

Takaful International Company B.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2022

CONTENTS

	Page
General information	2
Directors and management	3
Shari'a Supervisory Board's Report	4
Board of Directors report	5 to 8
Independent auditors' report to the shareholders	9 to 13
Financial statements	
Statement of financial position	14
Statement of income	15
Statement of changes in equity	16
Statement of changes in participants' fund	17
Statement of cash flows	18
Notes to the financial statements	19 to 65

General information

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Commercial registration : 21100 obtained on 11 April 1989

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Shop 83, Road 44
Muharraq 243
Kingdom of Bahrain

P.O. Box : 3230
Telephone : +973 17565405

SANAD CENTER

Shop No. D2420,
Road 4571, Sanad 0745
Kingdom of Bahrain

P.O. Box : 3230
Telephone : +973 17565447

PRINCIPAL BANKERS

Bahrain Islamic Bank B.S.C.
Al Salam Bank B.S.C.

SHARE REGISTRAR

Bahrain Clear
Manama
Kingdom of Bahrain

P.O. Box : 3203
Telephone : +973 17108833
Telefax : +973 17228061

AUDITORS

Ernst & Young - Middle East
Manama
Kingdom of Bahrain

P.O. Box : 140
Telephone : +973 17535455
Telefax : +973 17535405

ACTUARY

Lux Actuaries & Consultants W.L.L.
Manama
Kingdom of Bahrain

P.O. Box : 50912
Telephone : +973 3971 2394

Takaful International Company B.S.C.

Directors and management

BOARD OF DIRECTORS

Ebrahim Mohamed Sharif Alrayes	- Chairman
AbdulRahman Abdulla Mohammed	- Vice-Chairman
Khaled Saud Al Hasan	- Director
Dr. Abdulla Sultan	- Director
Ahmed AbdulRahman Bucheeri	- Director
Osama Kamel Kishk	- Director
Dr. Osama T. Albaharna	- Director
Rashed Ali Abdulrahim	- Director
Abdulla Rabea Mohamed Rabea	- Director
Saleh Fahad Al Zouman	- Director
Ali Hasan Fardan	- Secretary to the Board

EXECUTIVE COMMITTEE

Khaled Saud Al Hasan	- Chairman
AbdulRahman Abdulla Mohammed	- Vice-Chairman
Dr. Abdulla Sultan	- Member
Ahmed AbdulRahman Bucheeri	- Member
Saleh Fahad Al Zouman	- Member

AUDIT & CORPORATE GOVERNANCE COMMITTEE

Rashed Ali Abdulrahim	- Chairman
Dr. Osama T. Albaharna	- Vice-Chairman
Osama Kamel Kishk	- Member
Abdulla Rabea Mohamed Rabea	- Member

NOMINATION & REMUNERATION COMMITTEE

Ebrahim Mohamed Sharif Alrayes	- Chairman
Khaled Saud Al Hasan	- Vice-Chairman
Dr. Abdulla Sultan	Member
Rashed Ali Abdulrahim	- Member

RISK COMMITTEE

Dr. Osama T. Albaharna	- Chairman
Osama Kamel Kishk	- Vice-Chairman
Ahmed AbdulRahman Bucheeri	- Member

SHARI'A SUPERVISORY BOARD

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

EXECUTIVE MANAGEMENT

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

In the name of Allah, The Merciful, The Compassionate

Shari'a Supervisory Board's Report For the Financial Year Ended on 31.12.2022

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

To the Shareholders and Participants of Takaful International.

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh.

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

The Shari'a Supervisory Board reviewed the procedures relating to the Takaful transactions and the applications introduced by the company for the year ended on 31.12.2022. The Board has reviewed and confirmed the implementation of the principles and guidelines governing the relationship between the participants and shareholders in order to identify the rights of each side. Discussions took place with the Company's officers with regard to its items and the attached Notes. The Board gave its Shari'a directives for Takaful transactions and answered the queries made by the management.

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

In our opinion:

1. The computation of surplus deficit, charging of losses and expenses to the participants and shareholders fully confirm with the principles established by ourselves in compliance with Sharia'a rules and principles.
2. The Company has taken all the required measures to exclude any prohibited gains and spend them in the good.
3. The calculations of Zakah is in compliance with Islamic Sharia'a rules and principles and as directed by the Sharia'a supervisory Board. It should be noted that responsibility for payment of Zakah is undertaken by the shareholders.

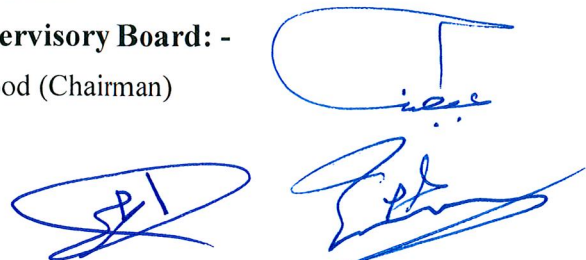
We pray to Allah the Almighty to grant the Company continuous success for purifying business transactions from suspicions and prohibitions.

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

Rajab 16, 1444 corresponding to 7th February 2023.

Member of the Shari'a Supervisory Board: -

1. Dr. Shaikh Abdul Latif Mahmood Al Mahmood (Chairman)
2. Shaikh Esam Ishaq (Deputy Chairman)
3. Dr. Shaikh Osama Bahar (Member)



Takaful International Company B.S.C.
Directors' report for the year ended 31 December 2022

Dear Shareholders,

On behalf of Takaful International Company BSC, Board of Directors, it is my privilege to present the 33rd Annual report and financial statements for the year ended 31 December 2022.

The fiscal year 2022 was characterized by global and local developments throughout the year. The year will be remembered for the third and fourth waves of COVID-19 and the Russia-Ukraine war. Just as the world was recovering from the pandemic, the war has impacted the global economy. Inflation is rising, and the interest rate increases by central banks of major economies is expected to moderate the growth expectations. The geopolitical implications on the world order are negative and expected to last at least a couple of years.

After a severe collapse of the economy during the years 2020-21, recovery was seen from Q4 2021 through 2022 as the global financial system weathered the pandemic with swift international and domestic policy response and a wide set of monetary, fiscal, regulatory, and supervisory measures.

Although a tough start from a challenging year, the business started stabilizing and improving and the company was able to maintain its business. There was an increase in the claims cost post COVID peak while the business, especially in the Motor and Medical lines of business, was lower. This had some impact on the underwriting results during the year. The Gross Written Contributions of Takaful International Company was maintained at BD 24.9M (2021: 24.8M). The Net Earned Contribution was BD 17.0M (2021: BD 17.8M). The Company achieved an overall Profit of BD 1.7M (2021: 1.6 M) a growth of 6.3% compared to the previous year.

At these difficult times, our achievements, and results for the year 2022 were satisfactory, and I would like to take this opportunity to acknowledge the contribution of our team in building a solid foundation for the organization and achieving the results. I am confident that the Company will continue to achieve greater milestones and lead the growth of the vibrant Takaful industry during the year 2023 and in the future.

The Company achieved growth in its profits due to a reduction in its operational expenses. Part of this was achieved due to synergizing its cost and service centers with its parent company which helped cost savings and usage of expertise of both companies' thereby adding value to its services which enabled better customer service, including passing of benefits to customers in terms of pricing for several products. The Company's Board of Directors, along with its Management, has laid down the Strategic plan for the next three years from 2023 to 2025, which has plans towards working on further growth of the Company.

