

**Takaful International Company B.S.C.**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

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**PRINCIPAL BANKERS**

Bahrain Islamic Bank  
Al Salam Bank

**SHARE REGISTRAR**

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Manama, Kingdom of Bahrain  
Kingdom of Bahrain

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Telefax : +973 17535405

**Actuary**

Lux Actuaries & Consultants  
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Office 705, Business Bay  
Dubai, UAE

P.O. Box : 371557  
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#### **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
Abdulla Rabea Mohamed Rabea	- Director
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	- Director
Ahmed AbdulRahman Bucheeri	- Member

#### **AUDIT COMMITTEE**

Khalid Jamal Al Muzaire	- Chairman
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
Rashed Ali Abdulrahim	- Member

#### **RISK COMMITTEE**

Dr. Osama T. Albaharna	Chairman
Osama Kamel Kishk	Vice Chairman
Abdulaziz A. Al Othman	Member
Ahmed AbdulRahman Bucheeri	Member

#### **Sharia'a Supervisory Board**

Dr. Shaikh Abdul Latif Mahmood Al Mahmood	- Chairman
Dr. Shaikh Abdul Sattar Abdul Karim Abuguddah (Resigned on 24 March 2020)	- Deputy Chairman
Shaikh Mohsin Abdul Hussain Asfoor (Resigned on 24 March 2020)	- Member
Dr. Shaikh Osama Mohammed Bahar (Appointed on 24 March 2020)	- Deputy Chairman
Shaikh Essam Mohammed Ishaq (Appointed on 24 March 2020)	- Member

#### **EXECUTIVE MANAGEMENT**

Essam Mohamed 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 Compliance Officer
Sayed Jaffer K. Hussain	- Manager - Information Systems

**Takaful International Company B.S.C.**

**Directors' report for the year ended 31 December 2020**

Dear Shareholders,

On behalf of the Board of directors, it is my privilege to present your Company's 31<sup>st</sup> Annual report for the financial year ended 31 December 2020.

The year 2020 was one of the most dramatic year in humans' recent history. Over a million lives are lost in the pandemic, oil prices turned negative, there was a turmoil in the financial market worldwide, and many unpleasant events occurred during the last year of this decade. Simultaneously, on the positive side, a decade of technological advancements seemed to happen in a couple of months, and now vaccinations are being rolled out at a record speed.

The current pandemic is an important reminder that the insurance industry must keep evolving to develop risk mitigation models. Today, we stand at the brink of new world order. The coronavirus outbreak's implications for each one of us are profound and will reverberate for a long time to come. The pandemic has disrupted our lives like never before. Countries worldwide face multiple issues even as they struggle to curtail the rising number of infections – financial turmoil, unemployment, health hazards, social unrest and the geo-political tension between nations that continues to derail the global economy.

However, during moments like these, our individual and collective efforts can be truly momentous. We have been witnessing acts of dedication and perseverance from many of our frontline personnel. Add to this, are the policy actions taken by our government, as well as proactive measures by regulatory and governing authorities to ensure we, as a nation, stand strong amidst these headwinds. What has emerged from the pandemic, is the accelerated move to digital solutions. The uncertainties in the economic market due to the pandemic makes it is very difficult to develop an early warning system or accurately predict a specific risk scenario. For the insurance industry, the current pandemic is an important reminder that the risk scenario is everchanging. It is also clear that the industry must keep evolving in terms of developing risk mitigation models. It needs to introduce solutions that are in sync with the times. Adding to this, the new way of working has brought to the forefront, new risk situations, e.g., cyber-attacks on individuals. This clearly shows the interconnected nature of our world, wherein one phenomenon impacts such diverse aspects of our life.

It is imperative for the Insurance sector to keep evolving, not only in terms of enhancing its service capabilities but also by expanding its bouquet of solutions to be able to effectively address the growing spectrum of risks. We at Takaful International continue to transform ourselves to cater to this changing risk environment. Our approach has been to offer better value as a risk manager instead of limiting ourselves to risk underwriting. We help our clients and customers prepare for risk incidents through a



**Takaful International Company B.S.C.**

**Directors' report for the year ended 31 December 2020**

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gamut of innovative products and services. At the same time, we have been harnessing technology to empower our customers to manage and address risks more effectively. Our focus during the last few years has been on using the technology and advanced analytics to mitigate logistics, property and health-related risks. Our vision is backed by concrete steps to prepare for future growth, and we continue to invest in the infrastructure required to expand the delivery of financial services across various segments.

During 2020, Bahrain's government took major initiatives to mitigate the pandemic's financial risks on the economy, starting with protection of individual household stability to stabilize the financial impact on the corporate and business industries in the Kingdom. On a social level, the creation of The National Taskforce for Combating the COVID-19 at an early stage had made Bahrain exemplary in controlling the pandemic. On an economical level, and starting with subsidizing salaries of Bahraini employees, the government initiatives taken to support local businesses and reduce the financial impact on both companies and individuals considerably lessened the burdens created by stringent market conditions. Corporate entities and individuals in the private sector also played a major role in supporting the local economy, with FINAKHAIR campaign, resulting in one of the largest donor collections in the Kingdom.

For Takaful, and despite the year's challenges, the Company achieved growth on an overall basis; the Gross contributions reached BD 22.9 million with a growth rate of more than 5%. During the year, the Company could further strengthen its solvency and capital adequacy and achieved an overall profit of BD 1.544 million during the year 2020 compared to BD 1.031 million last year.

With the start of 2021, we continue focusing on centering our objectives around making our customers the focal point of our strategies. Our strive to continue the pursuit of technological advancement has only grown as a result of the pandemic crisis in 2020. Your Company continues to evaluate innovative technologies to further support its pursuit of service excellence. These will continue to expand in scope to help us further enrich the customer experience.

We will also keep optimizing our investments and pave the way for sustained and profitable growth in the future. We are focused on building a Takaful company that sets benchmarks and creates sustainable value for all stakeholders.

The Board of directors' expenses for the year 2020 were BD 72,800 for sittings fees and BD 15,683 for travel and other expenses.

I would like to extend our sincere thanks and gratitude to His Majesty, King Hamad Bin Isa Al Khalifa and His Royal Highness, Prince Salman Bin Hamad Al Khalifa, Crown Prince and Prime Minister and the Government for their continued support to the economy of Bahrain and the Financial Sector in particular.

Takaful International Company B.S.C.

Directors' report for the year ended 31 December 2020

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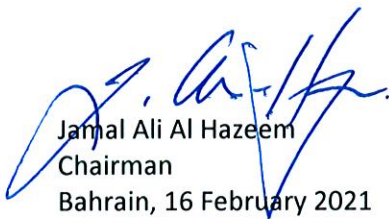
I would also like to thank the Ministers and the Central Bank of Bahrain for their valuable assistance and guidance.

On behalf of the shareholders, members of the Board of Directors and the employees, I would like to take this opportunity to express our collective appreciation for the National Taskforce for Combating the Coronavirus and the First Lines workers who are the pride of this country and its people.

I would also like to take this opportunity to acknowledge the contribution of our employees in building a strong foundation for the organization. I am confident that the Company will continue to achieve greater milestones and lead the growth of vibrant Takaful industry in the future.

Finally, on behalf of all board members, I wish to express my sincere thanks and appreciation to the shareholders for their understanding and support. I also would like to thank our Sharia'a Supervisory Board for their guidance and direction. My thanks are also to our esteemed customers for their confidence and trust in the Company and its services and to the management and staff for their continued diligence, dedications, and determination. I would also like to thank the Intermediaries and Retakaful companies for their beneficial mutual relationships.

Thank You,



Jamal Ali Al Hazeem  
Chairman  
Bahrain, 16 February 2021

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL INTERNATIONAL COMPANY B.S.C.**

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the accompanying financial statements of Takaful International Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2020, the related statements of income, changes in owners' equity, changes in participants' fund and cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and the results of the operations, its cash flows, changes in participants' fund and changes in owners' equity for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"] ("FAS as issued by AAOIFI").

In our opinion, the Company has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Company during the year ended 31 December 2020.

#### *Basis for opinion*

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions (ASIFI) issued by AAOIFI. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
TAKAFUL INTERNATIONAL COMPANY B.S.C.(continued)**

**Report on the Audit of the Financial Statements (continued)**

*Key audit matters (continued)*

Description of key audit matter	How the key audit matter was addressed in the audit
<p><u><i>Takaful reserves of the Company includes liability for claims Incurred But Not Reported (IBNR)</i></u></p> <p>Management is required to make an estimate for the Incurred But Not Reported (IBNR) claims for all lines of business. This estimate is calculated based on various assumptions and projections and using the history of the frequency and severity of previously reported claims.</p> <p>The calculation of the IBNR reserves is complex and require technical input from a qualified actuary. All estimates by their nature require significant judgement and there is a risk that any change in the assumptions used in the calculations may have a significant impact on the reserves calculation and ultimately the reported profit of the Company.</p> <p>The IBNR reserves calculation is outsourced to a third party actuarial firm which is approved by the Central Bank of Bahrain.</p> <p>Refer to note 4 to the financial statements for significant judgements applied in determination of IBNR reserves, note 3 for significant accounting policies pertaining to IBNR reserves and note 10 for details of IBNR reserves as of 31 December 2020.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> <li>• Performed a walkthrough of the claims and reserving processes, to confirm our understanding of the flow of transactions relating to paid claims, outstanding claims and the IBNR reserves; and</li> <li>• Involved our internal specialists to assess the reasonableness of the methodology and key assumptions used in calculating the IBNR reserves.</li> </ul> <p>In addition to the above we have performed procedures to assess the completeness and accuracy of the data included in the IBNR reserve calculation which included:</p> <ul style="list-style-type: none"> <li>• A reconciliation between the claims paid and outstanding data recorded in the policy administration systems and the data used in the actuarial calculations.</li> </ul>

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL INTERNATIONAL COMPANY B.S.C.(continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### *Other information included in the Company's 2020 annual report*

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement, of this other information, we are required to report the fact. We have nothing to report in this regard.

#### *Responsibilities of the Board of Directors for the financial statements*

These financial statements and the Company's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles are the responsibility of the Company's Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with FAS issued AAOIFI and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### *Auditor's responsibilities for the audit of the financial statements*

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL INTERNATIONAL COMPANY B.S.C.(continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### *Auditor's responsibilities for the audit of the financial statements (continued)*

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL INTERNATIONAL COMPANY B.S.C. (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### *Auditor's responsibilities for the audit of the financial statements (continued)*

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

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

### **Report on Other Regulatory Requirements**

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

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2020 that might have had a material adverse effect on the business of the Company or on its financial position; and



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
TAKAFUL INTERNATIONAL COMPANY B.S.C. (continued)**

**Report on Other Regulatory Requirements (continued)**

- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's report is Kazim Merchant.



