		1,041,727	1,094,879		5,194	4,065		1,565,713	1,449,704	
Others	770,041	905,444		1,114,020	1,186,724		271,653	175,360		2,155,714	2,267,528	
Ijarah liabilities	575,626	-		-	-		-	-		575,626	-	
Total liabilities	1,864,459	1,256,204		26,846,934	22,187,007		6,999,441	6,522,140		35,710,834	29,965,351	
Participants' fund												
Surplus / (deficit) in participants' fund	-	-		37,609	(159,838)		136,164	132,449		173,773	(27,389)	
Investments fair value reserve	-	-		82,459	74,192		71,257	63,629		153,716	137,821	
	-	-		120,068	(85,646)		207,421	196,078		327,489	110,432	
Owners' equity												
Share capital	8,500,000	8,500,000		-	-		-	-		8,500,000	8,500,000	
Statutory reserve	770,569	770,569		-	-		-	-		770,569	770,569	
General reserve	200,000	200,000		-	-		-	-		200,000	200,000	
Retained earnings	1,402,972	1,578,365		-	-		-	-		1,402,972	1,578,365	
Investments fair value reserve	135,653	115,199		-	-		-	-		135,653	115,199	
Total owners' equity	11,009,194	11,164,133		-	-		-	-		11,009,194	11,164,133	
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND OWNERS' EQUITY	12,873,653	12,420,337		26,967,002	22,101,361		7,206,862	6,718,218		47,047,517	41,239,916	

Abdulrahman Abdullah Mohammed
Vice Chairman

Essam Mohamed Al Ansen
Chief Executive Officer

The attached explanatory notes 1 to 7 form part of these interim condensed financial statements.

Takaful International Company B.S.C.
INTERIM STATEMENT OF PROFIT OR LOSS
For the three-month period ended 31 March 2021 (Reviewed)

	Shareholders			General takaful			Family takaful			Total		
	Reviewed	Not reviewed		Reviewed	Not reviewed		Reviewed	Not reviewed		Reviewed	Not reviewed	
	31 March	31 March		31 March	31 March		31 March	31 March		31 March	31 March	
Note	2021	2020	BD	2021	2020	BD	2021	2020	BD	2021	2020	BD
Gross contributions												
Retakaful provider's share of gross contributions	-	-	-	9,120,861	7,685,286	-	418,875	389,704	-	9,539,736	8,074,990	-
	-	-	-	(2,449,699)	(2,442,348)	-	(116,923)	(139,517)	-	(2,566,622)	(2,581,865)	-
Retained contributions												
Unearned contributions adjustment - gross	-	-	-	6,671,162	5,242,938	-	301,952	250,187	-	6,973,114	5,493,125	-
Unearned contributions adjustment - retakaful	-	-	-	(3,257,214)	(2,235,561)	-	(29,524)	(32,545)	-	(3,286,738)	(2,268,106)	-
	-	-	-	773,386	960,562	-	7,687	3,593	-	781,073	964,155	-
Net earned contributions												
	-	-	-	4,187,334	3,967,939	-	280,115	221,235	-	4,467,449	4,189,174	-
Gross claims paid												
Retakaful provider's and others share of claims paid	-	-	-	(3,006,846)	(3,329,733)	-	(43,487)	(53,212)	-	(3,050,333)	(3,382,945)	-
Outstanding claims adjustment - gross	-	-	-	383,609	639,091	-	21,376	20,142	-	404,985	659,233	-
Outstanding claims adjustment - retakaful and others	-	-	-	(114,687)	(482,504)	-	(136,204)	(74,298)	-	(250,891)	(556,802)	-
	-	-	-	(22,039)	434,295	-	44,516	8,644	-	22,477	442,939	-
Net incurred claims												
	-	-	-	(2,759,963)	(2,738,851)	-	(113,799)	(98,724)	-	(2,873,762)	(2,837,575)	-
Fee and commission income												
Other takaful expenses	-	-	-	188,312	210,516	-	-	7	-	188,312	210,523	-
Transfer to family takaful technical reserve	-	-	-	(165,341)	(186,350)	-	(1,904)	(1,869)	-	(167,245)	(188,219)	-
Provision for impaired takaful receivables	-	-	-	-	-	-	(144,874)	(15,000)	-	(144,874)	(15,000)	-
	-	-	-	(80,126)	(132,371)	-	-	(24,263)	-	(80,126)	(156,634)	-
Surplus from takaful operations before wakala fees												
Wakala fees expense	-	-	-	1,370,216	1,120,883	-	19,538	81,386	-	1,389,754	1,202,269	-
	-	-	-	(1,217,665)	(1,019,224)	-	(37,351)	(70,147)	-	(1,255,016)	(1,089,371)	-
Surplus / (deficit) from takaful operations after wakala fees												
Wakala fees income	1,255,016	1,089,371	-	-	-	-	(17,813)	11,239	-	134,738	112,898	-
Investment income / (expense) - net	56,476	(73,072)	-	59,862	74,160	-	28,704	(48,303)	-	1,255,016	1,089,371	-
Mudarib share	22,142	18,540	-	(14,966)	(18,540)	-	(7,176)	-	-	145,042	(47,215)	-
Loss from an associate	(17,343)	62,258	-	-	-	-	-	-	-	-	62,258	-
Other income	-	1,323	-	-	-	-	-	-	-	(17,343)	1,323	-
General administration expenses												
Corporate expenses	1,316,291	1,098,420	-	44,896	55,620	-	21,528	(48,303)	-	1,382,715	1,105,737	-
Amortisation of acquisition costs	(537,841)	(468,189)	-	-	-	-	-	-	-	(537,841)	(468,189)	-
	(141,983)	(82,529)	-	-	-	-	-	-	-	(141,983)	(82,529)	-
	(381,131)	(316,955)	-	-	-	-	-	-	-	(381,131)	(316,955)	-
	(1,060,955)	(867,673)	-	-	-	-	-	-	-	(1,060,955)	(867,673)	-
Net profit and surplus / (deficit) for the period												
	255,336	230,747	-	197,447	157,279	-	3,715	(37,064)	-	456,498	350,962	-
Earnings per share												
	3.00 fils	2.71 fils										