The new government has promoted youth leadership and women empowerment, which positively impacts the economy. In line with the Bahrainization policy promoted by the government and internally at the Company, Takaful now has around 80% Bahraini staff compared to its overall total staff. The new and dynamic young educated Bahraini team have been trained and posted across the company's various roles. Takaful also successfully completed its first Graduate Development Program (GDP), where it trained end-to-end academically as well as practically one resource in all the departments. The company will start its new GDP program during the year 2023.

Also, in line with the Company's Board and Management initiatives and the regulatory requirements,

Takaful has appointed Bahraini Actuarial Associate to its newly formed Actuarial department. This will help the company in its risk management, pricing and implementation of the new accounting standard for Takaful companies.

Takaful is working closely on the implementation of the new AAOIFI standards FAS 42 & 43 along with FAS 30. The company has appointed various experts on the same and has also in place the required software and applications for the new standards.

The Company has made significant progress towards the recently launched digital transformation project to maintain its position as the market leader in Bahrain. We are pleased to announce that during 2022, the new IT Core system was successfully tested and will be going live by Q2 2023. The new IT Core system will give Takaful an edge in the digitalization of its business and better reach of its services to its customer.

As of 31st December 2022, the Company had a capital adequacy and solvency ratio of 170% compared minimum regulatory requirement, reflecting the Company's sound financial position. This has contributed to the affirmation of its financial strength rating of A- (Excellent) and the credit rating of a- (Excellent) with a stable outlook from the international rating agency AM Best.

Continuous professional development of the board of directors and senior management members is key to achieving the highest level of professionalism and good corporate governance, which is directly impacting on the Company's performance. As the Company values continual learning, emphasis is placed on the training of board members to give them the preparation, resources, and tools they need to assist in bringing their knowledge and expertise into the boardroom. During the year 2022, the Company has successfully arranged training programs for the members to cover topics such as Mergers and Acquisitions, Understanding Takaful Insurance Companies Financial Statements, as well as the newly implemented accounting standard IFRS 17, where all members have successfully completed 15 hours of training.

The Board of Directors is glad to recommend payment of a dividend of 5 fils per equity share (5%) of the face value of 100 fils for the financial year ended 31st December 2022 as against 5 fils (5%) per equity share of the face value of 100 fils each for the previous year. The same is further subject to approval of regulatory authorities and by the shareholders in the Annual General Meeting of the company.

The Board of directors' remuneration and the executive management expenses for the year are as follow:

First: Board of directors' remuneration details:

Name	Fixed Remunerations					Variable Remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board committees' meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1- Mr. Ebrahim Mohamed Sharif Alrayis Chairman	-	300	-	-	300	6,000	-	-	-	6,300	-	6,300	-
2-Abdulrahman Abdulla Mohamed Vice Chairman	-	1,200	-	-	1,200	6,000	-	-	-	7,200	-	7,200	-
3- Rashed Ali Abdulrahim Director	-	1,200	-	-	1,200	6,000	-	-	-	7,200	-	7,200	-
4- Dr. Osama Taqi Albaharna Director	-	2,100	-	-	2,100	6,000	-	-	-	8,100	-	8,100	-
5- Mr. Saleh Fahad Al Zouman Director	-	1,200	-	-	1,200	6,000	-	-	-	7,200	-	7,200	1,202
Second: Non-Executive Directors:													
None													
Third: Executive Directors:													
1- Khalid Saud Al Hasan Director	-	1,500	-	-	1,500	6,000	-	-	-	7,500	-	7,500	1,800
2- Ahmed Bucheeri Director	-	2,100	-	-	2,100	6,000	-	-	-	8,100	-	8,100	-
3- Mr. Abdulla Rabea Mohamed Rabea Director	-	1,200	-	-	1,200	6,000	-	-	-	7,200	-	7,200	2,050
4- Osama Kamel Kishk Director	-	2,100	-	-	2,100	6,000	-	-	-	8,100	-	8,100	2,700
5- Dr. Abdulla Saleh Sultan Director	-	1,500	-	-	1,500	6,000	-	-	-	7,500	-	7,500	-
Total	-	14,400	-	-	14,400	60,000	-	-	-	74,400	-	74,400	7,752
Note: All amounts are stated in Bahraini Dinars.													
Other remunerations:													
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).													
** It includes the board member's share of the profits - Granted shares (insert the value) (if any).													

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	385,355	131,500	21,567	538,422
Note: All amounts are stated in Bahraini Dinars.				
* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).				
** The company's highest financial officer (CFO, Finance Director, ...etc)				

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

Also, 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, dedication, and determination. I would also like to thank the Intermediaries and Retakaful companies for their beneficial mutual relationships.

Thank You,


Ebrahim AlRayes

Chairman

22 February 2023

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 of 31 December 2022, the related statements of income, changes in equity, changes in participants' fund and cash flows for the year then ended and 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 2022 and the results of its operations, its cash flows, changes in participants' fund and changes in 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 2022.

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 judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2022. 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 matters 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>Takaful liabilities / reserves</u></p> <p>Takaful reserves of the Company include liability for claims Incurred But Not Reported (IBNR) and IBNER.</p> <p>Management is required to make an estimate for the Incurred But Not Reported (IBNR) and IBNER 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 and IBNER 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 and IBNER 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 and IBNER reserves, note 3 for significant accounting policies pertaining to IBNR and IBNER reserves and note 10 for details of IBNR and IBNER reserves as of 31 December 2022.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> • 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 and IBNER reserves; and • Involved our internal specialists to assess the reasonableness of the methodology and key assumptions used in calculating the IBNR and IBNER reserves. <p>In addition to the above we have performed procedures to assess the completeness and accuracy of the data included in the IBNR and IBNER reserve calculation which include:</p> <ul style="list-style-type: none"> • A reconciliation between the claims paid and outstanding data recorded in the policy administration systems and the data used in the actuarial calculations.

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 2022 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 that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

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 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 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.

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)

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

- 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.

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.

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)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current 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 Legal Other Regulatory Requirements

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

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the 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 no. (64) of 2016, the CBB Rule Book (Volume 3) and 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 2022 that might have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.


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

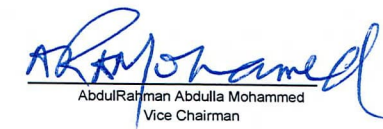


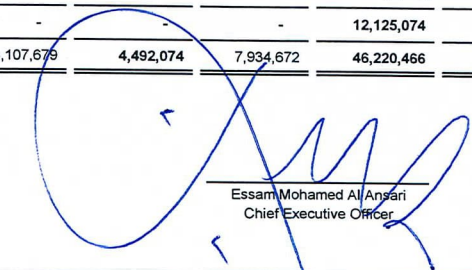
Partner's registration no. 244
22 February 2023
Manama, Kingdom of Bahrain

Takaful International Company B.S.C.
STATEMENT OF FINANCIAL POSITION
At 31 December 2022 (Audited)