Partner's registration no. 244  
16 February 2021  
Manama, Kingdom of Bahrain

## Takaful International Company B.S.C.

## STATEMENT OF FINANCIAL POSITION

At 31 December 2020 (Audited)

	Note	Shareholders		General takaful		Family takaful		Total	
		Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
		31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
		2020	2019	2020	2019	2020	2019	2020	2019
		BD	BD	BD	BD	BD	BD	BD	BD
<b>ASSETS</b>									
<b>Cash and investments:</b>									
Statutory deposits	5	125,000	125,000	-	-	-	-	125,000	125,000
Cash and balances with banks	6	7,678,395	5,340,231	8,512,369	4,864,318	2,100,488	1,348,964	18,291,252	11,553,513
Investments	7	2,634,093	2,715,089	2,031,884	1,699,240	1,252,954	1,645,939	5,918,931	6,060,268
Investment in an associate	8	260,776	206,640	-	-	-	-	260,776	206,640
		<b>10,698,264</b>	<b>8,386,960</b>	<b>10,544,253</b>	<b>6,563,558</b>	<b>3,353,442</b>	<b>2,994,903</b>	<b>24,595,959</b>	<b>17,945,421</b>
Takaful and retakaful receivables	9	-	-	5,599,724	9,382,099	486,885	691,213	6,086,609	10,073,312
Retakaful providers' share of takaful liabilities	10, 12	-	-	5,583,715	6,061,201	300,570	306,743	5,884,285	6,367,944
Deferred acquisition costs	13	493,161	573,803	-	-	-	-	493,161	573,803
Property and equipment	16	72,728	1,160,550	-	-	-	-	72,728	1,160,550
Other receivables, accrued income and prepayments	15, 17	1,156,184	1,105,160	373,669	474,520	27,070	16,772	1,556,923	1,596,452
Retakaful providers' share of family takaful technical reserves		-	-	-	-	2,550,251	570,251	2,550,251	570,251
<b>TOTAL ASSETS</b>		<b>12,420,337</b>	<b>11,226,473</b>	<b>22,101,361</b>	<b>22,481,378</b>	<b>6,718,218</b>	<b>4,579,882</b>	<b>41,239,916</b>	<b>38,287,733</b>
<b>LIABILITIES, PARTICIPANTS' FUNDS AND OWNERS' EQUITY</b>									
<b>Liabilities</b>									
Takaful liabilities	10, 12	-	-	17,363,546	17,466,331	498,210	437,273	17,861,756	17,903,604
Unearned commissions	14	-	-	285,762	337,810	-	-	285,762	337,810
Family takaful technical reserves		-	-	-	-	5,052,328	2,739,985	5,052,328	2,739,985
<b>Payables and accrued liabilities:</b>									
Takaful and retakaful companies		-	-	2,256,096	2,438,960	792,177	979,345	3,048,273	3,418,305
Participants'		350,760	420,943	1,094,879	1,032,723	4,065	27,957	1,449,704	1,481,623
Others	20	905,444	726,559	1,186,724	1,667,106	175,360	224,466	2,267,528	2,618,131
<b>Total liabilities</b>		<b>1,256,204</b>	<b>1,147,502</b>	<b>22,187,007</b>	<b>22,942,930</b>	<b>6,522,140</b>	<b>4,409,026</b>	<b>29,965,351</b>	<b>28,499,458</b>
<b>Participants' fund</b>									
(Deficit) / surplus in participants' fund		-	-	(159,838)	(591,591)	132,449	163,939	(27,389)	(427,652)
Investments fair value reserve		-	-	74,192	130,039	63,629	6,917	137,821	136,956
		-	-	(85,646)	(461,552)	196,078	170,856	110,432	(290,696)
<b>Owners' equity</b>									
Share capital	19	8,500,000	8,500,000	-	-	-	-	8,500,000	8,500,000
Statutory reserve	19	770,569	656,159	-	-	-	-	770,569	656,159
General reserve	19	200,000	200,000	-	-	-	-	200,000	200,000
Retained earnings		1,578,365	548,670	-	-	-	-	1,578,365	548,670
Investments fair value reserve		115,199	174,142	-	-	-	-	115,199	174,142
<b>Total owners' equity</b>		<b>11,164,133</b>	<b>10,078,971</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,164,133</b>	<b>10,078,971</b>
<b>TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND OWNERS' EQUITY</b>		<b>12,420,337</b>	<b>11,226,473</b>	<b>22,101,361</b>	<b>22,481,378</b>	<b>6,718,218</b>	<b>4,579,882</b>	<b>41,239,916</b>	<b>38,287,733</b>

  
Jamal Ali Al Hazeem  
Chairman

  
AbdulRahman Abdulla Mohammed  
Vice Chairman

  
Essam Mohamed Al Ansari  
Chief Executive Officer

The attached explanatory notes 1 to 39 form part of these financial statements.

Takaful International Company B.S.C.

STATEMENT OF INCOME

Year ended 31 December 2020 (Audited)

Note	Shareholders		General takaful		Family takaful		Total	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	BD	BD	BD	BD	BD	BD	BD	BD
<b>Gross contributions</b>	-	-	21,410,864	20,337,132	1,448,522	1,383,454	22,859,386	21,720,586
Retakaful provider's share of gross contributions	-	-	(5,860,777)	(5,440,177)	(565,893)	(848,114)	(6,426,670)	(6,288,291)
<b>Retained contributions</b>	-	-	15,550,087	14,896,955	882,629	535,340	16,432,716	15,432,295
Unearned contributions adjustment - gross	12	-	176,572	1,472	12,545	26,998	189,117	28,470
Unearned contributions adjustment - retakaful	12	-	165,997	204,233	(17,613)	(16,195)	148,384	188,038
<b>Net earned contributions</b>	-	-	15,892,656	15,102,660	877,561	546,143	16,770,217	15,648,803
<b>Gross claims paid</b>	-	-	(13,423,339)	(15,364,725)	(246,007)	(306,571)	(13,669,346)	(15,671,296)
Retakaful provider's and others share of claims paid	-	-	2,631,250	4,975,708	48,219	122,986	2,679,469	5,098,694
Outstanding claims adjustment - gross	-	-	(73,788)	1,782,072	(73,481)	162,502	(147,269)	1,944,674
Outstanding claims adjustment - retakaful and others	-	-	(643,484)	(2,666,951)	11,440	(122,420)	(632,044)	(2,789,371)
<b>Net incurred claims</b>	-	-	(11,509,361)	(11,273,896)	(259,829)	(143,403)	(11,769,190)	(11,417,299)
<b>Fee and commission income</b>	-	-	795,016	877,065	12	11	795,028	877,076
Other takaful expenses	-	-	(503,088)	(726,110)	(5,720)	(12,774)	(508,808)	(738,884)
Transfer to family takaful technical reserve	-	-	-	-	(332,343)	(269,763)	(332,343)	(269,763)
Provision for impaired takaful receivables	-	-	(631,613)	(113,045)	(72,481)	(2,101)	(704,094)	(115,146)
<b>Surplus from takaful operations before wakala fees</b>	-	-	4,043,610	3,866,674	207,200	118,113	4,250,810	3,984,787
Wakala fees expense	-	-	(3,734,528)	(3,685,444)	(171,650)	(146,768)	(3,906,178)	(3,832,212)
<b>Surplus / (deficit) from takaful operations after wakala fees</b>	-	-	309,082	181,230	35,550	(28,655)	344,632	152,575
Wakala fees income	24	3,906,178	3,832,212	-	-	-	3,906,178	3,832,212
Investment income / (loss) - net	25	101,773	159,296	163,561	179,852	(67,040)	198,294	409,409
Mudarib share	-	40,890	62,528	(40,890)	(44,963)	-	(17,565)	-
Income from an associate	-	54,136	51,116	-	-	-	54,136	51,116
Other income	26	710,940	319,129	-	-	-	710,940	319,129
		4,813,917	4,424,281	122,671	134,889	(67,040)	52,696	4,869,548
General administration expenses	22	(2,019,865)	(2,290,863)	-	-	-	(2,019,865)	(2,290,863)
Corporate expenses	22	(224,870)	(230,922)	-	-	-	(224,870)	(230,922)
Amortisation of acquisition costs	13	(1,425,077)	(1,211,731)	-	-	-	(1,425,077)	(1,211,731)
		(3,669,812)	(3,733,516)	-	-	-	(3,669,812)	(3,733,516)
<b>Net profit and surplus / (deficit) for the year</b>		1,144,105	690,765	431,753	316,119	(31,490)	24,041	1,544,368
<b>Attributable to:</b>								
Parent's shareholder		1,144,105	690,444					
Non-controlling interests		-	321					
		1,144,105	690,765					
<b>Earnings per share</b>	27	13.46 fils	8.12 fils					

Jamal Ali Al Hazem  
Chairman

Essam Mohamed Al Ansari  
Chief Executive Officer

AbdulRahman Abdulla Mohammed  
Vice Chairman

The attached explanatory notes 1 to 39 form part of these financial statements.

Takaful International Company B.S.C.

STATEMENT OF CHANGES IN OWNERS' EQUITY

Year ended 31 December 2020 (Audited)

	Share capital	Statutory reserve	General reserve	Retained earnings / (accumulated losses)	Investments fair value reserve	Equity attributable to parent's shareholders	Non- Controlling interests	Total equity
	BD	BD	BD	BD	BD	BD	BD	BD
Balance at 1 January 2020	8,500,000	656,159	200,000	548,670	174,142	10,078,971	-	10,078,971
Profit for the year	-	-	-	1,144,105	-	1,144,105	-	1,144,105
Other comprehensive loss	-	-	-	-	(58,943)	(58,943)	-	(58,943)
Total comprehensive income / (loss) for the year	-	-	-	1,144,105	(58,943)	1,085,162	-	1,085,162
Transfer to statutory reserve (note 19)	-	114,410	-	(114,410)	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>8,500,000</b>	<b>770,569</b>	<b>200,000</b>	<b>1,578,365</b>	<b>115,199</b>	<b>11,164,133</b>	<b>-</b>	<b>11,164,133</b>
Balance at 1 January 2019	8,500,000	587,115	200,000	(72,730)	(36,397)	9,177,988	101,280	9,279,268
Profit for the year	-	-	-	690,444	-	690,444	321	690,765
Other comprehensive income	-	-	-	-	210,539	210,539	-	210,539
Total comprehensive income for the year	-	-	-	690,444	210,539	900,983	321	901,304
Deconsolidation of subsidiary	-	-	-	-	-	-	(101,601)	(101,601)
Transfer to statutory reserve (note 19)	-	69,044	-	(69,044)	-	-	-	-
Balance as at 31 December 2019	8,500,000	656,159	200,000	548,670	174,142	10,078,971	-	10,078,971

The attached explanatory notes 1 to 39 form part of these financial statements.



Takaful International Company B.S.C.

STATEMENT OF CHANGES IN PARTICIPANTS' FUND

Year ended 31 December 2020 (Audited)

	<i>General takaful BD</i>	<i>Family takaful BD</i>	<i>Investments fair value reserve</i>		<i>Total BD</i>
			<i>General takaful BD</i>	<i>Family takaful BD</i>	
Balance at 1 January 2020	(591,591)	163,939	130,039	6,917	(290,696)
Realised fair value losses on investments	-	-	31,911	214,532	246,443
Unrealised fair value losses on investments	-	-	(87,758)	(157,820)	(245,578)
Surplus / (deficit) for the year	431,753	(31,490)	-	-	400,263
<b>Balance as at 31 December 2020</b>	<b>(159,838)</b>	<b>132,449</b>	<b>74,192</b>	<b>63,629</b>	<b>110,432</b>
Balance at 1 January 2019	(907,710)	139,898	23,667	(60,586)	(804,731)
Realised fair value losses on investments	-	-	52,020	22,425	74,445
Unrealised fair value gains on investments	-	-	54,352	45,078	99,430
Surplus for the year	316,119	24,041	-	-	340,160
Balance as at 31 December 2019	(591,591)	163,939	130,039	6,917	(290,696)

The attached explanatory notes 1 to 39 form part of these financial statements.

## STATEMENT OF CASH FLOWS

Year ended 31 December 2020 (Audited)

		For the year ended 31 December	
	Note	2020 BD	2019 BD
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		1,144,105	690,765
Surplus from participants' operations		400,263	340,160
<i>Adjustments for:</i>			
Income from an associate	8	(54,136)	(51,116)
Gain on deconsolidation of a subsidiary		-	(3,120)
Accruals for employees' terminal benefits	23	71,006	33,229
Gains on sale of investments	25	(231,457)	(89,903)
Gain on sale of property and equipment	26	(543,902)	-
Impairment on property and equipment	16	-	78,478
Impairment loss on investments	25	578,184	115,058
Depreciation	16	115,849	138,262
Provision for impairment of takaful and retakaful receivables	9	704,094	115,146
Movement in unearned contributions		(337,503)	(216,508)
Movement in unearned commissions		28,594	50,574
Movement in transfer to family takaful technical reserve		332,343	59,495
Operating profit before changes in operating assets and liabilities		2,207,440	1,260,520
Changes in operating assets and liabilities:			
Takaful and retakaful receivables		3,282,609	(191,033)
Other receivables and prepayments (note a)		(27,422)	(920,452)
Retakaful share of outstanding claims		632,044	2,789,372
Gross outstanding claims		147,269	(1,944,674)
Takaful and retakaful payables		(401,950)	81,015
Other liabilities and provisions (note a)		(419,948)	1,184,318
Employees' terminal benefits (note a)		68,148	26,355
<b>Operating profit after changes in operating assets and liabilities</b>		<b>5,488,190</b>	<b>2,285,421</b>
Payment for employees' terminal benefits		(2,858)	(26,489)
<b>Net cash from operating activities</b>		<b>5,485,332</b>	<b>2,258,932</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	16	(34,125)	(58,499)
Proceeds from sale of property and equipment		1,550,000	600,758
Purchase of investments	7	(1,618,428)	(1,175,386)
Proceeds from the sale of investments (note a)		1,354,960	1,708,718
Bank deposits with original maturities of more than three months (note a)		(686,783)	(4,249,486)
Net cash flow from deconsolidation of a subsidiary (note a)		-	(941,296)
<b>Net cash from / (used in) investing activities</b>		<b>565,624</b>	<b>(4,115,191)</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>6,050,956</b>	<b>(1,856,259)</b>
Cash and cash equivalents at the beginning of the year		2,590,725	4,446,984
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	6	<b>8,641,681</b>	<b>2,590,725</b>
<b>COMPRISING:</b>			
<b>CASH AND BALANCES WITH BANKS</b>			
Cash and balance in current accounts		5,211,681	2,590,725
Bank deposits with original maturities of three months or less		3,430,000	-
<b>CASH AND CASH EQUIVALENTS</b>		<b>8,641,681</b>	<b>2,590,725</b>
Bank deposits with original maturities of more than three months	6	9,649,571	8,962,788
<b>Cash and balances with banks as per statement of financial position</b>	6	<b>18,291,252</b>	<b>11,553,513</b>

The attached explanatory notes 1 to 39 form part of these financial statements.

## STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2020 (Audited)

**Note a - Non cash transactions**

In 2019, the Company lost control in its subsidiary Health 360 Ancillary Services Co W.L.L ("H-360" or "the subsidiary"). The following non-cash adjustments took place in the statement of cashflows:

	<i>For the year ended</i>	
	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>BD</i>	<i>BD</i>
Deposits	-	100,000
Property and equipment	-	30,092
Investment in an associate	-	48,253
Other receivables	-	1,507,030
Employee terminal benefits	-	(19,615)
Other payables	-	(2,353,051)
	-	(687,291)

## **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 in the Kingdom of Bahrain and operates under commercial registration number 21100 obtained on 11 April 1989.

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

### *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 stabilise 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 full address is stated on page 2.

The financial statements of the Company were authorised for issue in accordance with a resolution of the Board of Directors dated 16 February 2021.

## **2 BASIS OF PRESENTATION**

### **Statement of compliance**

The financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Central Bank of Bahrain and Financial Institutions Law 2006, the applicable regulations set out in Volume 3 - Insurance, Volume 6 - capital markets of the Central Bank of Bahrain's rule book and the relevant provisions of the Bahrain Commercial Companies Law and its subsequent amendments. For the matters which are not covered by AAOIFI standards, International Financial Reporting Standards ("IFRS") have been applied.

### **Accounting convention**

The financial statements have been prepared under the historical cost convention modified to include the measurement at equity and debt-type instruments at fair value through equity.

The preparation of financial statements in conformity with FAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

In 2019, the Company's subsidiary Health 360 Ancillary Services Co W.L.L. ("H-360 or "subsidiary") was deconsolidated due to loss of control over the subsidiary and was accounted for as an investment in an associate from the date of loss of control.

### **Functional currency**

The financial statements have been presented in Bahraini Dinars (BD) which is the functional currency of the Company.



### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements of the Company for the year ended 31 December 2019 except for the adoption of new and amended standards issued and effective for annual periods beginning on or after 1 January 2020. The following new standards were issued by AAOIFI initially effective from 1 January 2020, however, in the wake of the COVID-19 pandemic, the Accounting and Auditing Board (AAB) of AAOIFI in its meeting held on 18 March 2020 decided to provide a one year extension of the effective date to 1 January 2021, with early adoption permitted, of the recently issued AAOIFI FASs as mentioned below:

#### *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.

#### *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.

The Company's management is currently assessing the impact of the above standard on the Company's financial statements.

### 3 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. The Company's management is currently assessing the impact of the above standard on the Company's financial statements.

#### *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.

The Company's management is currently assessing the impact of the above standard on the Company's financial statements.

#### *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.

#### ***New standards, interpretations and amendments 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 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 35 "Risk reserves" (effective 1 January 2021)*  
*FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risk faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions.*
- *'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 financial statements of the Company.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investment in an associate**

The Company's investment in its associate is accounted for using the equity method. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Company recognises its share of any changes and discloses this, when applicable, in statement of other comprehensive income (note 37). Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The share of profits or losses from associates is shown on the face of the statement of income. This is the profit or loss attributable to equity holders of the associate and therefore is profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of income.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the statement of income.

#### ***Takaful***

As an Islamic insurance provider, the Company issues contracts that are based on co-operative activity by risk sharing or financial risk, or both. The Company classifies all its contracts individually as either takaful contracts or investment contracts. The participant (policyholder) contributes towards the policy / service for a particular takaful product. In case the policyholder terminates / surrenders the policy the refund or forfeiture of the contribution paid by him or any other similar transaction is made for each type of product / service based on the terms and conditions of the policy agreed by the participant with the company as per the policy document.

Takaful contracts are those contracts where the insurer accepts significant insurance risk from the participants by agreeing to compensate the participants if a specified uncertain future event adversely affects the participants. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Investment contracts are contracts where there is insignificant transfer of insurance risk from the participants to the Company.

#### ***General takaful***

##### ***Gross contributions***

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *General takaful (continued)*

##### *Gross contributions (continued)*

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

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

##### *Retakaful share*

Retakaful share comprises the total contributions payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods.

##### *Net commission*

The Company defers commission income and expense in order to spread the commission income and expense earned over the terms of the insurance contracts as follows:

- By the 1/365th method for all annual insurance contracts, except for marine and aviation business; and
- By the 25% method for marine and aviation business.

Retakaful commission income and commission paid are deferred on the same basis used in the calculation of unearned contributions. Retakaful share is settled by the Company net of commission income.

##### *Gross claims settled*

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

Claims recovered from retakaful and other parties are recognised when the related gross claims settled are recognised according to the terms of the relevant contracts.

#### *General takaful reserves*

##### *i) Gross outstanding claims*

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

##### *ii) Unearned contributions*

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



### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **General takaful (continued)**

##### *General takaful reserves (continued)*

##### *iii) Liability adequacy test*

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

#### **Family takaful**

Family takaful technical reserves represent the present value of future benefit obligations in respect of family takaful contracts in force at the statement of financial position date. The reserve consists of two types of funds namely protection takaful and savings takaful.

The protection takaful and savings takaful reserve is determined annually by the Company's appointed actuary. Reserves for individual family takaful contracts are calculated on a prospective method. The liabilities are valued using discounted cash flow (DCF) with a discount rate of 4% per annum (2019: 4% per annum).

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

##### *Gross contributions*

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

##### *Retakaful share*

Retakaful share comprise the total contributions payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods.

##### *Net commission*

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

##### *Gross claims settled*

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

Claims recovered from retakaful and other parties are recognised when the related gross claims settled are recognised according to the terms of the relevant contracts.

##### *Family takaful reserves*

##### *i) Gross outstanding claims*

Provision for outstanding claims is based on estimates of the loss, which will eventually be payable on each unpaid claims, established by the management in the light of the currently available information and past experiences and modified for changes reflected in current creditors, increased exposure, rising claims costs and the severity and frequency of recent claims as appropriate. Outstanding claim provisions are not discounted for time value of money.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Family takaful (continued)*

##### *Family takaful reserves (continued)*

##### *ii) Unearned contributions*

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

##### *iii) Liability adequacy test*

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

#### **Qard Hassan**

This is a loan granted by the shareholders to the policyholders for the purpose of meeting the minimum required margin of solvency mentioned in the takaful Regulations set out in Volume 3 of the takaful Rule Book issued by the Central Bank of Bahrain or to cover any cash deficit in the participants fund(s). The loan is profit free and has no fixed repayment terms. Qard Hassan is tested annually for impairment.

#### **Surplus/deficit in participants' fund**

If the surplus in the participants' fund at the end of a three year period is sufficiently large, a percentage of the surplus is distributed between participants that have not made a claim in excess of paid contribution, in proportion to their risk contributions to the fund after accounting for reserves. The distributions are approved by the Company's Board of Directors, Shari'a Supervisory Board and the Central Bank of Bahrain. Any remaining surplus after the distribution remains in the participants' fund.

A cash deficiency in participants' fund is made good by a qard hassan from the shareholders' fund. This qard is to be repaid from future surpluses arising from takaful operations on a priority basis. This qard is tested for impairment and the portion of the qard that is considered impaired is charged to the statement of income.

On liquidation of the fund, the accumulated surplus in the participants' fund, if any, after meeting all obligations (including repayment of the outstanding amount of qard hassan), will be dealt with after consulting with the Company's Shari'a Supervisory Board. In case of an accumulated deficit, any qard hassan outstanding at the time of liquidation will not be repayable by the participants' fund and the owners' fund will forego such outstanding amount.

#### **Cash and cash equivalents**

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

#### **Trade and settlement date accounting**

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments

##### a. Equity-type instruments at fair value through equity

Financial assets are recognised initially at fair value, including directly attributable transaction costs. The entity equity-type instruments at fair value included investment in quoted and unquoted shares and managed funds.

After initial measurement these are remeasured at fair value. Fair value gains and losses are reported as a separate component in the statement of other comprehensive income (note 37) until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in statement of other comprehensive income (note 37) are transferred to the statement of income. Dividend income on equity-type instruments at fair value through equity are included under investment income in the statement of income.

##### b. Debt-type instruments at fair value through equity

These are financial investments in the debt-type instruments which are recognised initially at fair value, including directly attributable transaction costs. The entity debt-type investments at fair value included investment in quoted sukuks.

After initial measurement these are remeasured at fair value. Fair value gains and losses are reported as a separate component in the statement of other comprehensive income (note 37) until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in the statement of other comprehensive income (note 37) are transferred to the statement of income. Coupon income on debt-type instruments at fair value through equity are included under investment income in the statement of income.

##### c. Debt-type instruments at amortised cost

Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investment are carried at amortised cost, less provision for impairment in value, if any. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the statement of income, when the investment is derecognised or impaired.

#### Takaful and retakaful receivables

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

Retakaful 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 takaful contracts issued. Assets, liabilities and income and expense arising from ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Company from its direct obligations to its policyholders. The benefits to which the Company is entitled to under its retakaful contracts held are recognised as retakaful assets. These assets consists of balances due from retakaful companies on settlement of claims and other receivables such as profit commissions and retakaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful companies are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Policy acquisition costs

Policy acquisition costs which include commission, brokerage and other variable underwriting costs directly associated with acquiring business are amortised over the period of the policy. Acquisition costs that relate to periods of risk that extend beyond the end of the financial year are reported as deferred acquisition costs.

#### Property and equipment

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

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

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the statement of income as an expense.

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

Following are the useful lives of classes of property and equipment:

Buildings on freehold lands	25 years
Furniture, fixtures and equipment's	3-10 years
Vehicles	4 years

#### Receivables from takaful funds

Receivables from takaful funds represent the amount of wakala, management and other fees recoverable from the General takaful and Family takaful funds of the Company.

#### Foreign currency transactions

The financial statements are presented in Bahraini Dinars which is the functional currency of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of income.

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

#### Dividends on share capital

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

#### Revenue recognition

##### *Investment income*

Income from investment in murabaha deposits is recognised on a time proportion basis using the effective profit rate method.

##### *Rental income*

Rental income is recognised on an accruals basis.

##### *Dividends*

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

##### *Wakala fee*

The Company manages the general and family takaful operations on behalf of the participants for a wakala fee which is recognised on an accruals basis. Wakala fee is recognised as an expense in the participants' statement of income and as an income in the shareholders' statement of income.

##### *Mudarib share*

The investments of the participants are also managed by the Company for a mudarib share in the investment income on the basis of mudarabha model. Mudarib share is recognised as expense in the statement of participants' statement of income and as income in the shareholders' statement of income.

#### Retakaful commissions

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

#### Offsetting

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

Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

#### Fair values

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair values (continued)

- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Company using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

#### Impairment of financial assets

The Company assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

#### *Fair value through equity financial assets (debt and equity)*

If a fair value through equity financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in statement of other comprehensive income (note 37) is transferred from statement of other comprehensive income (note 37) to the statement of income. Reversals in respect of equity instruments classified as fair value through equity are not recognised in the statement of income. Reversals of impairment losses on debt instruments classified as fair value through equity are reversed through the statement of income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of income.

#### Derecognition of financial assets and financial liabilities

##### *Financial assets*

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

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

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

##### *Financial liabilities*

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

#### Employees' terminal benefits

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



### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Employees' terminal benefits (continued)**

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

#### **Provisions**

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

#### **Financial liabilities**

The financial liabilities of the Company consist of retakaful and takaful payables and other liabilities and provisions. These financial liabilities are initially recognised at fair value and are subsequently remeasured at amortised cost using the effective profit rate method.