3

AR Rahman
Abdul Rahman Abdullah Mohammed
Vice Chairman

Jamal Ali Al Hazzaem
Jamal Ali Al Hazzaem
Chairman

Essam Mohamed Al Aseari
Essam Mohamed Al Aseari
Chief Executive Officer

Takaful International Company B.S.C.

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2021 (Reviewed)

	Share capital	Statutory reserve	General reserve	Retained earnings	Investments fair value reserve	Total equity
	BD	BD	BD	BD	BD	BD
Balance at 1 January 2021	8,500,000	770,569	200,000	1,578,365	115,199	11,164,133
Effect of adoption of a new accounting standard (note 2)	-	-	-	(5,729)	-	(5,729)
Balance at 1 January 2021 (restated)	8,500,000	770,569	200,000	1,572,636	115,199	11,158,404
Profit for the period	-	-	-	255,336	-	255,336
Other comprehensive income (note 7)	-	-	-	-	20,454	20,454
Total comprehensive income for the period	-	-	-	255,336	20,454	275,790
Dividend paid	-	-	-	(425,000)	-	(425,000)
Balance as at 31 March 2021 (Reviewed)	8,500,000	770,569	200,000	1,402,972	135,653	11,009,194
Balance at 1 January 2020	8,500,000	656,159	200,000	548,670	174,142	10,078,970
Profit for the period	-	-	-	230,747	-	230,747
Other comprehensive loss (note 7)	-	-	-	-	(249,932)	(249,932)
Total comprehensive income / (loss) for the period	-	-	-	230,747	(249,932)	(19,185)
Balance as at 31 March 2020 (Not reviewed)	8,500,000	656,159	200,000	779,417	(75,790)	10,059,785

The attached explanatory notes 1 to 7 form part of these interim condensed financial statements.

Takaful International Company B.S.C.