	Shareholders		General takaful		Family takaful		Total		
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	
	2022	2021	2022	2021	2022	2021	2022	2021	
	BD	BD	BD	BD	BD	BD	BD	BD	
ASSETS									
Cash and investments:									
Statutory deposit	5	125,000	125,000	-	-	-	-	125,000	125,000
Cash and balances with banks	6	7,101,530	7,806,996	11,714,450	11,359,413	3,051,068	2,906,857	21,867,048	22,073,266
Investments	7	4,286,812	3,518,485	3,471,570	3,544,404	873,912	1,179,695	8,632,294	8,242,584
Investment in an associate	8	190,145	184,856	-	-	-	-	190,145	184,856
		11,703,487	11,635,337	15,186,020	14,903,817	3,924,980	4,086,552	30,814,487	30,625,706
Takaful and retakaful receivables	9	-	-	5,526,242	4,038,798	128,213	455,541	5,654,455	4,494,339
Retakaful providers' share of takaful liabilities	10, 12	-	-	5,527,056	4,675,790	330,129	322,472	5,857,185	4,998,262
Deferred acquisition costs	13	431,912	433,427	-	-	-	-	431,912	433,427
Property and equipment	16	61,565	85,814	-	-	-	-	61,565	85,814
Other receivables, accrued income and prepayments	15, 17	1,561,424	869,992	1,277,943	489,274	55,502	24,857	2,894,869	1,384,123
Retakaful providers' share of family takaful technical reserves		-	-	-	-	53,250	3,045,250	53,250	3,045,250
Right of use assets	28	452,743	519,960	-	-	-	-	452,743	519,960
TOTAL ASSETS		14,211,131	13,544,530	27,517,261	24,107,679	4,492,074	7,934,672	46,220,466	45,586,881
LIABILITIES, PARTICIPANTS' FUNDS AND EQUITY									
Liabilities									
Takaful liabilities	10, 12	-	-	19,484,521	17,137,836	549,654	465,499	20,034,175	17,603,335
Unearned commissions	14	-	-	368,201	365,615	-	-	368,201	365,615
Family takaful technical reserves		-	-	-	-	3,673,956	6,288,150	3,673,956	6,288,150
<i>Payables and accrued liabilities :</i>									
Takaful and retakaful companies		-	-	3,725,438	3,397,677	194,578	929,206	3,920,016	4,326,883
Participants'		454,829	346,930	1,491,384	1,374,482	4,204	3,706	1,950,417	1,725,118
Others	20	1,153,713	1,022,405	1,240,864	1,168,660	17,441	55,622	2,412,018	2,246,687
Ijarah liabilities	28	477,515	529,525	-	-	-	-	477,515	529,525
Total liabilities		2,086,057	1,898,860	26,310,408	23,444,270	4,439,833	7,742,183	32,836,298	33,085,313
Participants' fund									
Surplus in participants' fund		-	-	1,291,064	564,910	54,764	79,490	1,345,828	644,400
Investments fair value reserve		-	-	(84,211)	98,499	(2,523)	112,999	(86,734)	211,498
		-	-	1,206,853	663,409	52,241	192,489	1,259,094	855,898
Equity									
Share capital	19	8,500,000	8,500,000	-	-	-	-	8,500,000	8,500,000
Statutory reserve	19	963,869	863,664	-	-	-	-	963,869	863,664
General reserve	19	200,000	200,000	-	-	-	-	200,000	200,000
Retained earnings		2,462,318	1,985,487	-	-	-	-	2,462,318	1,985,487
Investments fair value reserve		974	96,519	-	-	-	-	974	96,519
Treasury Shares		(2,087)	-	-	-	-	-	(2,087)	-
Total equity		12,125,074	11,645,670	-	-	-	-	12,125,074	11,645,670
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND EQUITY		14,211,131	13,544,530	27,517,261	24,107,679	4,492,074	7,934,672	46,220,466	45,586,881


Ebrahim Mohamed Sharif Alrayes
Chairman


Abdulrahman Abdulla Mohammed
Vice Chairman


Essam Mohamed Al Ansari
Chief Executive Officer

The attached explanatory notes 1 to 40 form part of these financial statements.

Takaful International Company B.S.C.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022 (Audited)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Investments fair value reserve</i>	<i>Treasury shares</i>	<i>Total equity</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Balance at 1 January 2022	8,500,000	863,664	200,000	1,985,487	96,519	-	11,645,670
Profit for the period	-	-	-	1,002,036	-	-	1,002,036
Other comprehensive loss	-	-	-	-	(95,544)	-	(95,544)
Total comprehensive income / (loss) for the period	-	-	-	1,002,036	(95,544)	-	906,492
Purchase of treasury shares	-	-	-	-	-	(2,087)	(2,087)
Dividend paid for FY 2021 (note 19)	-	-	-	(425,000)	-	-	(425,000)
Transfer to statutory reserve (note 19)	-	100,205	-	(100,205)	-	-	-
Balance as at 31 December 2022	8,500,000	963,869	200,000	2,462,318	975	(2,087)	12,125,075
Balance at 1 January 2021	8,500,000	770,569	200,000	1,572,636	115,199	-	11,158,404
Profit for the year	-	-	-	930,946	-	-	930,946
Other comprehensive loss	-	-	-	-	(18,680)	-	(18,680)
Total comprehensive income / (loss) for the period	-	-	-	930,946	(18,680)	-	912,266
Dividend paid for FY 2020 (note 19)	-	-	-	(425,000)	-	-	(425,000)
Transfer to statutory reserve (note 19)	-	93,095	-	(93,095)	-	-	-
Balance as at 31 December 2021	8,500,000	863,664	200,000	1,985,487	96,519	-	11,645,670

The attached explanatory notes 1 to 40 form part of these financial statements.

Takaful International Company B.S.C.

STATEMENT OF CHANGES IN PARTICIPANTS' FUND

Year ended 31 December 2022 (Audited)

	General takaful BD	Family takaful BD	Investments fair value reserve		Total BD
			General takaful BD	Family takaful BD	
Balance at 1 January 2022	564,910	79,490	98,499	112,999	855,898
Realised fair value gains on investment securities	-	-	(69)	(94,234)	(94,303)
Unrealised fair value loss on investment securities	-	-	(182,641)	(21,288)	(203,929)
Surplus / (deficit) for the year	726,154	(24,726)	-	-	701,428
Balance as at 31 December 2022	1,291,064	54,764	(84,211)	(2,523)	1,259,094
Balance at 1 January 2021	(159,838)	132,449	74,192	63,629	110,432
Realised fair value losses on investment securities	-	-	201,034	26,250	227,284
Unrealised fair value (loss) / gain on investment securities	-	-	(176,727)	23,120	(153,607)
Surplus / (deficit) for the period	724,748	(52,959)	-	-	671,789
Balance as at 31 December 2021	564,910	79,490	98,499	112,999	855,898

The attached explanatory notes 1 to 40 form part of these financial statements.

Takaful International Company B.S.C.