#### **Retakaful and takaful payables**

Retakaful balances payable are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

Liability adequacy tests are performed at each statement of financial position date to ensure the adequacy of the takaful liabilities using current best estimates of future contractual cash flows under takaful contracts. Any deficiency is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests.

#### **Payables and accruals**

Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the provider or not.

#### **Earnings prohibited by Shari'a**

The Company is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Company uses these funds for charitable purposes.

### 4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

#### ***The ultimate liability arising from claims made under insurance contracts***

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

All insurance contracts are subject to a liability adequacy test, as is explained in the accounting policy for general and family takaful reserves above.

#### **4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)**

##### ***Impairment losses on equity and debt-type instruments at fair value through equity***

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

##### ***Impairment losses on takaful and retakaful receivables***

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

##### ***Going concern***

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The Company is also complied with Capital Adequacy & Solvency margin requirements established by the Central Bank of Bahrain, refer note 30. Therefore, the financial statements continue to be prepared on the going concern basis.

##### ***Family takaful reserves***

Family takaful reserves represent the present value of future obligations in respect of contracts in force at the reporting date, computed based on internal calculation which is reviewed and assessed by an external actuary.

#### **5 STATUTORY DEPOSITS**

Statutory deposits are maintained under the regulations of the Central Bank of Bahrain and Financial Institutions Law, 2006. Such deposits, which depend on the nature of the takaful business and the number of branches, cannot be withdrawn except with the approval of the Central Bank of Bahrain. A sum of BD 125,000 (2019: BD 125,000) has been deposited with Bahrain Islamic Bank B.S.C. in the name of the Company and for the order of Central Bank of Bahrain.

**6 CASH AND BALANCES WITH BANKS**

	<b>31 December 2020</b>			
	<b>Shareholders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
Cash in hand	499	541	-	1,040
Balances with banks and current accounts	985,680	3,935,973	288,988	5,210,641
Bank deposits with original maturities of three months or less	1,160,000	1,270,000	1,000,000	3,430,000
	2,146,179	5,206,514	1,288,988	8,641,681
Bank deposits with original maturities of more than three months	5,532,216	3,305,855	811,500	9,649,571
Cash and balances with banks	7,678,395	8,512,369	2,100,488	18,291,252
<b>31 December 2019</b>				
	<b>Shareholders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
Cash in hand	600	1,262	-	1,862
Balances with banks and current accounts	239,829	1,680,682	668,352	2,588,863
	240,429	1,681,944	668,352	2,590,725
Bank deposits with maturities of more than three months	5,099,802	3,182,374	680,612	8,962,788
Cash and balances with banks	5,340,231	4,864,318	1,348,964	11,553,513

Call account balance earn effective profit rates ranging between 0.90% per annum (2019: 1.16% per annum).

The savings account balances with banks earn effective profit rates ranging between 0.21% per annum (2019: between 0.20% and 0.35% ).

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

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**7 INVESTMENTS**

	<b>31 December 2020 BD</b>	<i>31 December 2019 BD</i>
Equity and debt-type instruments at fair value through equity (note 7.1)	<b>5,574,931</b>	6,060,268
Debt-type instruments at amortised cost (note 7.2)	<b>344,000</b>	-
	<b>5,918,931</b>	6,060,268

**7.1 Equity and debt-type instruments at fair value through equity**

	<b>31 December 2020</b>				<i>31 December 2019</i>			
	<i>Shareholders BD</i>	<i>General takaful BD</i>	<i>Family takaful BD</i>	<i>Total BD</i>	<i>Shareholders BD</i>	<i>General takaful BD</i>	<i>Family takaful BD</i>	<i>Total BD</i>
Opening balance	<b>2,715,089</b>	<b>1,699,240</b>	<b>1,645,939</b>	<b>6,060,268</b>	3,411,562	934,535	1,936,497	6,282,594
Additions during the year	<b>895,391</b>	<b>379,037</b>	-	<b>1,274,428</b>	369,565	805,821	-	1,175,386
Disposals during the year	<b>(663,369)</b>	<b>(233,834)</b>	<b>(226,300)</b>	<b>(1,123,503)</b>	(1,136,490)	(83,525)	(327,053)	(1,547,068)
Realised fair value gains/(losses) on sale of equity and debt-type instruments at fair value through equity	<b>(123,073)</b>	<b>(68,801)</b>	<b>(8,865)</b>	<b>(200,739)</b>	8,117	(11,943)	(8,583)	(12,409)
Impairment loss for the year	<b>(254,075)</b>	<b>(100,712)</b>	<b>(223,397)</b>	<b>(578,184)</b>	(20,087)	(63,963)	(31,008)	(115,058)
Unrealised fair value gains recognised in investments fair value reserve	<b>64,130</b>	<b>12,954</b>	<b>65,577</b>	<b>142,661</b>	202,422	118,315	76,086	396,823
Deconsolidation of a subsidiary	-	-	-	-	(120,000)	-	-	(120,000)
Closing balance	<b>2,634,093</b>	<b>1,687,884</b>	<b>1,252,954</b>	<b>5,574,931</b>	2,715,089	1,699,240	1,645,939	6,060,268

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**7 INVESTMENTS (continued)**

**7.2 Debt-type instruments at amortised cost**

	<b>General takaful</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>BD</b>	<b>BD</b>
Opening balance	-	-
Additions during the year	<b>344,000</b>	-
Closing balance	<b>344,000</b>	-

**Analysis of investments**

	<b>31 December 2020</b>				<b>31 December 2019</b>			
	<b>Shareholders</b>	<b>General takaful</b>	<b>Family takaful</b>	<b>Total</b>	<b>Shareholders</b>	<b>General takaful</b>	<b>Family takaful</b>	<b>Total</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
Shares listed on stock exchanges	417,684	71,584	431,119	920,387	1,110,500	95,909	503,069	1,709,478
Quoted managed funds	159,647	25,355	26,892	211,894	149,461	27,213	29,920	206,594
Unquoted managed funds	145,975	35,824	6,773	188,572	206,719	195,671	169,968	572,358
Unquoted equity investments	-	-	-	-	80,267	-	-	80,267
Quoted Sukuks	1,910,787	1,555,121	788,170	4,254,078	1,168,142	1,380,447	942,982	3,491,571
Debt-type instruments at amortised cost	-	344,000	-	344,000	-	-	-	-
<b>Closing balance</b>	<b>2,634,093</b>	<b>2,031,884</b>	<b>1,252,954</b>	<b>5,918,931</b>	<b>2,715,089</b>	<b>1,699,240</b>	<b>1,645,939</b>	<b>6,060,268</b>

During the year, the Company has performed an impairment test of its equity and debt-type instruments at fair value through equity and concluded that certain of those instruments are impaired. Accordingly, an impairment loss of BD 578,184 (2019: BD 115,058) has been recognised in the statement of income.

**8 INVESTMENT IN AN ASSOCIATE**

In 2019, H-360 offered a rights issue to which the Company did not subscribe. As a result, of not subscribing to this rights issue, the Company's effective ownership in H-360 has decreased to 40.5% from 60% and the Company has also lost the power to govern the operating and financial policies of H-360.

H-360 has thus been deconsolidated with effect from 16 July 2019 ("the date of loss of control"). The remaining investment in H-360 has been classified as investment in an associate as the Company still exercises significant influence over the investee.

During the year ended 31 December 2020, the Company received advances for sale of 20.5% shares in H-360 amounting to BD 58,536. As the legal procedures required for transfer of shares are under process and the shares transfer has not taken place in the books of H-360 as at 31 December 2020, the amount received towards the sale of shares is classified as advances in other liabilities and provisions by the Company.

The movements in the carrying amount of the associate is as follows:

	<b>2020</b>	2019
	<b>BD</b>	<b>BD</b>
At 1 January	<b>206,640</b>	-
Recognised at deconsolidation	-	155,524
Share of results	<b>54,136</b>	51,116
At 31 December	<b>260,776</b>	206,640

The associate is a limited liability Company and is not listed on any public exchange. Summarised financial information of the associate, based on its un-audited financial statements, and reconciliation with the carrying amount of the investment in the financial statements are set out below:

	<b>(un-audited)</b>	<b>(un-audited)</b>
	<b>2020</b>	2019
	<b>BD</b>	<b>BD</b>
<i>Summarised financial position of the associate:</i>		
Current assets	<b>1,274,642</b>	2,692,672
Non-current assets	<b>425,594</b>	70,542
Current liabilities	<b>(679,935)</b>	(2,229,067)
Non-current liabilities	<b>(376,411)</b>	(23,928)
Equity (100%)	<b>643,890</b>	510,219
Proportion of the Company's Ownership	<b>40.50%</b>	40.50%
Company's ownership	<b>260,776</b>	206,640
Carrying amount of investments in an associate	<b>260,776</b>	206,640
Company's share of an associate's results	<b>54,136</b>	51,116

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**9 TAKAFUL AND RETAKAFUL RECEIVABLES**

	<b>31 December 2020</b>			<b>31 December 2019</b>		
	<b>General takaful</b>	<b>Family takaful</b>	<b>Total</b>	<b>General Takaful</b>	<b>Family takaful</b>	<b>Total</b>
Due from takaful companies	1,714,548	-	1,714,548	3,618,336	-	3,618,336
Due from retakaful companies	383,025	41,903	424,928	659,538	41,971	701,509
Due from takaful participants	2,687,202	34,700	2,721,902	2,992,743	60,567	3,053,310
Due from brokers	2,044,459	487,660	2,532,119	2,802,826	594,419	3,397,245
Allowance for impairment of takaful and retakaful receivables	(1,229,510)	(77,378)	(1,306,888)	(691,344)	(5,744)	(697,088)
Closing balance	<b>5,599,724</b>	<b>486,885</b>	<b>6,086,609</b>	<b>9,382,099</b>	<b>691,213</b>	<b>10,073,312</b>

Takaful and retakaful receivable consists of balances due from retakaful and takaful companies domiciled mainly in the Middle East.

At 31 December 2020, in the opinion of the Company's management, a provision of BD 1,306,888 is required towards impairment of takaful and retakaful receivables (2019: BD 697,088). The movement in the provision for impaired takaful and retakaful receivables is as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
At 1 January	697,088	771,018
Charge during the year	704,094	115,146
Written-off during the year	(94,294)	(189,076)
	<b>1,306,888</b>	<b>697,088</b>

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

	<b>Total BD</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>			
			<b>Less than 120 days</b>	<b>121-180 days</b>	<b>181-365 days</b>	<b>More than 365 days</b>
<b>2020</b>						
<b>General takaful</b>	<b>5,599,724</b>	<b>1,670,864</b>	<b>443,515</b>	<b>496,246</b>	<b>1,539,389</b>	<b>1,449,710</b>
<b>Family takaful</b>	<b>486,885</b>	<b>13,702</b>	<b>5,144</b>	<b>6,264</b>	<b>272,178</b>	<b>189,597</b>
	<b>6,086,609</b>	<b>1,684,566</b>	<b>448,659</b>	<b>502,510</b>	<b>1,811,567</b>	<b>1,639,307</b>
<b>2019</b>						
	<b>Total BD</b>	<b>Neither past due nor impaired</b>	<b>Less than 120 days</b>	<b>121-180 days</b>	<b>181-365 days</b>	<b>More than 365 days</b>
General takaful	9,382,099	2,205,177	1,973,426	718,977	1,832,248	2,652,271
Family takaful	691,213	209,469	167,532	43,538	228,583	42,091
	<b>10,073,312</b>	<b>2,414,646</b>	<b>2,140,958</b>	<b>762,515</b>	<b>2,060,831</b>	<b>2,694,362</b>

Over average, the Company has 60 days credit term with its debtors.



Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

**10 OUTSTANDING CLAIMS**

	<b>2020</b>			<b>2019</b>		
	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>BD</b>	<b>share</b>	<b>BD</b>	<b>BD</b>	<b>share</b>	<b>BD</b>
		<b>BD</b>	<b>BD</b>		<b>BD</b>	<b>BD</b>
<i>At 1 January</i>						
Reported claims	5,961,257	(3,227,793)	2,733,464	8,413,931	(6,017,164)	2,396,767
IBNR and IBNER claims	2,614,996	(961,406)	1,653,590	2,106,996	(961,407)	1,145,589
	8,576,253	(4,189,199)	4,387,054	10,520,927	(6,978,571)	3,542,356
Claims incurred during the year	13,816,615	(2,047,425)	11,769,190	13,726,622	(2,309,322)	11,417,300
Claims paid during the year	(13,669,346)	2,679,469	(10,989,877)	(15,671,296)	5,098,694	(10,572,602)
At 31 December	8,723,522	(3,557,155)	5,166,367	8,576,253	(4,189,199)	4,387,054
<i>At 31 December</i>						
Reported claims	5,690,422	(3,026,034)	2,664,388	5,961,257	(3,227,793)	2,733,464
IBNR and IBNER claims	3,033,100	(531,121)	2,501,979	2,614,996	(961,406)	1,653,590
	8,723,522	(3,557,155)	5,166,367	8,576,253	(4,189,199)	4,387,054

All dues from retakaful companies in connection with outstanding claims are unimpaired and are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over dues from retakaful companies in connection with outstanding claims.