INTERIM STATEMENT OF CHANGES IN PARTICIPANTS' FUND

For the three-month period ended 31 March 2021 (Reviewed)

	Investments fair value reserve				Total BD
	General takaful	Family takaful	General takaful	Family takaful	
Balance at 1 January 2021	(159,838)	132,449	74,192	63,629	110,432
Realised fair value losses on investment securities	-	-	-	6,981	6,981
Unrealised fair value gain on investment securities	-	-	8,267	647	8,914
Surplus for the period	197,447	3,715	-	-	201,162
Balance as at 31 March 2021 (Reviewed)	37,609	136,164	82,459	71,257	327,489
Balance at 1 January 2020	(591,591)	163,939	130,039	6,917	(290,696)
Realised fair value losses on investment securities	-	-	1,376	76,103	77,479
Unrealised fair value loss on investment securities	-	-	(151,589)	(104,282)	(255,871)
Surplus / (deficit) for the period	157,279	(37,064)	-	-	120,215
Balance as at 31 March 2020 (Not reviewed)	(434,312)	126,875	(20,174)	(21,262)	(348,873)

Takaful International Company B.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2021 (Reviewed)

	<i>Three months ended 31 March</i>	
	<i>Reviewed</i>	<i>Not reviewed</i>
	<i>2021</i>	<i>2020</i>
	<i>BD</i>	<i>BD</i>
OPERATING ACTIVITIES		
Net profit for the period	255,336	230,747
Surplus from participants' operations	201,162	120,215
<i>Adjustments for:</i>		
Income from associate	(2,950)	(62,258)
Amortisation of right-of-use assets	18,387	-
Ijarah cost	11,978	-
Loss on sale of associate	20,293	-
Investment income	(186,494)	(6,654)
Gains on sale of investments	(5,093)	(160,111)
Impairment loss on investments	17,687	186,384
Depreciation	8,725	23,802
Provision for impairment of takaful and retakaful receivables	80,126	156,634
Movement in unearned contributions	2,505,666	1,303,949
Movement in unearned commissions	(130,082)	(42,218)
Movement in transfer to family takaful technical reserve	144,874	15,000
Operating profit before changes in operating assets and liabilities	2,939,615	1,765,490
Changes in operating assets and liabilities:		
Takaful and retakaful receivables	(2,406,926)	(1,584,013)
Other receivables and prepayments (note a)	(193,555)	(62,670)
Retakaful share of outstanding claims	(22,476)	(442,940)
Gross outstanding claims	250,891	556,803
Takaful and retakaful payables	1,477,866	825,572
Other liabilities and provisions	(13,388)	(91,252)
Employees' terminal benefits	(3,917)	17,191
Net cash from operating activities	2,028,110	984,181
INVESTING ACTIVITIES		
Investment income received	191,587	166,765
Purchase of property and equipment	(12,670)	(8,775)
Purchase of investments	(363,079)	(467,517)
Proceeds from the sale of investments	110,380	93,994
Proceeds from the sale of investments in associate	58,536	
Bank deposits with maturities of more than three months	417,336	309,720
Net cash from investing activities	402,090	94,187
FINANCING ACTIVITIES		
Cash dividend paid	(425,000)	-
Payment of Ijarah liabilities	(24,851)	-
Net cash used in financing activity	(449,851)	-
INCREASE IN CASH AND CASH EQUIVALENTS	1,980,349	1,078,368
Cash and cash equivalents at the beginning of the period	8,641,681	2,590,725
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,622,030	3,669,093

The attached explanatory notes 1 to 7 form part of these interim condensed financial statements.

Takaful International Company B.S.C.

INTERIM STATEMENT OF CASH FLOWS (continued)

For the three-month period ended 31 March 2021 (Reviewed)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>Reviewed</i>	<i>Not reviewed</i>
	<i>2021</i>	<i>2020</i>
	<i>BD</i>	<i>BD</i>
COMPRISING:		
CASH AND BALANCES WITH BANKS		
Cash and balance in current accounts	4,025,344	2,801,580
Bank deposits with maturities of three months or less	6,596,686	867,513
CASH AND CASH EQUIVALENTS	10,622,030	3,669,093
Bank deposits with maturities of more than three months	9,232,235	8,653,069
Cash and balances with banks as per interim statement of financial position	19,854,265	12,322,162

Note a

Other receivables and prepayments includes BD 17,068 prepayment as at 1 January 2021, which was reclassified to right-of-use assets upon adoption of FAS 32 (note 2).

1 ORGANISATION AND ACTIVITIES

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

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

Impact of COVID-19

The spread of coronavirus ("COVID-19") pandemic has severely impacted various economies globally, causing disruption to business and economic activities. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The extent and duration of its business and economic impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. These developments could impact our future financial results, cash flows and financial condition.