STATEMENT OF CASH FLOWS

Year ended 31 December 2022 (Audited)

	<i>For the year ended</i>	
	<i>31 December</i>	
	2022	2021
	BD	BD
OPERATING ACTIVITIES		
Net profit for the year	1,002,036	930,946
Surplus from participants' operations	701,428	671,789
<i>Adjustments for:</i>		
Income from an associate	8 (17,289)	(34,193)
Loss on sale of associate	-	27,578
Investment income	(1,083,648)	(618,330)
Gains on sale of investments	25 (73,831)	(242,908)
Impairment loss on investments	25 189,110	261,328
Amortisation of right-of-use assets	62,425	69,406
Depreciation	16 81,347	34,204
Provision for impairment of takaful and retakaful receivables	9 58,406	322,261
Movement in unearned contributions	511,096	(203,719)
Movement in unearned commissions	4,101	139,587
Movement in transfer to family takaful technical reserve	377,806	740,823
Ijarah cost	41,895	45,845
Operating profit before changes in operating assets and liabilities	1,854,882	2,144,617
Changes in operating assets and liabilities:		
Takaful and retakaful receivables	(1,218,522)	1,270,009
Other receivables, accrued income and prepayments	(1,457,889)	(97,086)
Retakaful share of outstanding claims	(880,492)	955,806
Gross outstanding claims	1,941,313	(124,484)
Takaful and retakaful payables	(181,561)	1,554,022
Other liabilities and provisions	86,100	196,149
Employees' terminal benefits	48,169	36,400
Operating profit before changes in operating assets and liabilities	192,000	5,935,433
Net cash from operating activities	192,000	5,935,433
INVESTING ACTIVITIES		
Investment income received	1,157,479	861,238
Purchase of property and equipment	16 (25,085)	(47,290)
Disposal of property of equipment	(40,516)	-
Purchase of investments	7 (2,324,145)	(3,247,213)
Proceeds from the sale of available for sale investments	1,351,573	716,501
Bank deposits with original maturities of more than three months	(9,038,000)	4,907,571
Net cash flow from deconsolidation of a subsidiary	-	83,249
Net cash (used in) / from investing activities	(8,918,694)	3,274,056
FINANCING ACTIVITIES		
Cash dividend paid	(425,000)	(425,000)
Payment of Ijarah liabilities	(92,524)	(94,904)
Net cash used in financing activities	(517,524)	(519,904)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(9,244,218)	8,689,585
Cash and cash equivalents at the beginning of the year	17,331,266	8,641,681
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6 8,087,048	17,331,266
COMPRISING:		
CASH AND BALANCES WITH BANKS		
Cash and balance in current accounts	3,912,048	7,424,725
Bank deposits with original maturity of three months or less	4,175,000	9,906,541
CASH AND CASH EQUIVALENTS	8,087,048	17,331,266
Bank deposits with original maturity of more than three months	6 13,780,000	4,742,000
Cash and balances with banks as per statement of financial position	6 21,867,048	22,073,266

The attached explanatory notes 1 to 40 form part of these financial statements.

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.

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 22 February 2023.

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.

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 2022 except for the adoption of new and amended standards issued and effective for annual periods beginning on or after 1 January 2022.

- *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'a principle and rules.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

- *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.

New standards issued but deferred by AAOIFI

The Accounting Board of AAOIFI in its meeting held on 22-23 June 2020 has clarified that till the project of revision of certain FASs is complete, the takaful companies are subject to the investments impairment and classification requirements of FAS 25 'investments in Sukuk, shares and similar instruments' therefore the following issued AAOIFI FASs are extended till the date of completion of revision of certain takaful standards which were originally effective from 1 January 2020.

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 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

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

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 39 "Financial Reporting for Zakah" (effective 1 January 2023)*
This standard aims at setting out the accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosures in its financial statements.
- *FAS 42 "Presentation and Disclosures in the Financial Statements of Takaful Institutions" (effective 1 January 2025)*
This standard sets out the principles for the presentation and disclosure for the financial statements of Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholder as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari'ah principles and rules.
- *FAS 43 "Accounting for Takaful: Recognition and Measurement" (effective 1 January 2025)*
This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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. 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 / surrender 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 takaful provider accepts significant takaful 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 takaful risk as the possibility of having to pay benefits on the occurrence of a covered event. Investment contracts are contracts where there is insignificant transfer of takaful 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)

Unearned Contributions

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 retakaful 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 takaful 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 (2021: 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 capital adequacy module of the Central Bank of Bahrain rule book volume 3 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 is sufficiently large, a percentage of the surplus is distributed to all participants, in proportion to their risk contribution to the fund after accounting for reserves as per the Company's policy. The distributions are subject to approval 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 shareholders' 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 38) 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 38) 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 38) 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 38) 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 retakaful providers 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 fees, mudarib share and other amounts 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends on share capital (continued)

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

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 (charged on the General and Family Takaful funds) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)

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.
- (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 38) is transferred from statement of other comprehensive income (note 38) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

The ultimate liability arising from claims made under takaful contracts

The estimation of the ultimate liability arising from claims made under takaful 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 covered event has occurred prior to the statement of financial position date.

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

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 31. 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 (2021: 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.

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

At 31 December 2022 (Audited)

6 CASH AND BALANCES WITH BANKS

	31 December 2022			
	Shareholders	General	Family	Total
	BD	takaful	takaful	BD
	BD	BD	BD	BD
Cash in hand	600	600	-	1,200
Balances with banks	100,930	3,633,850	176,068	3,910,848
Bank deposits with original maturities of three months or less	1,000,000	2,100,000	1,075,000	4,175,000
	1,101,530	5,734,450	1,251,068	8,087,048
Bank deposits with original maturities of more than three months	6,000,000	5,980,000	1,800,000	13,780,000
Cash and balances with banks	7,101,530	11,714,450	3,051,068	21,867,048
	31 December 2021			
	Shareholders	General	Family	Total
	BD	takaful	takaful	BD
	BD	BD	BD	BD
Cash in hand	400	600	-	1,000
Balances with banks	2,364,596	4,893,813	165,320	7,423,729
Bank deposits with original maturities of three months or less	3,265,000	3,900,000	2,741,537	9,906,537
	5,629,996	8,794,413	2,906,857	17,331,266
Bank deposits with original maturities of more than three months	2,177,000	2,565,000	-	4,742,000
Cash and balances with banks	7,806,996	11,359,413	2,906,857	22,073,266

Call account balance earn effective profit rates averaging 2.50% per annum (2021: 2.10% per annum).

The savings account balances with banks earn effective profit rates ranging between 0.31% and 0.52% per annum (2021: between 0.22% and 0.40% per annum).

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

7 INVESTMENTS

	31 December	31 December
	2022	2021
	BD	BD
Equity and debt-type instruments at fair value through equity (note 7.1)	7,587,598	7,504,112
Debt-type instruments at amortised cost (note 7.2)	1,044,696	738,472
	8,632,294	8,242,584

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

At 31 December 2022 (Audited)

7 INVESTMENTS (continued)

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

	31 December 2022				31 December 2021			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Opening balance	3,396,259	2,928,158	1,179,695	7,504,112	2,634,093	1,687,884	1,252,954	5,574,931
Additions during the year	1,180,468	493,227	206	1,673,901	1,261,514	1,588,895	2,332	2,852,741
Disposals during the year	(666,567)	(161,073)	(179,909)	(1,007,549)	(452,500)	(165,171)	(98,830)	(716,501)
Realised fair value (losses) / gains on sale of equity and debt-type investments at fair value through equity	(20,965)	(69)	(94,234)	(115,268)	(12,544)	(6,716)	120	(19,140)
Impairment loss for the year	(150,078)	(28,462)	(10,560)	(189,100)	(28,168)	(207,750)	(26,130)	(262,048)
Unrealised fair value (losses) / gains recognised in investment fair value reserve	(74,579)	(182,633)	(21,286)	(278,498)	(6,136)	31,016	49,249	74,129
Closing balance	3,664,538	3,049,148	873,912	7,587,598	3,396,259	2,928,158	1,179,695	7,504,112