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11 CLAIMS DEVELOPMENT**

Each year the Company estimates the ultimate value of claims for the year. A comparison of this estimate with the actual liability for each year provides a measure of the Company's ability to accurately estimate claims.

**Gross claims**

<b>Accident year</b>	<b>2012 BD</b>	<b>2013 BD</b>	<b>2014 BD</b>	<b>2015 BD</b>	<b>2016 BD</b>	<b>2017 BD</b>	<b>2018 BD</b>	<b>2019 BD</b>	<b>2020 BD</b>	<b>Total BD</b>
<b>At the end of</b>										
Accident year	13,505,069	16,566,910	15,944,216	14,114,518	19,543,039	14,857,761	14,435,647	13,570,513	12,233,140	
One year later	14,836,499	18,467,530	17,929,940	15,616,005	21,003,651	16,694,848	15,580,562	13,374,401		
Two years later	14,844,483	19,107,107	18,473,773	16,067,346	21,583,396	15,616,761	15,982,434			
Three years later	15,079,279	19,199,346	18,684,098	15,716,811	21,775,999	16,239,426				
Four years later	15,125,422	19,252,601	18,606,886	15,787,158	22,351,720					
Five years later	15,165,432	19,183,033	18,784,111	15,912,950						
Six years later	15,179,870	19,171,941	18,802,592							
Seven years later	15,211,280	19,175,325								
Eight years later	15,217,489									
Current estimate of cumulative claims incurred	15,217,489	19,175,325	18,802,592	15,912,950	22,351,720	16,239,426	15,982,434	13,374,401	12,233,140	<b>149,289,477</b>
Cumulative payments to date	(15,194,372)	(19,080,080)	(18,727,677)	(15,785,799)	(21,902,844)	(15,559,710)	(14,818,127)	(12,209,750)	(7,371,589)	<b>(140,649,948)</b>
<b>Liability recognised in the statement of financial position</b>	<b>23,117</b>	<b>95,245</b>	<b>74,915</b>	<b>127,151</b>	<b>448,876</b>	<b>679,716</b>	<b>1,164,307</b>	<b>1,164,651</b>	<b>4,861,551</b>	<b>8,639,529</b>
Liability in respect of years prior to 2012										<b>83,993</b>
Total reserve included in the statement of financial position										<b>8,723,522</b>

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2020 (Audited)

**11 CLAIMS DEVELOPMENT (continued)**

**Net outstanding claims**

<b>Accident year</b>	<b>2012 BD</b>	<b>2013 BD</b>	<b>2014 BD</b>	<b>2015 BD</b>	<b>2016 BD</b>	<b>2017 BD</b>	<b>2018 BD</b>	<b>2019 BD</b>	<b>2020 BD</b>	<b>Total BD</b>
<b>At the end of</b>										
Accident year	5,754,752	6,818,786	7,969,734	7,693,376	9,953,127	8,439,795	9,193,914	10,303,419	9,984,213	
One year later	6,473,256	7,724,461	8,680,302	8,550,662	10,465,456	9,871,667	10,045,603	10,458,641		
Two years later	6,528,240	8,149,743	9,042,943	8,754,427	10,744,175	9,549,773	10,236,573			
Three years later	6,715,210	8,178,844	9,164,204	8,765,793	10,943,724	9,928,976				
Four years later	6,710,736	8,284,188	9,228,359	8,857,700	11,504,098					
Five years later	6,828,502	8,361,783	9,341,886	8,998,767						
Six years later	6,892,184	8,380,391	9,375,743							
Seven years later	6,925,849	8,396,207								
Eight years later	6,921,700									
Current estimate of cumulative claims incurred	6,921,700	8,396,207	9,375,743	8,998,767	11,504,098	9,928,976	10,236,573	10,458,641	9,984,213	<b>85,804,918</b>
Cumulative payments to date	(6,933,793)	(8,402,757)	(9,394,222)	(8,990,319)	(11,453,486)	(9,812,778)	(9,853,222)	(9,576,031)	(6,190,992)	<b>(80,607,600)</b>
<b>Liability recognised in the statement of financial position</b>	<b>(12,093)</b>	<b>(6,550)</b>	<b>(18,479)</b>	<b>8,448</b>	<b>50,612</b>	<b>116,198</b>	<b>383,351</b>	<b>882,610</b>	<b>3,793,221</b>	<b>5,197,318</b>
Liability in respect of years prior to 2012										<b>(30,951)</b>
Total reserve included in the statement of financial position										<b>5,166,367</b>

# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

### 12 UNEARNED CONTRIBUTIONS AND DEFERRED RETAKAFUL CONTRIBUTIONS

	<b>2020</b>		
	<b>Gross BD</b>	<b>Retakaful share BD</b>	<b>Net BD</b>
At 1 January	9,327,351	(2,178,745)	7,148,606
Contributions written	22,859,386	(6,426,670)	16,432,716
Contributions earned	(23,048,503)	6,278,285	(16,770,218)
At 31 December	<b>9,138,234</b>	<b>(2,327,130)</b>	<b>6,811,104</b>

	<b>2019</b>		
	<b>Gross BD</b>	<b>Retakaful share BD</b>	<b>Net BD</b>
At 1 January	9,355,822	(1,990,708)	7,365,114
Contributions written	21,720,586	(6,288,291)	15,432,295
Contributions earned	(21,749,057)	6,100,254	(15,648,803)
At 31 December	<b>9,327,351</b>	<b>(2,178,745)</b>	<b>7,148,606</b>

### 13 DEFERRED POLICY ACQUISITION COSTS

	<b>2020 BD</b>	<b>2019 BD</b>
At 1 January	573,803	600,206
Acquisition costs during the year	1,344,435	1,185,328
Amortisation for the year	(1,425,077)	(1,211,731)
At 31 December	<b>493,161</b>	<b>573,803</b>

### 14 UNEARNED RETAKAFUL COMMISSIONS

	<b>2020 BD</b>	<b>2019 BD</b>
At 1 January	337,810	313,639
Retakaful commissions received	722,733	869,647
Retakaful commissions earned	(774,781)	(845,476)
At 31 December	<b>285,762</b>	<b>337,810</b>

# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

### 15 OTHER RECEIVABLES AND PREPAYMENTS

a			
31 December 2020			
<i>Shareholders</i>	<i>General</i>	<i>Family</i>	<i>Total</i>
<i>BD</i>	<i>takaful</i>	<i>takaful</i>	<i>BD</i>
	<i>BD</i>	<i>BD</i>	
Staff related receivables	637	-	637
Accrued Income	92,514	27,070	184,937
Prepaid Expenses	21,968	-	103,013
Tender Deposits	-	-	116,674
Other Receivables	60,089	-	127,530
VAT receivable	25,594	-	68,750
At 31 December	200,802	27,070	601,541
31 December 2019			
<i>Shareholders</i>	<i>General</i>	<i>Family</i>	<i>Total</i>
<i>BD</i>	<i>takaful</i>	<i>takaful</i>	<i>BD</i>
	<i>BD</i>	<i>BD</i>	
Staff related receivables	1,454	-	1,454
Accrued Income	59,261	16,772	170,643
Prepaid Expenses	7,995	-	89,728
Tender Deposits	-	-	59,925
Other Receivables	60,478	-	169,807
VAT receivable	21,787	-	150,710
At 31 December	150,975	16,772	642,267

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

## 16 PROPERTY AND EQUIPMENT

	<i>Freehold land BD</i>	<i>Buildings on freehold land BD</i>	<i>Furniture and fixtures BD</i>	<i>Office equipment BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
<b>Cost</b>						
At 1 January 2019	1,071,868	1,255,201	883,708	1,582,780	75,509	4,869,066
Additions	-	-	12,989	45,510	-	58,499
Impairment	(67,015)	(11,463)	-	-	-	(78,478)
Disposals	(512,705)	(108,817)	-	-	(18,000)	(639,522)
Deconsolidation of a subsidiary	-	(10,581)	(11,191)	(38,640)	-	(60,412)
At 1 January 2020	492,148	1,124,340	885,506	1,589,650	57,509	4,149,153
Transfers	-	10,581	10,026	(20,195)	(412)	-
Additions	-	-	3,969	30,156	-	34,125
Disposals	(492,148)	(1,134,921)	(295,315)	(1,219,766)	-	(3,142,150)
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>604,186</b>	<b>379,845</b>	<b>57,097</b>	<b>1,041,128</b>
<b>Accumulated depreciation</b>						
At 1 January 2019	-	529,893	855,913	1,463,073	70,546	2,919,425
Charge for the year	-	49,600	10,895	73,574	4,193	138,262
Disposals for the year	-	(21,122)	-	-	(17,642)	(38,764)
Deconsolidation of a subsidiary	-	(1,058)	(4,921)	(24,341)	-	(30,320)
At 1 January 2020	-	557,313	861,887	1,512,306	57,097	2,988,603
Transfers	-	647	2,710	(3,357)	-	-
Charge for the year	-	63,011	15,125	37,713	-	115,849
Disposals for the year	-	(620,971)	(295,315)	(1,219,766)	-	(2,136,052)
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>584,407</b>	<b>326,896</b>	<b>57,097</b>	<b>968,400</b>
<b>Net book amount</b>						
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>19,779</b>	<b>52,949</b>	<b>-</b>	<b>72,728</b>
At 31 December 2019	492,148	567,027	23,619	77,344	412	1,160,550

## 17 RECEIVABLE FROM TAKAFUL FUNDS

Receivable from takaful funds includes amounts due from General takaful and Family takaful policyholders on account of wakala fees, mudarib fees and inter-entity balances amounting to BD 955,382 (2019: BD 954,185)

# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

### 18 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.

The following are the transactions entered into with the related parties during the period ended 31 December 2020 and 31 December 2019.

	<b>31 December 2020</b>			<b>31 December 2019</b>		
	<b>Key Management</b>			<b>Key Management</b>		
	<b>Personnel</b>	<b>Shareholders</b>	<b>Others</b>	<b>Personnel</b>	<b>Shareholders</b>	<b>Others</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
Gross contributions	-	229,434	12,075	693	149,531	-
Retakaful providers' share of						
gross contribution	-	89,211	-	-	54,376	-
Gross claims paid	-	41,180	-	-	303,474	-
Reinsurers' share of						
claims paid	-	7	-	-	4,443	-
Fee and commission income	-	7,541	-	-	8,209	-
Acquisition costs	-	37,276	-	-	31,097	-
Sale of Land						
and Building	-	1,550,000	-	-	600,400	-
Other income	-	543,902	-	-	-	-
General administration expenses	-	6,784	-	-	-	-
Corporate expenses	-	-	117,092	-	-	101,006
Income from an associate	-	-	54,136	-	-	51,116

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

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Shareholders</b>	<b>Others</b>	<b>Shareholders</b>	<b>Others</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
Investment in an associate	-	260,776		206,640
Equity and debt-type instruments at				
fair value through equity	-	-	163,968	-
Takaful and retakaful balances receivable	119,110	-	286,798	-
Takaful and retakaful balances payable	62,035	580	30,073	-
Other receivables, accrued income				
and prepayments	13,568	118	-	-
Other payables	18,952	1,343	1,846	-

#### Compensation of key management personnel

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.