The registered office of the Company is in the Kingdom of Bahrain.

The interim condensed financial statements of the Company were authorised for issue in accordance with a resolution of the Board of Directors dated 4 May 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34 - "*Interim Financial Reporting*". The condensed interim financial information should therefore be read in conjunction with the annual audited financial statements prepared as at, and for the year ended 31 December 2020 which has been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("the AAOIFI"). For recognition and measurement matters which are not covered by the AAOIFI standards, including Interim Financial Reporting, the Company uses guidance from International Financial Reporting Standards issued by the International Accounting Standards Board.

These interim condensed financial statements are reviewed, not audited. Due to the outbreak of the novel coronavirus (COVID-19), the Central Bank of Bahrain had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their interim condensed financial statements for 31 March 2020. Accordingly, the comparatives for the interim statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2020 while the comparatives for the interim statements of profit or loss, changes in shareholders' equity, changes in participants' fund, cash flows and related notes have been extracted from the management accounts for the three month period ended 31 March 2020. Further, the comparative information included in the interim statements of profit or loss, changes in shareholders' equity, changes in participants' fund, cash flows and related notes are not reviewed by external auditors.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the annual audited financial statements of the Company prepared as at, and for the year ended 31 December 2020 except for the adoption of new and amended standards issued and effective for annual periods beginning on or after 1 January 2021.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Significant accounting policies (continued)****FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)**

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture. This standard does not have any impact on the financial statements of the Company.

FAS 34 Financial Reporting for Sukuk -holders

This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard does not have any impact on the financial statements of the Company.

FAS 36 First Time Adoption of AAOIFI Financial Accounting Standards

The standard provides principles of financial reporting for Islamic financial institutions (the institutions), to be applied in the financial statements prepared for the first time according to the AAOIFI FASs, and to prescribe the transitional effects at the time of adoption. This standard does not have any impact on the financial statements of the Company.

FAS 32 Ijarah

This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". FAS 32 sets out the principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard is effective beginning 1 January 2021.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its Ijarah into a) operating Ijarah b) Ijarah Muntahia Bittamleek with expected transfer of ownership after the end of the Ijarah term – either through sale or gift; and c) Ijarah Muntahia Bittamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including Diminishing Musharaka Ijarah.

The standard includes two recognition exemptions for Ijarah – Ijarah of "low-value" assets (e.g., personal computers) and short-term Ijarah (i.e., Ijarah with a Ijarah term of 12 months or less). At the commencement date of the Ijarah, a lessee will recognize an asset representing the right to use the underlying asset during the Ijarah term (i.e., the right-of-use asset) and a net Ijarah liability, duly comprising of a) gross Ijarah liability and b) deferred Ijarah cost (shown as contra-liability). Further, the net Ijarah liabilities should be netted off against the advance rental's payments made prior to the commencement of Ijarah term.

Upon adoption of FAS 32, the Company applied a single recognition and measurement approach for all Ijarah in which it is the lessee, except for short-term Ijarah and Ijarah of low-value assets. The Company recognised Ijarah liabilities to make Ijarah payments and right-of-use assets representing the right to use the underlying assets. The Company adopted FAS 32 using the modified retrospective method of adoption with the date of initial application of 1 January 2021 and accordingly, the comparative information is not restated.

When measuring Ijarah liabilities, the Company discounted Ijarah payments using its incremental borrowing rate at 1 January 2021. The effect of adopting FAS 32 as at 1 January 2021 is disclosed as follows:

	1 January 2021 BD
Assets	
Right-of-use assets	599,840
Prepayments	(17,068)
	582,772
Owners' equity	
Retained earnings	(5,729)
Liabilities	
Ijarah liabilities	588,501

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

FAS 32 Ijarah (continued)

a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the Ijarah (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment. The cost of right-of-use assets represents the fair value of total consideration paid / payable and includes initial direct costs and any dismantling or decommissioning costs. The Company amortises the right-of-use assets from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. Right-of-use assets are also subjects to impairment in line with FAS 30 requirements.

b) Ijarah liabilities

At the commencement date of the Ijarah (i.e., the date the underlying asset is available for use), the Company recognises Ijarah liabilities measured at the fair value of total rentals payable for Ijarah term. After the commencement date, the amount of Ijarah liabilities are increased to reflect return on the Ijarah liabilities – by way of amortisation of deferred Ijarah cost and reduced to reflect the Ijarah rentals made. In addition, the carrying amount of Ijarah liabilities is remeasured if there is a modification, a change in the Ijarah term or change in the in-substance fixed Ijarah payments.