7.2 Debt-type instruments at amortised cost

	Shareholders		General takaful		Total	
	31 December 2022 BD	31 December 2021 BD	31 December 2022 BD	31 December 2021 BD	31 December 2022 BD	31 December 2021 BD
Opening balance	122,226	-	616,246	344,000	738,472	344,000
Additions during the year	500,048	122,226	150,196	272,246	650,244	394,472
Disposals during the year	-	-	(344,020)	-	(344,020)	-
Closing balance	622,274	122,226	422,422	616,246	1,044,696	738,472

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

7 INVESTMENTS (continued)

Analysis of investments

	31 December 2022				31 December 2021			
	Shareholders	General	Family	Total	Shareholders	General	Family	Total
	BD	takaful	takaful	BD	BD	takaful	takaful	BD
Shares listed on stock exchanges	1,950,340	-	-	1,950,340	1,438,866	-	256,669	1,695,535
Quoted managed funds	162,220	61,741	182,160	406,121	171,624	65,318	192,720	429,662
Unquoted managed funds	181,229	55,773	-	237,002	177,862	54,135	17,228	249,225
Quoted sukuk	1,370,749	2,931,634	691,752	4,994,135	1,607,907	2,808,705	713,078	5,129,690
Debt-type investments at amortised cost	622,274	422,422	-	1,044,696	122,226	616,246	-	738,472
Closing balance	4,286,812	3,471,570	873,912	8,632,294	3,518,485	3,544,404	1,179,695	8,242,584

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 investments are impaired. Accordingly, the impairment loss of BD 189,100 (2021: BD 261,328) has been recognised in the statement of income.

8 INVESTMENT IN AN ASSOCIATE

The Company has a 20% (2021: 20%) interest in Health 360 Ancillary Services W.L.L which is engaged in the services of processing claims in connection with health insurance coverage offered or provided by insurance firms.

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

	2022	2021
	BD	BD
At 1 January	184,856	260,776
Sale of sale of share in an associate	-	(82,535)
Dividend received for FY 2021	(12,000)	-
Share of results and loss on sale of share in an associate	17,289	6,615
	<hr/>	<hr/>
At 31 December	190,145	184,856
	<hr/> <hr/>	<hr/> <hr/>

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:

	2022	2021
	BD	BD
<i>Summarised financial position of the associate:</i>		
Current assets	2,021,337	1,620,296
Non-current assets	308,343	297,974
Current liabilities	(1,282,886)	(898,010)
Non-current liabilities	(96,067)	(95,979)
	<hr/>	<hr/>
Equity (100%)	950,727	924,281
	<hr/> <hr/>	<hr/> <hr/>
Proportion of the Company's ownership %	20.00%	20.00%
Proportion of the Company's ownership	190,145	184,856
	<hr/>	<hr/>
Carrying amount of investments in an associate	190,145	184,856
	<hr/> <hr/>	<hr/> <hr/>
Company's share of an associate's results	17,289	6,615
	<hr/> <hr/>	<hr/> <hr/>

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

9 TAKAFUL AND RETAKAFUL RECEIVABLES

	31 December 2022			31 December 2021		
	General takaful	Family takaful	Total	General Takaful	Family takaful	Total
Due from takaful companies	550,919	-	550,919	701,858	-	701,858
Due from retakaful companies	342,495	15,650	358,145	307,881	30,200	338,081
Due from takaful participants	3,329,634	35,822	3,365,456	2,801,174	41,568	2,842,742
Due from brokers	2,693,394	126,028	2,819,422	1,622,654	461,152	2,083,806
Allowance for impairment of takaful and retakaful receivables	(1,390,200)	(49,287)	(1,439,487)	(1,394,769)	(77,379)	(1,472,148)
Closing balance	5,526,242	128,213	5,654,455	4,038,798	455,541	4,494,339

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

At 31 December 2022, in the opinion of the Company's management, a provision of BD 1,439,487 is required towards impairment of takaful and retakaful receivables (2021: BD 1,472,148). The movement in the provision for impaired takaful and retakaful receivables is as follows:

	31 December 2022	31 December 2021
At 1 January	1,472,148	1,306,888
Charge during the year	58,406	322,261
Written-off for the year	(91,067)	(157,001)
	1,439,487	1,472,148

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

2022	Total	Neither past due BD nor impaired	Past due but not impaired			Impaired More than 365 days
			Less than 120 days	121-180 days	181-365 days	
General takaful	5,526,242	2,386,625	990,998	489,127	1,555,666	103,826
Family takaful	128,213	49,422	43,900	10,326	24,565	-
	5,654,455	2,436,047	1,034,898	499,453	1,580,231	103,826

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

9 TAKAFUL AND RETAKAFUL RECEIVABLES (continued)

2021	<i>Total BD</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			<i>Impaired More than 365 days</i>
			<i>Less than 120 days</i>	<i>121-180 days</i>	<i>181-365 days</i>	
General takaful	4,038,798	2,005,444	774,306	394,515	559,975	304,557
Family takaful	455,541	44,188	78,461	30	148,570	184,293
	<u>4,494,339</u>	<u>2,049,632</u>	<u>852,767</u>	<u>394,545</u>	<u>708,545</u>	<u>488,850</u>

On an average , the Company has allowed 60 days credit term to its debtors.

2022	<i>General takaful</i>		<i>Family takaful</i>		<i>Total</i>	
	<i>Current</i>	<i>Overdue and not impaired</i>	<i>Current</i>	<i>Overdue and not impaired</i>	<i>Current</i>	<i>Overdue and not impaired</i>
Age in days						
0 to 30 days	1,510,555	-	33,583	-	1,544,138	-
31 to 60 days	876,070	-	15,839	-	891,909	-
61 to 120 days	990,998	-	43,900	-	1,034,898	-
121 to 180 days	-	489,127	-	10,326	-	499,453
181 to 365 days	-	1,555,666	-	24,565	-	1,580,231
More than 365 days	-	103,826	-	-	-	103,826
	<u>3,377,623</u>	<u>2,148,619</u>	<u>93,322</u>	<u>34,891</u>	<u>3,470,945</u>	<u>2,183,510</u>

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

9 TAKAFUL AND RETAKAFUL RECEIVABLES (continued)

	<i>General takaful</i>		<i>Family takaful</i>		<i>Total</i>	
	<i>Current</i>	<i>Overdue and not impaired</i>	<i>Current</i>	<i>Overdue and not impaired</i>	<i>Current</i>	<i>Overdue and not impaired</i>
2021						
Age in days						
0 to 30 days	1,359,025	-	7,670	-	1,366,695	-
31 to 60 days	646,419	-	36,518	-	682,937	-
61 to 120 days	774,306	-	78,461	-	852,767	-
121 to 180 days	-	394,515	-	30	-	394,545
181 to 365 days	-	559,975	-	148,570	-	708,545
More than 365 days	-	304,557	-	184,293	-	488,850
	<u>2,779,750</u>	<u>1,259,047</u>	<u>122,649</u>	<u>332,893</u>	<u>2,902,399</u>	<u>1,591,940</u>

The net takaful and retakaful receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over takaful and retakaful receivables.