The remuneration of key management personnel paid during the year was as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>BD</b>	<b>BD</b>
Salaries and benefits	186,840	180,283
Employees' end of service benefits	6,700	18,123
	<b>193,540</b>	<b>198,406</b>



## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

## 19 EQUITY AND RESERVES

	<b>31 December 2020 BD</b>	<b>31 December 2019 BD</b>
<b>Authorised share capital:</b>		
<b>Ordinary shares</b>		
200,000,000 ordinary shares of 100 fils each		
(2019: 200,000,000 ordinary shares of 100 fils each)	<b>20,000,000</b>	20,000,000
<b>Issued and fully paid-up capital:</b>		
<b>Ordinary shares</b>		
85,000,000 ordinary shares of 100 fils each		
(2019: 85,000,000 ordinary shares of 100 fils each)	<b>8,500,000</b>	8,500,000

**Additional information on shareholding pattern**

i) The names and nationalities and number of shares held by the major shareholders individually holding 5% and more of the issued and fully paid-up share capital as at 31 December 2020 and 2019 respectively is as follows:

<b>31 December 2020</b>			
<b>Name of the shareholders</b>	<b>Nationality</b>	<b>Number of shares</b>	<b>Percentage of shareholding interest</b>
Bahrain Kuwait Insurance Company	Bahraini	<b>69,651,974</b>	<b>81.94%</b>
Al Amana Alama State of Kuwait	Kuwaiti	<b>5,250,000</b>	<b>6.18%</b>
<b>31 December 2019</b>			
<b>Name of the shareholders</b>	<b>Nationality</b>	<b>Number of shares</b>	<b>Percentage of shareholding interest</b>
Bahrain Kuwait Insurance Company	Bahraini	69,651,974	81.94%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	6.18%

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

**19 EQUITY AND RESERVES (continued)**

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

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

31 December 2020			
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	203	6,195,820	7.29%
1% up to less than 5%	2	3,902,206	4.59%
5% up to less than 10%	1	5,250,000	6.18%
10% and above	1	69,651,974	81.94%
	<b>207</b>	<b>85,000,000</b>	<b>100.00%</b>
31 December 2019			
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	195	6,195,820	7.29%
1% up to less than 5%	2	3,902,206	4.59%
5% up to less than 10%	1	5,250,000	6.18%
10% and above	1	69,651,974	81.94%
	<b>199</b>	<b>85,000,000</b>	<b>100.00%</b>

**Statutory reserve**

As required by the Bahrain Commercial Companies Law and the Insurance Regulations contained in Volume 3 of the Central Bank of Bahrain Rulebook, 10% of the profit for the year is to be transferred to a statutory reserve until such time as the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following approval of the Central Bank of Bahrain. During the year ended 31 December 2020, the Company transferred an amount of BD 114,410 (2019: BD 69,044) to the statutory reserve.

**General reserve**

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

**Dividends**

The Board of Directors, at a meeting held on 16 February 2021, recommended cash dividend of 5 fils per share amounting to BD 425,000 (2019: Nil), which are subject to approval of the shareholders at the Annual General Meeting to be held on 23 March 2021 .

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

**20 OTHER LIABILITIES AND PROVISIONS**

	31 December 2020			
	Share- holders BD	General takaful BD	Family takaful BD	Total BD
Due to garages, spare part suppliers and others	-	76,363	-	76,363
Provision for employees' leaving indemnity	306,361	-	-	306,361
Accrued expenses	515,356	154,078	-	669,434
VAT payables	751	83,223	-	83,974
Provision for leave pay	9,394	-	-	9,394
Payable to Shareholders fund	-	782,176	173,206	955,382
Other liabilities	73,582	90,884	2,154	166,620
	905,444	1,186,724	175,360	2,267,528
	31 December 2019			
	Share- holders BD	General takaful BD	Family takaful BD	Total BD
Due to garages, spare part suppliers and others	-	476,903	-	476,903
Provision for employees' leaving indemnity	238,213	-	-	238,213
Accrued expenses	288,984	84,316	-	373,300
Unclaimed dividends	102,950	-	-	102,950
VAT payables	778	245,004	-	245,782
Provision for leave pay	27,297	-	-	27,297
Payable to Shareholders fund	-	731,786	222,399	954,185
Other liabilities	68,337	129,097	2,067	199,501
	726,559	1,667,106	224,466	2,618,131

**21 GROSS CONTRIBUTIONS**

	31 December 2020		
	General takaful	Family takaful	Total
Led by the company - net of refunds	20,911,442	1,448,522	22,359,964
Led by other insurance companies - Company's share	499,422	-	499,422
	<u>21,410,864</u>	<u>1,448,522</u>	<u>22,859,386</u>
	31 December 2019		
	General takaful	Family takaful	Total
Led by the company - net of refunds	19,826,855	1,383,454	21,210,309
Led by other insurance companies - Company's share	510,277	-	510,277
	<u>20,337,132</u>	<u>1,383,454</u>	<u>21,720,586</u>

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2020 (Audited)

**22 GENERAL ADMINISTRATION AND CORPORATE EXPENSES**

	<b>31 December 2020 BD</b>	<b>31 December 2019 BD</b>
Employee related costs	<b>1,395,836</b>	1,509,198
General administration expenses	<b>736,193</b>	797,551
Depreciation	<b>112,706</b>	136,558
Impairment on building	<b>-</b>	78,478
	<b>2,244,735</b>	2,521,785

**23 EMPLOYEES' TERMINAL BENEFITS**

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organization in the Kingdom of Bahrain for the year ended 31 December 2020 amounted to BD 88,429 (2019: BD 95,792).

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

	<b>31 December 2020 BD</b>	<b>31 December 2019 BD</b>
Opening balance	<b>238,213</b>	231,473
Accruals for the year	<b>71,006</b>	33,229
Payments during the year	<b>(2,858)</b>	(26,489)
Closing balance	<b>306,361</b>	238,213
<b>Total number of staff employed by the Company</b>	<b>93</b>	87

**24 WAKALA FEE AND MUDARIB SHARE**

The shareholders manage the general and family takaful operations for the participants' and charged 17% (2019: 18%) and 12% (2019: 11%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 25% (2019: 25%) of the general takaful and family takaful investment income earned by the participants' investment funds, respectively. The maximum chargeable wakala fee and mudarib share, as approved by the Shari'a Supervisory Board, are 35% (2019: 35%) and 25% (2019: 25%) respectively.

**25 INVESTMENT INCOME**

	Year ended 31 December 2020			
	Share- holders BD	General takaful BD	Family takaful BD	Total BD
Deposit income	134,514	163,790	72,062	370,366
Profit on investment securities	65,014	87,678	52,078	204,770
Dividend income	59,734	2,950	23,648	86,332
Gain on sale of investment securities	213,033	9,855	8,569	231,457
Investment expenses	(116,447)	-	-	(116,447)
Impairment on investments	(254,075)	(100,712)	(223,397)	(578,184)
	101,773	163,561	(67,040)	198,294

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

**25 INVESTMENT INCOME (continued)**

	Year ended 31 December 2019			
	Share- holders BD	General takaful BD	Family takaful BD	Total BD
Deposit income	84,737	180,470	7,970	273,177
Profit on investment securities	54,216	60,959	64,857	180,032
Dividend income	54,908	2,684	28,442	86,034
Gain / (loss)				
on sale of investment securities	90,201	(298)	-	89,903
Investment expenses	(104,679)	-	-	(104,679)
Impairment on investments	(20,087)	(63,963)	(31,008)	(115,058)
	159,296	179,852	70,261	409,409

**26 OTHER INCOME - NET**

	<i>Year ended</i> <i>31 December</i> <i>2020</i> <i>BD</i>	<i>Year ended</i> <i>31 December</i> <i>2019</i> <i>BD</i>
<b>Other income</b>		
Profit on sale of property and equipment	<b>543,902</b>	6,161
COVID-19 Government grant	<b>164,543</b>	-
TPA fees and other income	-	288,844
Rental income	<b>825</b>	23,100
Other income	<b>1,670</b>	1,024
	<u><b>710,940</b></u>	<u>319,129</u>

**27 EARNINGS PER SHARE**

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

	<i>Year ended</i> <i>31 December</i> <i>2020</i> <i>BD</i>	<i>Year ended</i> <i>31 December</i> <i>2019</i> <i>BD</i>
Net profit	<u><b>1,144,105</b></u>	<u>690,444</u>
Weighted average number of ordinary shares issued	<u><b>85,000,000</b></u>	<u>85,000,000</u>
Earnings per share	<u><b>13.46 fils</b></u>	<u>8.12 fils</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

**27 EARNINGS PER SHARE (continued)**

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

<b>Other information</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Proposed cash dividend per share		-
Net asset value per share	<b>131 Fils</b>	119 Fils
Share price per Bahrain Bourse at 31 December	<b>90 Fils</b>	90 Fils
Price to earning ratio at 31 December	<b>7 Times</b>	11 Times
Total market capitalisation at 31 December (BD - thousand)	<b>7,650</b>	7,650

**28 SEGMENTAL UNDERWRITING RESULTS****Business segments – primary reporting segment**

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

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

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

**Marine and aviation** takaful offers takaful policies to cover risks of marine cargo, marine hull and aviation;

**Medical takaful** offers takaful policies to cover risks of medical contingencies and expenses; and

**Family takaful** offers takaful policies to cover risks of Group takaful and Group credit, protection (decreasing term assurance/ level 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 of segment revenues, measurement of segment profit for the year and their reconciliation to the Company's income and profit for the year.

# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

### 28 SEGMENTAL UNDERWRITING RESULTS (continued)

#### Business segments – primary reporting segment

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:

	For the year ended 31 December 2020 (Audited)						
	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	Total General Takaful BD	Family Takaful BD	Total BD
Gross contributions	5,759,403	6,467,378	8,813,210	370,873	21,410,864	1,448,522	22,859,386
Retakaful providers' share of gross contributions	(5,088,859)	(164,401)	(337,546)	(269,971)	(5,860,777)	(565,893)	(6,426,670)
Retained contributions	670,544	6,302,977	8,475,664	100,902	15,550,087	882,629	16,432,716
Unearned contributions adjustment - net	(24,091)	588,354	(213,306)	(8,388)	342,569	(5,068)	337,501
Net earned contributions	646,453	6,891,331	8,262,358	92,514	15,892,656	877,561	16,770,217
Fee and Commission Income	725,141	63	97	69,715	795,016	12	795,028
Segment Revenue	1,371,594	6,891,394	8,262,455	162,229	16,687,672	877,573	17,565,245
Net incurred claims	(448,733)	(4,936,978)	(6,105,926)	(17,724)	(11,509,361)	(259,829)	(11,769,190)
Other Takaful Expenses	(19,783)	(322,828)	(160,477)	-	(503,088)	(5,720)	(508,808)
Transfer to family takaful technical reserve	-	-	-	-	-	(332,343)	(332,343)
Provision for impaired takaful receivables	(136,872)	(72,104)	(407,883)	(14,754)	(631,613)	(72,481)	(704,094)
Underwriting surplus before wakala fees	766,206	1,559,484	1,588,169	129,751	4,043,610	207,200	4,250,810
Wakala fees expense	(712,859)	(1,455,160)	(1,474,450)	(92,059)	(3,734,528)	(171,650)	(3,906,178)
Surplus from takaful operations after wakala fees	53,347	104,324	113,719	37,692	309,082	35,550	344,632
Investment Income - net					163,561	(67,040)	96,521
Mudarib fees expense					(40,890)	-	(40,890)
Net surplus / (deficit)					431,753	(31,490)	400,263



# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

### 28 SEGMENTAL UNDERWRITING RESULTS (continued)

#### Business segments – primary reporting segment (continued)

	for the year ended 31 December 2019 (Audited)						
	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	Total General Takaful BD	Family Takaful BD	Total BD
Gross contributions	5,213,165	6,302,102	8,432,320	389,545	20,337,132	1,383,454	21,720,586
Retakaful providers' share of gross contributions	(4,515,815)	(174,082)	(428,084)	(322,196)	(5,440,177)	(848,114)	(6,288,291)
Retained contributions	697,350	6,128,020	8,004,236	67,349	14,896,955	535,340	15,432,295
Unearned contributions adjustment - net	(41,204)	231,415	15,470	24	205,705	10,803	216,508
Net earned contributions	656,146	6,359,435	8,019,706	67,373	15,102,660	546,143	15,648,803
Fee and Commission Income	790,270	342	-	86,453	877,065	11	877,076
Segment Revenue	1,446,416	6,359,777	8,019,706	153,826	15,979,725	546,154	16,525,879
Net incurred claims	(198,221)	(4,988,938)	(6,079,276)	(7,461)	(11,273,896)	(143,403)	(11,417,299)
Other Takaful Expenses	(13,142)	(369,253)	(342,539)	(1,176)	(726,110)	(12,774)	(738,884)
Transfer to family takaful technical reserve	-	-	-	-	-	(269,763)	(269,763)
Provision for impaired takaful receivables	(19,316)	(12,129)	(73,451)	(8,149)	(113,045)	(2,101)	(115,146)
Underwriting surplus before wakala fees	1,215,737	989,457	1,524,440	137,040	3,866,674	118,113	3,984,787
Wakala fees expense	(1,165,874)	(931,447)	(1,482,855)	(105,268)	(3,685,444)	(146,768)	(3,832,212)
Surplus / (deficit) from takaful operations after wakala fees	49,863	58,010	41,585	31,772	181,230	(28,655)	152,575
Investment Income - net					179,852	70,261	250,113
Mudarib fees expense					(44,963)	(17,565)	(62,528)
Net surplus					316,119	24,041	340,160