New standards issued but deferred by AAOIFI

The Accounting Board of AAOIFI in its meeting held on 22-23 June 2020 has clarified that till the project of revision of certain FASs is complete, the takaful companies are subject to the investments impairment and classification requirements of FAS 25 'investments in Sukuk, shares and similar instruments' therefore the following issued AAOIFI FASs are extended till the date of completion of revision of certain takaful standards.

FAS 30 Impairment, credit losses and onerous commitments

The standard fundamentally changed the accounting for impairment losses for financial assets by replacing FAS 11 "provisions and reserves" incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach on all receivables and off-balance sheet exposures including guarantees, letters of credit and other similar positions which are subject to credit risk.

The assets subject to credit losses will be categorised in the following three stages:

- | | |
|---------|--|
| Stage 1 | Performing receivables: receivables that are not significantly deteriorated in credit quality since origination. The impairment provision will be recorded based on 12 months ECL. |
| Stage 2 | Underperforming receivables: receivables that have significantly deteriorated in credit quality since origination. The credit losses will be recorded based on life time ECL. |
| Stage 3 | Impaired receivables: For receivables that are impaired, the impairment provision based on life time ECL will be recognised. |

The Company will be required to consider the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs. The forward-looking information will include the elements such as macroeconomic factors (e.g., equity prices and oil prices) and economic forecasts obtained through external sources.

The Company will evaluate a range of possible outcomes and scenarios. For each scenario, the Company will derive an ECL and apply a probability weighted approach to determine the impairment provision.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

New standards issued but deferred by AAOIFI (continued)

FAS 30 Impairment, credit losses and onerous commitments (continued)

Impairment approach

Impairment losses will be recognised on all other financing, investment assets and exposures subject to risks other than credit risk (excluding investments carried at fair value through statement of income).

The impairment losses will be measured by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount will be the higher of its fair value less costs of disposal and its value in use.

Provision for onerous contract or commitment to acquire an asset

The Company will recognise provision when the Company is obligated to acquire an asset under a future commitment or contracts permissible to be entered in the future, and it is expected that the obligation under the contract or commitment is higher than the economic benefits expected to flow through acquisition of such asset. In such situation, the Company will create a provision on this account reflecting the expected losses arising on such transaction.

FAS 33 Investment in sukuk, shares and similar instruments

This standard aims at setting out principles for the classification, recognition, measurement, presentation, and disclosure of investments in Sukuk, shares and other similar instruments of investments made by Islamic financial institution. The standard defines the key types of instruments of Shari'ah compliant investments and the primary accounting treatments commensurate to the characteristics and business model of institutions under which the investments are made, managed and held.

New standards issued but not yet effective

Standards, interpretations and amendments to existing standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are disclosed below. The Company reasonably expects these issued standards, interpretations and amendments to existing standards to be applicable at a future date. The Company intends to adopt these standards, interpretations and amendments to existing standards, if applicable, when they become effective:

- 'FAS 37 "Financial Reporting by Waqf Institutions" (effective 1 January 2022)
The standard establishes principles of financial reporting by Waqf financial institutions, which are established and operated in line with Shari'ah principle and rules.
- FAS 38 Wa'ad Khiyar and Tahawwut (effective 1 January 2022)
The standard prescribes the accounting and reporting principles and requirements for Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for the institutions.

The Company's management is currently assessing the impact of the above standards, interpretations and amendments on the condensed interim financial statements of the Company.

3 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the three-month period ended 31 March 2021 - Reviewed of BD 255,336 (31 March 2020 - not reviewed: BD 230,747) attributable to 85 million (2020: 85 million) weighted average number of ordinary shares, being the number of ordinary shares outstanding during the period. The Company does not have any potentially dilutive ordinary shares, hence the diluted earnings and basic earnings per share are identical.

At 31 March 2021

4 SEGMENTAL UNDERWRITING RESULTS

Business segments – primary reporting segment

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

Fire and general takaful offers insurance policies to cover various risks of fire, sabotage and terrorism, engineering and general accident.