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

10 OUTSTANDING CLAIMS

	2022			2021		
	Gross BD	Retakaful share BD	Net BD	Gross BD	Retakaful share BD	Net BD
<i>At 1 January</i>						
Reported claims	4,702,652	(2,065,228)	2,637,424	5,690,422	(3,026,034)	2,664,388
IBNR and IBNER claims	3,896,386	(536,121)	3,360,265	3,033,100	(531,121)	2,501,979
	8,599,038	(2,601,349)	5,997,689	8,723,522	(3,557,155)	5,166,367
Claims incurred during the year	15,213,853	(2,785,807)	12,428,046	12,730,712	(509,086)	12,221,626
Claims paid during the year	(13,272,540)	1,905,315	(11,367,225)	(12,855,196)	1,464,892	(11,390,304)
At 31 December	10,540,351	(3,481,841)	7,058,510	8,599,038	(2,601,349)	5,997,689
<i>At 31 December</i>						
Reported claims	6,318,691	(2,816,446)	3,502,245	4,702,652	(2,065,228)	2,637,424
IBNR and IBNER claims	4,221,660	(665,395)	3,556,265	3,896,386	(536,121)	3,360,265
	10,540,351	(3,481,841)	7,058,510	8,599,038	(2,601,349)	5,997,689

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
 At 31 December 2022 (Audited)

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

Accident year	2014 BD	2015 BD	2016 BD	2017 BD	2018 BD	2019 BD	2020 BD	2021 BD	2022 BD	Total BD
At the end of										
Accident year	15,944,216	14,114,570	19,543,039	14,857,761	13,429,495	12,175,718	9,989,876	13,721,247	12,757,199	
One year later	17,929,940	15,616,058	21,003,703	15,609,702	14,726,672	13,185,804	11,411,977	13,829,116	-	
Two years later	18,473,773	16,067,398	21,585,358	15,094,685	15,759,222	13,678,767	13,502,019	-	-	
Three years later	18,684,098	15,716,863	21,778,100	16,041,265	15,922,906	13,646,371	-	-	-	
Four years later	18,606,886	15,787,211	22,204,947	16,172,933	15,919,288	-	-	-	-	
Five years later	18,784,189	15,901,061	22,240,397	16,020,113	-	-	-	-	-	
Six years later	18,802,644	15,864,775	22,242,101	-	-	-	-	-	-	
Seven years later	18,785,878	15,901,020	-	-	-	-	-	-	-	
Eight years later	18,789,209	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	18,789,209	15,901,020	22,242,101	16,020,113	15,919,288	13,646,371	13,502,019	13,829,116	12,757,199	142,606,436
Cumulative payments to date	(18,768,908)	(15,885,993)	(22,211,698)	(15,918,079)	(15,514,256)	(13,305,868)	(12,484,071)	(10,312,126)	(7,752,577)	(132,153,576)
Liability recognised in the statement of financial position	20,301	15,027	30,403	102,034	405,032	340,503	1,017,948	3,516,990	5,004,622	10,452,860
Liability in respect of years prior to 2014										87,491
Total reserve included in the consolidated statement of financial position										10,540,351

Takaful International Company B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2022 (Audited)

11 CLAIMS DEVELOPMENT (continued)

Net outstanding claims

Accident year	2014 BD	2015 BD	2016 BD	2017 BD	2018 BD	2019 BD	2020 BD	2021 BD	2022 BD	Total BD
At the end of										
Accident year	7,969,734	7,693,410	9,953,127	8,442,811	8,794,214	9,561,175	8,137,711	11,633,011	12,521,459	
One year later	8,680,302	8,550,696	10,465,468	9,129,230	9,476,464	10,294,900	9,295,599	11,705,125	-	
Two years later	9,042,943	8,754,461	10,746,097	9,219,893	10,057,069	10,851,986	9,352,415	-	-	
Three years later	9,164,204	8,765,827	10,945,825	9,754,857	10,343,106	10,865,241	-	-	-	
Four years later	9,228,359	8,857,734	11,393,318	9,994,111	10,345,639	-	-	-	-	
Five years later	9,341,964	8,987,672	11,561,222	9,985,141	-	-	-	-	-	
Six years later	9,375,777	9,035,884	11,560,125	-	-	-	-	-	-	
Seven years later	9,439,696	9,033,251	-	-	-	-	-	-	-	
Eight years later	9,435,149	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	9,435,149	9,033,251	11,560,125	9,985,141	10,345,639	10,865,241	9,352,415	11,705,125	12,521,459	94,803,545
Cumulative payments to date	(9,425,611)	(9,015,621)	(11,521,013)	(9,941,521)	(10,256,159)	(10,541,211)	(8,941,966)	(10,112,515)	(7,997,334)	(87,752,951)
Liability recognised in the statement of financial position	9,538	17,630	39,112	43,620	89,480	324,030	410,449	1,592,610	4,524,125	7,050,594
Liability in respect of years prior to 2014										7,916
Total reserve included in the consolidated statement of financial position										7,058,510

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

12 UNEARNED CONTRIBUTIONS AND DEFERRED RETAKAFUL CONTRUBUTIONS

	2022		
	Gross BD	Retakaful share BD	Net BD
At 1 January	9,004,297	(2,396,913)	6,607,384
Contributions written	24,920,252	(7,405,983)	17,514,269
Contributions earned	(24,430,725)	7,427,552	(17,003,173)
At 31 December	9,493,824	(2,375,344)	7,118,480
	2021		
	Gross BD	Retakaful share BD	Net BD
At 1 January	9,138,234	(2,327,130)	6,811,104
Contributions written	24,806,354	(7,166,595)	17,639,759
Contributions earned	(24,940,291)	7,096,812	(17,843,479)
At 31 December	9,004,297	(2,396,913)	6,607,384

13 DEFERRED ACQUISITION COSTS

	2022 BD	2021 BD
At 1 January	433,427	493,161
Acquisition costs during the year	1,313,958	1,430,679
Amortisation for the year	(1,315,473)	(1,490,413)
At 31 December	431,912	433,427

14 UNEARNED COMMISSIONS

	2022 BD	2021 BD
At 1 January	365,615	285,762
Retakaful commissions received	928,624	987,623
Retakaful commissions earned	(926,038)	(907,770)
At 31 December	368,201	365,615

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

15 OTHER RECEIVABLES, ACCRUED INCOME AND PREPAYMENTS

	<i>31 December 2022</i>			<i>Total</i>
	<i>Shareholders</i>	<i>General</i>	<i>Family</i>	
	<i>BD</i>	<i>takaful</i>	<i>takaful</i>	<i>BD</i>
Staff related receivables	11,800	-	-	11,800
Accrued incomes	66,033	105,790	55,502	227,325
Prepaid expenses	20,638	110,479	-	131,117
Tendor deposit	-	154,669	-	154,669
Other receivables	605,213	765,464	-	1,370,677
VAT receivables	102,319	141,541	-	243,860
At 31 December	806,003	1,277,943	55,502	2,139,448

	<i>31 December 2021</i>			<i>Total</i>
	<i>Shareholders</i>	<i>General</i>	<i>Family</i>	
	<i>BD</i>	<i>takaful</i>	<i>takaful</i>	<i>BD</i>
Staff related receivables	633	-	-	633
Accrued income	70,618	98,864	24,857	194,339
Prepaid expenses	11,289	81,372	-	92,661
Tendor deposit	-	146,848	-	146,848
Other receivables	79,077	79,111	-	158,188
VAT receivable	5,811	83,079	-	88,890
At 31 December	167,428	489,274	24,857	681,559

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.