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2020 (Audited)

**28 SEGMENTAL UNDERWRITING RESULTS (continued)**

The following table presents disclosure of segment assets and liabilities:

	<i>Fire &amp; General BD</i>	<i>Medical BD</i>	<i>Motor BD</i>	<i>Marine &amp; Aviation BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>	<i>Unallocated assets / Liabilities BD</i>	<i>Total BD</i>
<i>Identifiable assets and liabilities as on 31 December 2020 - (Audited)</i>								
Identifiable assets	<b>4,373,040</b>	<b>50,564</b>	<b>1,546,471</b>	<b>102,189</b>	<b>2,855,434</b>	<b>8,927,698</b>	<b>32,312,219</b>	<b>41,239,917</b>
Identifiable liabilities	<b>5,238,833</b>	<b>2,784,584</b>	<b>9,473,676</b>	<b>152,215</b>	<b>5,550,538</b>	<b>23,199,846</b>	<b>6,765,506</b>	<b>29,965,352</b>
<i>Identifiable assets and liabilities as on 31 December 2019 - (Audited)</i>								
Identifiable assets	4,464,649	299,357	1,703,515	113,398	931,080	7,511,999	30,775,734	38,287,733
Identifiable liabilities	5,315,694	3,591,577	8,736,586	160,284	3,177,258	20,981,399	7,518,059	28,499,458

At 31 December 2020 (Audited)

## 28 SEGMENTAL UNDERWRITING RESULTS (continued)

### Geographical segments – secondary reporting segment

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

The Company's activities are to manage the General and Family takaful activities and investments by adopting wakala and mudarabha models respectively, on behalf of the participants in accordance with the Islamic Shari'a principles.

The geographical segment reporting of the Company as at 31 December 2020 and 2019 is as follows:

	<i>Gross contributions by location</i>		<i>Non-current assets by location of assets</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Kingdom of Bahrain	<b>22,859,386</b>	21,720,586	<b>72,728</b>	1,160,550

## 29 RISK MANAGEMENT

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

Financial assets and liabilities carried on the statement of financial position include statutory deposits, cash and bank balances, equity and debt-type instruments at fair value through equity, debt-type instruments at amortised cost, takaful and retakaful balances receivable, retakaful share of takaful liabilities, other receivables, takaful liabilities, takaful and retakaful payables, other liabilities and provisions and employees' terminal benefits. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### Risk management

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. Whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Risk Committee. The risk committee closely monitors the risk and related aspects and gives periodical updates to the Board about the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

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

### Takaful risk

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

At 31 December 2020 (Audited)

## **29 RISK MANAGEMENT (continued)**

### **Takaful risk (continued)**

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

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

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

The Company does not have any single takaful contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or takaful contracts covering risks for single incidents that expose the Company to multiple takaful risks. The Company has adequately secured by retakaful for takaful risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the statement of income (2019: same). The geographical and segmental concentration of takaful risk is set out in note 28.

### **Retakaful risk**

Retakaful is used to manage takaful risk. Although the Company has retakaful arrangements, this does not, however, discharge the Company's liability as primary takaful operator. Thus a credit risk remains with respect to retakaful ceded if any retakaful Company is unable to meet its obligations to the Company under such retakaful arrangements as the Company remains liable for the gross claim. The Company minimises such credit risk by entering into retakaful arrangements with counter-parties having good credit ratings. The creditworthiness of retakaful companies is re-assessed annually by reviewing their financial strength and credit rating prior to finalisation of any contract. Solvency risks are controlled by regularly monitoring the provisions for claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

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

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2020 (Audited)

**29 RISK MANAGEMENT (continued)**

**Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Bahraini Dinar, Qatari Riyal and US\$. As the Bahraini Dinar and the Qatari Riyal are pegged to the United States Dollar, the Company's exposure to currency risk is considered minimal by management. The table below summarises the Company's exposure to foreign currency exchange rate risk at the statement of financial position date by categorising monetary assets and liabilities by major currencies.

<b>31 December 2020</b>					
	<b>Bahraini Dinar BD</b>	<b>US Dollars BD</b>	<b>Qatari Riyals BD</b>	<b>Others BD</b>	<b>Total BD</b>
<b>ASSETS</b>					
Cash and bank balances	17,306,676	984,403	-	173	18,291,252
Statutory deposit	125,000	-	-	-	125,000
Takaful and retakaful balances receivable	4,942,935	1,143,674	-	-	6,086,609
Retakaful share of outstanding claims - Reported claims	1,417,674	1,608,360	-	-	3,026,034
Investments	1,451,814	3,998,935	-	468,182	5,918,931
	<b>25,244,099</b>	<b>7,735,372</b>	<b>-</b>	<b>468,355</b>	<b>33,447,826</b>
<b>LIABILITIES</b>					
Takaful liabilities - outstanding claims - Reported claims	5,690,422	-	-	-	5,690,422
Unearned commissions	166,579	119,183	-	-	285,762
Payables and accrued liabilities :					-
Takaful and retakaful companies	2,148,423	899,850	-	-	3,048,273
Participants'	1,449,704	-	-	-	1,449,704
Others	2,241,706	25,822	-	-	2,267,528
	<b>11,696,834</b>	<b>1,044,855</b>	<b>-</b>	<b>-</b>	<b>12,741,689</b>
Net Exposure	<b>13,547,265</b>	<b>6,690,517</b>	<b>-</b>	<b>468,355</b>	<b>20,706,137</b>
<b>31 December 2019</b>					
	<b>Bahraini Dinar BD</b>	<b>US Dollars BD</b>	<b>Qatari Riyals BD</b>	<b>Others BD</b>	<b>Total BD</b>
<b>ASSETS</b>					
Cash and bank balances	11,103,071	442,779	7,483	180	11,553,513
Statutory deposit	125,000	-	-	-	125,000
Takaful and retakaful balances receivable	8,180,537	1,892,775	-	-	10,073,312
Retakaful share of outstanding claims - Reported claims	2,196,074	1,031,719	-	-	3,227,793
Investments	1,597,010	3,516,946	-	946,312	6,060,268
	<b>23,201,692</b>	<b>6,884,219</b>	<b>7,483</b>	<b>946,492</b>	<b>31,039,886</b>
<b>LIABILITIES</b>					
Takaful liabilities - outstanding claims - Reported claims	5,844,809	-	116,448	-	5,961,257
Unearned commissions	218,627	119,183	-	-	337,810
Payables and accrued liabilities :					
Takaful and retakaful companies	2,409,221	1,009,084	-	-	3,418,305
Participants'	1,481,623	-	-	-	1,481,623
Others	2,593,777	24,354	-	-	2,618,131
	<b>12,548,057</b>	<b>1,152,621</b>	<b>116,448</b>	<b>-</b>	<b>13,817,126</b>
Net Exposure	<b>10,653,635</b>	<b>5,731,598</b>	<b>(108,965)</b>	<b>946,492</b>	<b>17,222,760</b>

# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020 (Audited)

### 29 RISK MANAGEMENT (continued)

#### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company is exposed to price risk with respect to its equity and debt-type instruments at fair value through equity (quoted and unquoted shares, sukuks and managed funds).

The impact on investment fair value reserve and equity of a 1% increase/decrease in prices would be +/- of BD 55,749 (2019: +/- of BD 60,603).

The management has set up an investment policy to manage its investment portfolio. The Company limits price risk by maintaining a diversified portfolio and by continuous monitoring of developments in international equity and sukuk markets. In addition, the Company actively monitors the key factors that affect stock market movements, including analysis of the operational and financial performance of investees.

*A geographical analysis of the Company's investments:*

	<b>31 December 2020 BD</b>	<b>31 December 2019 BD</b>
Kingdom of Bahrain	<b>3,292,439</b>	3,429,739
Other GCC countries	<b>2,325,384</b>	2,211,429
Asia	<b>175,723</b>	212,872
Other countries	<b>125,385</b>	206,228
	<b><u>5,918,931</u></b>	<b><u>6,060,268</u></b>

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company adopts policies and procedures in order to maintain credit risk exposures within limits. These limits have been set on the basis of the types of exposures and the credit rating of the counter party and are regularly monitored by the management.

For all classes of financial assets held by the Company, other than those related to retakaful contracts as described in takaful risk above, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The Company does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated. Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below.

	<b>At 31 December 2020</b>	
<b>Financial assets</b>	<b>Carrying value BD</b>	<b>Maximum exposure BD</b>
Cash and bank balances	<b>18,291,252</b>	<b>18,291,252</b>
Debt-type instruments at amortised cost	<b>344,000</b>	<b>344,000</b>
Takaful and retakaful balances receivable	<b>6,086,609</b>	<b>6,086,609</b>
Retakaful share of outstanding claims - reported	<b>3,026,034</b>	<b>3,026,034</b>
Other receivables and prepayments	<b>498,528</b>	<b>498,528</b>
Statutory deposit	<b>125,000</b>	<b>125,000</b>
<b>Total financial assets</b>	<b><u>28,371,423</u></b>	<b><u>28,371,423</u></b>

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2020 (Audited)

**29 RISK MANAGEMENT (continued)**

**Credit risk (continued)**

<i>Financial assets (continued)</i>	<i>At 31 December 2019</i>	
	<i>Carrying</i>	<i>Maximum</i>
	<i>value</i>	<i>exposure</i>
	<i>BD</i>	<i>BD</i>
Cash and bank balances	11,553,513	11,553,513
Takaful and retakaful balances receivable	10,073,312	10,073,312
Retakaful share of outstanding claims - reported	3,227,793	3,227,793
Other receivables and prepayments	552,539	552,539
Statutory deposit	125,000	125,000
<b>Total financial assets</b>	<b>25,532,157</b>	<b>25,532,157</b>

The Company seeks to limit its credit risk with respect to participants by setting credit limits and monitoring outstanding receivables.

**Liquidity risk**

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

	<i>31 December 2020</i>			
	<i>One year or</i>	<i>More than</i>	<i>No term</i>	<i>Total</i>
	<i>less</i>	<i>one year</i>	<i>BD</i>	<i>BD</i>
	<i>BD</i>	<i>BD</i>		
<b>ASSETS</b>				
Statutory deposits	-	-	125,000	125,000
Cash and bank balances	18,291,252	-	-	18,291,252
Investments	1,329,731	4,589,200	-	5,918,931
Takaful and retakaful balances receivable	4,447,302	1,639,307	-	6,086,609
Retakaful share of outstanding claims	3,557,155	-	-	3,557,155
Deferred retakaful contribution	2,327,130	-	-	2,327,130
Deferred acquisition costs	493,161	-	-	493,161
Retakaful share of family takaful technical reserves	2,550,251	-	-	2,550,251
Property and equipment	-	-	72,728	72,728
Other receivables and prepayments	601,541	-	-	601,541
Receivable from takaful funds	955,382	-	-	955,382
Investment in an associate	-	-	260,776	260,776
	<b>34,552,905</b>	<b>6,228,507</b>	<b>458,504</b>	<b>41,239,916</b>
<b>LIABILITIES</b>				
Gross outstanding claims	8,723,522	-	-	8,723,522
Unearned contributions	9,138,234	-	-	9,138,234
Unearned retakaful commissions	285,762	-	-	285,762
Family takaful technical reserves	5,052,328	-	-	5,052,328
Payables and accrued liabilities	4,497,977	-	-	4,497,977
Other liabilities and provisions	1,005,785	-	-	1,005,785
Employees' terminal benefits	-	306,361	-	306,361
Payable to shareholders	955,382	-	-	955,382
	<b>29,658,990</b>	<b>306,361</b>	<b>-</b>	<b>29,965,351</b>