Medical takaful offers insurance policies to cover risks of medical contingencies and expenses.

Motor takaful offers insurance policies to cover risks of motor third party, motor comprehensive and extended warranty.

Marine and aviation takaful offers insurance policies to cover risks of marine cargo, marine hull and aviation.

Family takaful offers insurance policies to cover risks of group takaful and group credit, protection (decreasing term assurance/ life term assurance) and also for group savings, individual savings, education and cash back.

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 disclosure of segment revenues, measurement of segment profit for the period and their reconciliation to the Company's income and profit for the period.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

4 SEGMENTAL UNDERWRITING RESULTS (continued)

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

16

Takaful International Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021

4 SEGMENTAL UNDERWRITING RESULTS (continued)

Business segments – primary reporting segment (continued)

	Three-month period ended 31 March 2020 (Not reviewed)						
	Total						Total
	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	General Takaful BD	Family Takaful BD	
Gross contributions	2,499,567	2,735,840	2,281,232	168,647	7,685,286	389,704	8,074,990
Retakaful provider's share of gross contributions	(2,212,973)	(24,226)	(68,908)	(136,241)	(2,442,348)	(139,517)	(2,581,865)
Retained contributions	286,594	2,711,614	2,212,324	32,406	5,242,938	250,187	5,493,125
Unearned premiums adjustment - net	(86,839)	(986,315)	(199,310)	(2,535)	(1,274,999)	(28,952)	(1,303,951)
Net earned contributions	199,755	1,725,299	2,013,014	29,871	3,967,939	221,235	4,189,174
Fee and commission Income	185,161	36	20	25,299	210,516	7	210,523
Segment revenue	384,916	1,725,335	2,013,034	55,170	4,178,455	221,242	4,399,697
Net incurred claims	(66,853)	(1,285,615)	(1,379,779)	(6,604)	(2,738,851)	(98,724)	(2,837,575)
Other takaful expenses	3,371	(145,768)	(43,953)	-	(186,350)	(1,869)	(188,219)
Transfer to family takaful technical reserve	-	-	-	-	-	(15,000)	(15,000)
Provision for impaired takaful receivables	(26,076)	(25,338)	(75,203)	(5,754)	(132,371)	(24,263)	(156,634)
Underwriting surplus before wakala fees	295,358	268,614	514,099	42,812	1,120,883	81,386	1,202,269
Wakala fees expense	(290,258)	(235,282)	(460,373)	(33,311)	(1,019,224)	(70,147)	(1,089,371)
Surplus from takaful operations after wakala fees	5,100	33,332	53,726	9,501	101,659	11,239	112,898
Investment income - net					74,160	(48,303)	25,857
Mudarib fees expense					(18,540)	-	(18,540)
Net surplus / (deficit)					157,279	(37,064)	120,215

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021

4 SEGMENTAL UNDERWRITING RESULTS (continued)

The following table presents disclosure of segment assets and liabilities:

	<i>Fire & General</i> <i>BD</i>	<i>Medical</i> <i>BD</i>	<i>Motor</i> <i>BD</i>	<i>Marine & Aviation</i> <i>BD</i>	<i>Family Takaful</i> <i>BD</i>	<i>Total</i> <i>BD</i>	<i>Unallocated assets / liabilities</i> <i>BD</i>	<i>Total</i> <i>BD</i>
<i>Identifiable assets and liabilities as on 31 March 2021 (Reviewed)</i>								
Identifiable assets	5,242,457	265,113	1,479,421	84,077	2,911,562	9,982,630	37,064,887	47,047,517
Identifiable liabilities	6,324,883	5,186,770	9,497,650	133,208	5,861,140	27,003,651	8,707,183	35,710,834
<i>Identifiable assets and liabilities as on 31 December 2020 - (Audited)</i>								
Identifiable assets	4,373,040	50,564	1,546,471	102,189	2,855,434	8,927,698	32,312,218	41,239,916
Identifiable liabilities	5,238,833	2,784,584	9,473,676	152,215	5,550,538	23,199,846	6,765,505	29,965,351

5 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments held by the Company as at 31 March 2021 and 31 December 2020:

31 March 2021 (Reviewed)			
	Equity and debt type instruments at fair value through equity BD	Financial assets at amortised cost BD	Total BD
Cash and bank balances	-	19,854,265	19,854,265
Statutory deposits	-	125,000	125,000
Takaful and retakaful receivables	-	8,413,405	8,413,405
Other receivables	-	601,751	601,751
Retakaful share of Takaful Liabilities			
- Outstanding Claims - reported claims	-	3,048,511	3,048,511
Investments	5,790,298	400,000	6,190,298
	5,790,298	32,442,932	38,233,230
			Liabilities BD
Takaful Liabilities			
- Outstanding Claims - reported claims			5,725,113
Takaful and retakaful payables			5,975,844
Other liabilities and provisions			1,645,717
Ijarah liabilities			575,626
			13,922,300
31 December 2020 (Audited)			
	Equity and debt type instruments at fair value through equity BD	Financial assets at amortised cost BD	Total BD
Cash and balances with Bank	-	18,291,252	18,291,252
Statutory deposits	-	125,000	125,000
Takaful and retakaful receivables	-	6,086,609	6,086,609
Other receivables	-	498,528	498,528
Retakaful providers' share of takaful liabilities			
- Outstanding Claims - reported claims	-	3,026,034	3,026,034
Investments	5,574,931	344,000	5,918,931
	5,574,931	28,371,423	33,946,354

5 FINANCIAL INSTRUMENTS (continued)

	<i>Liabilities</i> <i>BD</i>
Takaful Liabilities	
- Outstanding Claims - reported claims	5,690,422
Takaful and retakaful payables	4,497,978
Other liabilities and provisions	1,282,339
	<u>11,470,739</u>

Valuation methods & assumptions

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a 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 arms length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models.

The fair value of funds that are listed on active markets are determined by reference to their quoted bid prices. The fair value 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 recent price paid by another investor or the market value of comparable companies.

Fair Value Hierarchy

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

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

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

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

	31 March 2021 (Reviewed)			
	Level 1	Level 2	Level 3	Total
	BD	BD	BD	BD
Equity and debt-type instruments at fair value through equity				
Quoted Investments				
Banking	1,630,132	-	-	1,630,132
Government	2,121,120	-	-	2,121,120
Infrastructure	1,189,297	-	-	1,189,297
Consumer Service	78,638	-	-	78,638
Education	165,764	-	-	165,764
Others	305,973	-	-	305,973
Other Managed Funds				
Consumer Service	-	-	168,452	168,452
Infrastructure	-	-	17,202	17,202
Others	49,776	-	63,944	113,720
	<u>5,540,700</u>	<u>-</u>	<u>249,598</u>	<u>5,790,298</u>

5 FINANCIAL INSTRUMENT (continued)

	31 December 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
	BD	BD	BD	BD
Equity and debt-type instruments at fair value through equity				
<i>Quoted investments</i>				
Banking	1,630,360	-	-	1,630,360
Government	2,132,302	-	-	2,132,302
Infrastructure	1,104,680	-	-	1,104,680
Consumer Service	77,518	-	-	77,518
Others	441,498	-	-	441,498
<i>Other managed funds</i>				
Consumer Service	-	-	125,386	125,386
Infrastructure	-	-	6,774	6,774
Others	-	-	56,413	56,413
	<u>5,386,358</u>	<u>-</u>	<u>188,573</u>	<u>5,574,931</u>

Significant unobservable inputs to valuation - Equity-type instruments at fair value through equity in unquoted equity

A reasonably possible increase / (decrease) in the key assumptions by 10% would result in a fair value increase / (decrease) of BD 18,857 / (BD 18,857) (31 December 2020: Increase / (decrease) of BD 24,960 / (BD 24,960)).

Transfers between Level 1, Level 2 and Level 3

During the three-month period ended 31 March 2021 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 (31 March 2020: No transfers).

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

The management assessed that the fair values of statutory deposits, cash and balances with banks cash and bank balances, takaful and retakaful receivables, debt-type instruments at amortised cost, retakaful providers' share of takaful liabilities, other receivables, accrued income and prepayments, takaful liabilities payables and payables and accrued liabilities, 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.

6 RELATED PARTIES

Related parties represent the ultimate parent, parent, major shareholders, subsidiaries, associates, directors and key management personnel of the Company and their close family members and entities controlled, jointly controlled or significantly influenced by such parties. It also includes Company's external auditors, Shari'a advisor and members of the Shari'a Supervisory Board. Pricing policies and terms of these transactions are approved by the Company's management and are on an arms' length basis.