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

16 PROPERTY AND EQUIPMENT

	<i>Furniture and fixtures BD</i>	<i>Office equipment BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
Cost				
At 1 January 2021	604,186	379,845	57,097	1,041,128
Additions	11,675	35,615	-	47,290
Disposals	-	-	(24,000)	(24,000)
At 1 January 2022	615,861	415,460	33,097	1,064,418
Additions	749	24,336	-	25,085
Transfers	-	(8,500)	-	(8,500)
Disposals	(67,397)	(249,343)	-	(316,740)
At 31 December 2022	549,213	181,953	33,097	764,263
Accumulated depreciation				
At 1 January 2021	584,407	326,896	57,097	968,400
Charge for the year	4,839	29,365	-	34,204
Disposals for the year	-	-	(24,000)	(24,000)
At 1 January 2022	589,246	356,261	33,097	978,604
Charge for the year	5,364	75,983	-	81,347
Disposals for the year	(65,392)	(291,861)	-	(357,253)
Transfers	-	-	-	-
At 31 December 2022	529,218	140,383	33,097	702,698
Net book amount				
At 31 December 2022	19,995	41,570	-	61,565
At 31 December 2021	26,615	59,199	-	85,814

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 share and other inter-company balances amounting to BD 755,420 (2021: BD 702,564)

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

18 RELATED PARTIES

Related parties represent the ultimate parent, parent, major shareholders, 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 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 year ended 31 December 2022 and 31 December 2021.

	31 December 2022		31 December 2021	
	(Audited)		(Audited)	
	Shareholders	Others	Shareholders	Others
	BD	BD	BD	BD
Gross contributions	225,666	24,295	217,386	20,239
Retakaful providers' share of gross contribution	384,749	125,208	124,657	118,303
Gross claims paid	27,066	469	40,621	34,260
Retakaful providers' share of claims paid	17,339	35,527	1,435	33,985
Fee and commission income	13,370	20,905	11,478	17,151
Acquisition costs	23,577	-	32,550	89
General and administrative expenses	97,844	-	108,479	-
Corporate expenses	-	24,445	-	28,800
Income from an associate	-	17,287	-	6,615

	31 December 2022		31 December 2021	
	(Audited)		(Audited)	
	Shareholders	Others	Shareholders	Others
	BD	BD	BD	BD
Right of use of asset	465,325	-	508,058	
Ijarah liability	485,972	-	516,055	
Takaful and retakaful balances receivable	173,053	4,212	164,397	47,427
Takaful and retakaful balances payable	183,186	46,057	106,678	16,546
Investments in an associate	-	190,145	-	170,955
Other payables	13,455	10,872	31,175	10,854
Other receivables	-	2,766	-	2,258

Compensation of Directors and Key Management personnel

The remuneration of Board of Directors and the sitting fees paid to the Directors for attendance of Board and Committee meetings during the year and other expenses were as follows:

	31 December	31 December
	2022	2021
	BD	BD
Directors' remuneration	60,000	60,000
Directors' attendance fees	22,152	71,500
	82,152	131,500

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

18 RELATED PARTIES (CONTINUED)

Compensation of Directors and Key Management personnel (continued)

The remuneration of Key Management personnel consisting of fixed monthly salaries and allowances other benefits like bonus, medical, life insurance cover and retirement benefits are as follows:

	31 December 2022 BD	31 December 2021 BD
Salaries and benefits	506,522	476,686
End of service benefits	31,900	31,900
	<u>538,422</u>	<u>508,586</u>

19 EQUITY AND RESERVES

	31 December 2022 BD	31 December 2021 BD
Authorised share capital:		
Ordinary shares		
200,000,000 ordinary shares of 100 fils each (2021: 200,000,000 ordinary shares of 100 fils each)	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid-up capital:		
Ordinary shares		
85,000,000 ordinary shares of 100 fils each (2021: 85,000,000 ordinary shares of 100 fils each)	<u>8,500,000</u>	<u>8,500,000</u>

Treasury shares represent 16,252 (2021: nil) shares which were purchased by the Company during the year ended 31 December 2022.

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 2022 and 2021 respectively is as follows:

		31 December 2022	
Name of the shareholders	Nationality	Number of shares	Percentage of shareholding interest
Bahrain Kuwait Insurance Company	Bahraini	69,651,974	81.94%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	6.18%
		31 December 2021	
Name of the shareholders	Nationality	Number of shares	Percentage of shareholding interest
Bahrain Kuwait Insurance Company	Bahraini	69,651,974	81.94%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	6.18%

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

19 EQUITY AND RESERVES (continued)

Additional information on shareholding pattern (continued)

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

	31 December 2022		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	188	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% up to less than 82%	1	69,651,974	81.94%
	192	85,000,000	100.00%

	31 December 2021		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	197	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% up to less than 82%	1	69,651,974	81.94%
	201	85,000,000	100.00%

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 2022, the company transferred an amount of BD 100,205 (2021: BD 93,095) 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 22 February 2023, recommended cash dividend of 5 fils per share amounting to BD 425,000 (2021: BD 425,000), which are subject to approval of the shareholders at the Annual General Meeting to be held on 22 March 2023. Dividend of BD 425,000 for the financial year 2021 was paid during the year 2022.

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

20 PAYABLES AND ACCRUED LIABILITIES - OTHERS

	<i>31 December 2022</i>			<i>Total BD</i>
	<i>Share- holders</i>	<i>General takaful</i>	<i>Family takaful</i>	
	<i>BD</i>	<i>BD</i>	<i>BD</i>	
Due to garages, spare part suppliers and others	-	51,395	-	51,395
Provision for employees' leaving indemnity	390,930	-	-	390,930
Accrued expenses	668,078	77,529	-	745,607
VAT payable	3,412	232,520	-	235,932
Provision for leave pay	17,544	-	-	17,544
Payable to shareholders fund	-	741,354	14,066	755,420
Other liabilities	73,749	138,066	3,375	215,190
	1,153,713	1,240,864	17,441	2,412,018

	<i>31 December 2021</i>			<i>Total BD</i>
	<i>Share- holders</i>	<i>General takaful</i>	<i>Family takaful</i>	
	<i>BD</i>	<i>BD</i>	<i>BD</i>	
Due to garages, spare part suppliers and others	-	133,817	-	133,817
Provision for employees' leaving indemnity	342,761	-	-	342,761
Accrued expenses	548,948	82,801	-	631,749
VAT payables	1,726	113,645	-	115,371
Provision for leave pay	37,291	-	-	37,291
Payable to shareholders fund	-	649,088	53,476	702,564
Other liabilities	91,679	189,309	2,146	283,134
	1,022,405	1,168,660	55,622	2,246,687

21 GROSS CONTRIBUTIONS

	<i>31 December 2022</i>		<i>Total</i>
	<i>General takaful</i>	<i>Family takaful</i>	
Led by the company - net of refunds	23,462,171	1,176,662	24,638,833
Led by other insurance companies - Company's share	281,419	-	281,419
	23,743,590	1,176,662	24,920,252

	<i>31 December 2021</i>		<i>Total</i>
	<i>General takaful</i>	<i>Family takaful</i>	
Led by the company - net of refunds	23,073,863	1,343,535	24,417,398
Led by other insurance companies - Company's share	388,956	-	388,956
	23,462,819	1,343,535	24,806,354

Takaful International Company B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2022 (Audited)

22 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2022 BD	<i>31 December 2021 BD</i>
Employee related costs	1,547,596	1,483,615
General administration expenses	429,538	445,756
Depreciation	105,072	105,140
	2,082,206	2,034,511

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 2022 amounted to BD 105,710 (2021: BD 107,676).