**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2020 (Audited)

**29 RISK MANAGEMENT (continued)**

**Liquidity risk (continued)**

	31 December 2019			
	More than one		No term	Total
	One year or less	year		
	BD	BD	BD	BD
<b>ASSETS</b>				
Statutory deposits	-	-	125,000	125,000
Cash and bank balances	11,553,513	-	-	11,553,513
Investments	1,789,746	4,270,522	-	6,060,268
Takaful and retakaful balances receivable	7,378,949	2,694,363	-	10,073,312
Retakaful share of outstanding claims	4,189,199	-	-	4,189,199
Deferred retakaful contribution	2,178,745	-	-	2,178,745
Deferred policy acquisition costs	573,803	-	-	573,803
Retakaful share of family takaful technical reserves	570,251	-	-	570,251
Property and equipment	-	-	1,160,550	1,160,550
Other receivables and prepayments	642,267	-	-	642,267
Receivable from takaful funds	954,185	-	-	954,185
Investment in an associate	-	-	206,640	206,640
	<b>29,830,658</b>	<b>6,964,885</b>	<b>1,492,190</b>	<b>38,287,733</b>
Gross outstanding claims	8,576,253	-	-	8,576,253
Unearned contributions	9,327,351	-	-	9,327,351
Unearned retakaful commissions	337,810	-	-	337,810
Family takaful technical reserves	2,739,985	-	-	2,739,985
Payables and accrued liabilities	4,899,928	-	-	4,899,928
Other liabilities and provisions	1,425,733	-	-	1,425,733
Employees' terminal benefits	-	238,213	-	238,213
Payable to shareholders	954,185	-	-	954,185
	<b>28,261,245</b>	<b>238,213</b>	<b>-</b>	<b>28,499,458</b>

**30 CAPITAL ADEQUACY AND SOLVENCY MARGIN**

Capital Adequacy & Solvency margin requirements are determined in accordance with the regulatory requirements established by the Central Bank of Bahrain and are calculated with reference to a prescribed contributions and claims basis. The Central Bank of Bahrain (CBB) rulebook stipulates that solvency margin requirements on a combined basis of both participants' and shareholder's funds together. The capital available to cover solvency margin required is as follows:

	2020	2019
Total available shareholders' capital to cover required solvency margin	<b>5,360,000</b>	4,879,000
Total Margin required for General & Family Takaful funds'	<b>3,832,000</b>	4,014,000
Excess Capital	<b>1,528,000</b>	865,000

**31 SHARI'A SUPERVISORY BOARD**

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

At 31 December 2020 (Audited)

### 32 ZAKAH

Zakah of BD 282,912 at 3.32 fils per share (2019: BD 225,401 at 2.65 fils per share) is to be directly borne by the shareholders and, accordingly, the financial statements includes no provision for Zakah. Zakah base is calculated using the 'Net Invested Funds' method of calculating Zakah base. The components used in the computation of Zakah are share capital, statutory reserve, general reserve and retained earnings, participants' equity and property and equipment. The basis of computation is approved by the Shari'a Supervisory Board and the amounts payable are notified to the shareholders.

### 33 EARNINGS PROHIBITED UNDER SHARI'A

There were no earnings retained during the year (2019: nil) from transactions which are not permitted under Shari'a.

### 34 CONTINGENT LIABILITIES

The Company is a defendant in a number of cases brought by takaful contract holders in respect of claims which the Company disputes. While it is not possible to predict the eventual outcome of such legal actions, the Directors' have made provisions which, in their opinion, are adequate to cover any resultant liabilities.

### 35 COMMITMENTS

#### *a) Operating lease commitments*

The minimum lease commitments under cancellable operating leases are as follows:

	<b>31 December 2020 BD</b>	<b>31 December 2019 BD</b>
Not later than 1 year	<b>32,000</b>	18,000

#### *b) Other commitments*

The are no other commitments as at 31 December 2020.

### 36 QARD AL HASSAN

In accordance with the capital adequacy requirements of the Central Bank of Bahrain's Rulebook Volume 3 - Insurance, there is no Qard apportionment made through the Insurance Firm Return for the year ended 31 December 2020 (2019: same).

Takaful International Company B.S.C.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020 (Audited)

37 TOTAL COMPREHENSIVE INCOME

	<i>For the year ended 31 December 2020 (Audited)</i>				<i>For the year ended 31 December 2019 (Audited)</i>			
	<i>Shareholders BD</i>	<i>General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>	<i>Shareholders BD</i>	<i>General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
<b>Net profit and surplus / (deficit) for the year</b>	<b>1,144,105</b>	<b>431,753</b>	<b>(31,490)</b>	<b>1,544,368</b>	690,765	316,119	24,041	1,030,925
<b>Other comprehensive income / (loss) to be reclassified to statement of profit or loss in subsequent periods:</b>								
<i>Equity and debt-type instruments at fair value through equity:</i>								
Fair value changes arising during the year	(189,945)	(87,758)	(157,820)	(435,523)	182,335	54,352	45,078	281,765
Recycled to statement of profit or loss on disposal / impairment	131,002	31,911	214,532	377,445	28,204	52,020	22,425	102,649
<b>Other comprehensive income / (loss) for the year to be reclassified to statement of profit or loss in subsequent periods</b>	<b>(58,943)</b>	<b>(55,847)</b>	<b>56,712</b>	<b>(58,078)</b>	210,539	106,372	67,503	384,414
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,085,162</b>	<b>375,906</b>	<b>25,222</b>	<b>1,486,290</b>	901,304	422,491	91,544	1,415,339
<b>Attributable to:</b>								
Parent's shareholder	1,085,162	375,906	25,222	1,486,290	900,983	422,491	91,544	1,415,018
Non-controlling interests	-	-	-	-	321	-	-	321
	<b>1,085,162</b>	<b>375,906</b>	<b>25,222</b>	<b>1,486,290</b>	901,304	422,491	91,544	1,415,339

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 December 2020 (Audited)

**38 FINANCIAL INSTRUMENTS**

Set out below is an overview of the financial instruments held by the Company as at 31 December 2020 and 31 December 2019:

<b>31 December 2020</b>			
	<b><i>Fair value through equity BD</i></b>	<b><i>Financial assets at amortised cost BD</i></b>	<b><i>Total BD</i></b>
Statutory deposit	-	125,000	125,000
Cash and bank balances	-	18,291,252	18,291,252
Investments	5,574,931	344,000	5,918,931
Takaful and retakaful balances receivable	-	6,086,609	6,086,609
Retakaful share of Takaful Liabilities			
- Outstanding claims - Reported claims	-	3,026,034	3,026,034
Other receivables	-	498,528	498,528
	<b>5,574,931</b>	<b>28,371,423</b>	<b>33,946,354</b>
			<b><i>Financial Liabilities BD</i></b>
Takaful Liabilities			
- Outstanding Claims - Reported claims			5,690,422
Takaful and retakaful payables			4,497,978
Other liabilities and provisions			1,282,339
			<b>11,470,739</b>
<b>31 December 2019</b>			
	<b><i>Fair value through equity BD</i></b>	<b><i>Financial assets at amortised cost BD</i></b>	<b><i>Total BD</i></b>
Statutory deposit	-	125,000	125,000
Cash and bank balances	-	11,553,513	11,553,513
Investments	6,060,268	-	6,060,268
Takaful and retakaful balances receivable	-	10,073,312	10,073,312
Retakaful share of Takaful Liabilities			
- Outstanding claims - Reported claims	-	3,227,793	3,227,793
Other receivables	-	552,539	552,539
	<b>6,060,268</b>	<b>25,532,157</b>	<b>31,592,425</b>
			<b><i>Financial Liabilities BD</i></b>
Takaful Liabilities			
- Outstanding Claims - Reported claims			5,961,257
Takaful and retakaful payables			4,899,928
Other liabilities and provisions			1,979,321
			<b>12,840,506</b>

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 December 2020 (Audited)

**38 FINANCIAL INSTRUMENTS (continued)**

***Valuation methods and 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 the measurement date.

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

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

***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.

	<b>31-December-2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
<b>Equity and debt-type instruments at fair value through equity</b>				
<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
	<b>5,386,358</b>	<b>-</b>	<b>188,573</b>	<b>5,574,931</b>

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 December 2020 (Audited)

**38 FINANCIAL INSTRUMENTS (continued)**

***Fair value hierarchy (continued)***

	31 December 2019			Total BD
	Level 1 BD	Level 2 BD	Level 3 BD	
Equity and debt-type instruments at fair value through equity				
<i>Quoted investments</i>				
Banking	1,341,691	-	-	1,341,691
Infrastructure	1,752,124	-	-	1,752,124
Government	925,146	-	-	925,146
Consumer Service	564,302	-	-	564,302
Others	530,582	-	-	530,582
<i>Unquoted investments</i>				
Infrastructure	-	-	377,500	377,500
Insurance	-	-	80,268	80,268
<i>Other managed funds</i>				
Consumer Service	-	-	187,353	187,353
Infrastructure	-	-	174,137	174,137
Others	-	-	127,165	127,165
	<u>5,113,845</u>	<u>-</u>	<u>946,423</u>	<u>6,060,268</u>

Date of valuation was 31 December 2020 for the current period and 31 December 2019 for the comparative period respectively.

In case of equity and debt-type instruments at fair value through equity, the impairment charge in the statement of income would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through statement of other comprehensive income - note 37) and, would not have an impact on the statement of income.

**Transfers between Level 1, Level 2 and Level 3**

During the year ended 31 December 2020, 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 (2019 : no transfer)

**Significant unobservable inputs to valuation - equity and debt-type instruments at fair value through equity**

A reasonably possible increase / (decrease) in the key assumptions by 10% would result in a fair value increase / (decrease) of BD 18,857 (2019: BD 94,642 ). The fair values of the financial assets and financial liabilities are not materially different from their carrying values at the reporting date.

In case of equity and debt-type instruments at fair value through equity, the impairment charge in the statement of income would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through other comprehensive income) and, would not have an effect on the statement of income.

**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.

**39 COMPARATIVES**

Certain prior year amounts have been regrouped to conform to the current year's presentation. Such regrouping did not effect previously reported profit for the year or equity.

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

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SUPPLEMENTARY DISCLOSURE TO THE FINANCIAL STATEMENTS RELATED TO  
THE FINANCIAL IMPACT OF COVID-19 AS AT 31 DECEMBER 2020

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, the financial impact was insignificant. 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 Government of Kingdom of Bahrain has announced economic stimulus packages to support the country's citizens and private sector and counter the effects of the coronavirus (COVID-19) in these challenging times. The Company gained financial assistance in form of reimbursement of a portion of staff cost and waiver of electricity & water charges for the months April, May, and June 2020 in response to the government's COVID-19 support schemes. There were no financial benefits to the Company in response to the stimulus packages in third and forth quarters of 2020.

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

- There was no major loss of contributions.
- Reduction in assets was mainly in investments for which the Company has made adequate impairments.
- The Company's liquidity was un-affected due to the situation. There were some delays in the collections for which the company has made adequate provision for impairments.
- The Company continues to meet the regulatory requirements of minimum capital.
- The slow-down in the local economy resulted in nominal reduction in claims.
- General expenses increased due to the cost related to the necessary precautionary measures and business continuity plan requirements. There was no direct effect of COVID-19 situation on general expenses during the third and forth quarters of 2020.



## Takaful International Company B.S.C.

### SUPPLEMENTARY DISCLOSURE TO THE FINANCIAL STATEMENTS RELATED TO THE FINANCIAL IMPACT OF COVID-19 AS AT 31 DECEMBER 2020

The overall impact of COVID-19 situation on the financial statements as at 31 December 2020 as assessed by the Company is as below:

	<i>Shareholders BD</i>	<i>General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
<u>Financial Benefits – Government Support Schemes</u>				
<b>Government Grant for Salaries &amp; Electricity charges</b>	<b>164,543</b>	-	-	<b>164,543</b>
<u>Revenue Expenditure</u>				
Donation to MOFNE The National effort to combat the Coronavirus COVID 19 - Feena Khair	(20,000)	-	-	(20,000)
Sterilization & Disinfection of Premises, Sanitizers, Masks & Gloves, Depreciation, etc.	(1,816)	-	-	(1,816)
<b>Total Revenue Expenditure</b>	<b>(21,816)</b>	-	-	<b>(21,816)</b>
<u>Capital Expenditure</u>				
Cost of Laptops for contingency plan	(2,741)	-	-	(2,741)
<b>Total Capital Expenditure</b>	<b>(2,741)</b>	-	-	<b>(2,741)</b>
<b>Receivables Impairment</b>	-	<b>(495,718)</b>	<b>(38,569)</b>	<b>(534,287)</b>
<b>Investment Impairment</b>	<b>(144,283)</b>	<b>(18,835)</b>	<b>(141,517)</b>	<b>(304,635)</b>

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.