At 31 March 2021

6 RELATED PARTIES (continued)**Key management personnel compensation**

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

A summary of the balances with related parties, included in these interim condensed financial statements is:

The following are the transactions entered into with the related parties during the period ended 31 March 2021 and 31 March 2020:

	31 March 2021 (Reviewed)			31 March 2020 (Not reviewed)		
	Key Management			Key Management		
	Personnel	Shareholders	Others	Personnel	Shareholders	Others
	BD	BD	BD	BD	BD	BD
Gross Premiums	-	84,435	773	-	82,669	-
Reinsurers' share of gross premiums	-	83,775	-	-	81,962	-
Gross claims paid	-	1,238	-	-	15,321	-
Reinsurers' share of claims paid	-	1,435	7,936	-	-	-
Fee and commission income	-	4,094	-	-	6,805	-
Acquisition costs	-	4,409	-	-	11,419	-
General administration expenses	-	25,570	-	-	-	-
Corporate expenses	-	-	92,688	-	-	13,750
Loss from an associate	-	-	(17,343)	-	-	62,258

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

	31 March 2021 (Reviewed)		31 December 2020 (Audited)	
	Shareholders	Others	Shareholders	Others
	BD	BD	BD	BD
Right-of-use assets	569,785	-	-	-
Ijarah liabilities	544,300	-	-	-
Investments at fair value through equity	-	184,897	-	260,776
Takaful and retakaful receivables	131,124	264	119,110	-
Takaful and retakaful payables	140,076	33	62,035	580
Other receivables	3,085	118	13,568	118
Other payables	-	1,713	18,952	1,343

Compensation of key management personnel

The remuneration of key management during the period was as follows:

	(Reviewed)	(Not reviewed)
	31 March 2021	31 March 2020
	BD	BD
Salaries and benefits	46,710	46,710
Employees' end of service benefits	1,630	1,630
	48,340	48,340

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

7 TOTAL COMPREHENSIVE INCOME

**TOTAL COMPREHENSIVE INCOME / (LOSS)
FOR THE PERIOD**

Takaful International Company B.S.C.

SUPPLEMENTARY DISCLOSURE TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS

At 31 March 2021

**(The attached financial information do not form part
of the interim condensed financial statements)**

Takaful International Company B.S.C.

SUPPLEMENTARY DISCLOSURE TO THE INTERIM CONDENSED FINANCIAL STATEMENTS RELATED TO THE FINANCIAL IMPACT OF COVID-19 AS AT 31 MARCH 2021

COVID-19 pandemic continues to present challenges for many entities throughout the world. The pandemic arrested the growth in business & resulted in pulling down the activities of the Company. However, it is difficult to identify full extent of any financial impact yet. The Company is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its disaster recovery, business continuity & risk management plans to manage the potential business disruption on its operations and financial performance.

The Central Bank of Bahrain (CBB) announced various measures to combat the effects of COVID-19 to ease liquidity conditions in the economy as well as to assist financial institutions in complying with regulatory requirements.

The pandemic as well as the resulting measures and policies have had some impact on the Company as at 31 March 2021:

- There was no major loss of contributions.
- There was no reduction in assets.
- The Company's liquidity was un-affected due to the situation.
- The Company continues to meet the regulatory requirements of minimum capital.
- The slow-down in the local economy resulted in nominal reduction in claims.
- There was no direct effect of COVID-19 situation on general expenses during the first quarter of 2021.

The overall impact of COVID-19 situation on the financial statements as at 31 March 2021 as assessed by the Company is as below:

	Shareholders
	BD
<u>Revenue Expenditure</u>	
Sterilization & Disinfection of Premises, Sanitizers, Masks & Gloves, Depreciation, etc.	(95)
Total Revenue Expenditure	(95)
<u>Capital Expenditure</u>	
Cost of Laptops for contingency plan	(2,240)
Total Capital Expenditure	(2,240)

The above supplementary is provided to comply with the CBB circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14th July 2020.

This disclosure should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of the COVID-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be out-of-date. In addition, this information does not represent the exact full comprehensive assessment of COVID-19 impact on the Company. This information is not subject to a formal review by the external auditors.