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

	31 December 2022 BD	<i>31 December 2021 BD</i>
Opening balance	342,761	306,361
Accruals for the year	93,732	71,169
Payments during the year	(45,563)	(34,769)
Closing balance	390,930	342,761
Total number of staff employed by the Company	97	96

24 WAKALA FEE AND MUDARIB SHARE

The shareholders manage the general and family takaful operations for the participants' and charged 17.5% (2021: 18.67%) and 12% (2021: 9.60%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 25% (2021: 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 30% (2021: 30%) and 25% (2021: 25%) respectively.

25 INVESTMENT INCOME - NET

	Year ended 31 December 2022			
	Share- holders BD	General takaful BD	Family takaful BD	Total BD
Deposit income	203,049	202,482	102,318	507,849
Coupon / profit on investment securities	82,073	139,091	44,716	265,880
Dividend income	114,111	3,034	19,867	137,012
Gain on sale of investment securities	117,666	6,418	122,654	246,738
Investment expenses	(156,449)	-	-	(156,449)
Impairment on investments	(150,088)	(28,462)	(10,560)	(189,110)
	210,362	322,563	278,995	811,920

Takaful International Company B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2022 (Audited)

25 INVESTMENT INCOME - NET (continued)

	<i>Year ended</i> <i>31 December 2021</i>			<i>Total</i> <i>BD</i>
	<i>Share- holders</i> <i>BD</i>	<i>General takaful</i> <i>BD</i>	<i>Family takaful</i> <i>BD</i>	
Deposit income	216,438	171,336	85,725	473,499
Coupon / profit on investment securities	81,153	114,990	45,433	241,576
Dividend income	42,100	2,685	17,480	62,265
Gain on sale of investment securities	27,633	46,747	9,518	83,898
Investment expenses	(159,698)	-	-	(159,698)
Impairment on investments	(28,168)	(207,030)	(26,130)	(261,328)
	<u>179,458</u>	<u>128,728</u>	<u>132,026</u>	<u>440,212</u>

26 OTHER INCOME

	<i>Year ended</i> <i>31 December</i> <i>2022</i> <i>BD</i>	<i>Year ended</i> <i>31 December</i> <i>2021</i> <i>BD</i>
Tamkeen - Government subsidy	19,848	12,572
Other income	14	201
	<u>19,862</u>	<u>12,773</u>

27 EARNINGS PER SHARE

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

	<i>Year ended</i> <i>31 December</i> <i>2022</i> <i>BD</i>	<i>Year ended</i> <i>31 December</i> <i>2021</i> <i>BD</i>
Net profit	1,002,036	930,946
Weighted average number of ordinary shares issued	84,992,342	85,000,000
Earnings per share	11.79 fils	10.95 fils
Other information	31 December 2022	31 December 2021
Net asset value per share	143 Fils	137 Fils
Share price per Bahrain Bourse at 31 December	128 Fils	130 Fils
Price to earning ratio at 31 December	11 Times	12 Times
Total market capitalisation at 31 December (BD - thousand)	10,880	11,050

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

28 IJARAH

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

28.1 *Right of use asset*

	31 December 2022	31 December 2021
At 1 January	519,960	599,840
Termination of lease	-	(6,859)
Depreciation for the year	(67,217)	(73,021)
At 31 December	452,743	519,960

28.2 *Ijarah liabilities*

	31 December 2022	31 December 2021
At 1 January	529,525	588,501
Termination of lease	-	(5,815)
Accretion of profit expense	41,396	46,174
Lease payments	(93,406)	(99,335)
At 31 December	477,515	529,525

29 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 2022 (Audited)

29 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 2022 (Audited)

	<i>Fire & General BD</i>	<i>Medical BD</i>	<i>Motor BD</i>	<i>Marine & Aviation BD</i>	<i>Total General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
Gross contributions	6,897,504	8,874,345	7,752,912	218,829	23,743,590	1,176,662	24,920,252
Retakaful provider's share of gross contributions	(6,146,125)	(174,293)	(313,436)	(149,098)	(6,782,952)	(623,031)	(7,405,983)
Retained contributions	751,379	8,700,052	7,439,476	69,731	16,960,638	553,631	17,514,269
Unearned contributions adjustment - net	61,999	(741,359)	154,514	5,582	(519,264)	8,168	(511,096)
Net earned contributions	813,378	7,958,693	7,593,990	75,313	16,441,374	561,799	17,003,173
Fee and Commission Income	984,688	25,852	20	57,297	1,067,857	7	1,067,864
Segment Revenue	1,798,066	7,984,545	7,594,010	132,610	17,509,231	561,806	18,071,037
Net incurred claims	(199,787)	(7,026,808)	(4,900,038)	(4,904)	(12,131,537)	(296,508)	(12,428,045)
Other Takaful Expenses	(29,935)	(386,516)	(226,946)	(475)	(643,872)	(8,356)	(652,228)
Transfer to family takaful technical reserve	-	-	-	-	-	(377,806)	(377,806)
(Provision for) / reversal of impaired takaful receivables	(24,235)	(2,843)	(49,152)	(10,267)	(86,497)	28,091	(58,406)
Underwriting surplus before wakala fees	1,544,109	568,378	2,417,874	116,964	4,647,325	(92,773)	4,554,552
Wakala fees expense	(1,338,607)	(563,521)	(2,190,973)	(69,992)	(4,163,093)	(141,199)	(4,304,292)
Surplus / (deficit) from takaful operations after wakala fees	205,502	4,857	226,901	46,972	484,232	(233,972)	250,260
Investment Income - net					322,563	278,995	601,558
Mudarib fees expense					(80,641)	(69,749)	(150,390)
Net surplus / (deficit)					726,154	(24,726)	701,428

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

29 SEGMENTAL UNDERWRITING RESULTS (continued)

Business segments – primary reporting segment (continued)

For the year ended 31 December 2021 (Audited)

	<i>Total</i>						
	<i>Fire & General BD</i>	<i>Medical BD</i>	<i>Motor BD</i>	<i>Marine & Aviation BD</i>	<i>General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
Gross contributions	6,949,672	7,926,788	8,280,074	306,285	23,462,819	1,343,535	24,806,354
Retakaful provider's share of gross contributions	(6,048,247)	(160,882)	(335,116)	(218,597)	(6,762,842)	(403,753)	(7,166,595)
Retained contributions	901,425	7,765,906	7,944,958	87,688	16,699,977	939,782	17,639,759
Unearned contributions adjustment - net	(49,378)	(61,032)	307,114	3,303	200,007	3,712	203,719
Net earned contributions	852,047	7,704,874	8,252,072	90,991	16,899,984	943,494	17,843,478
Fee and commission income	926,038	28	228	83,927	1,010,221	-	1,010,221
Segment revenue	1,778,085	7,704,902	8,252,300	174,918	17,910,205	943,494	18,853,699
Net incurred claims	(386,943)	(6,154,913)	(5,426,940)	(34,433)	(12,003,229)	(218,397)	(12,221,626)
Other takaful expenses	(13,710)	(404,142)	(158,438)	(83)	(576,373)	(7,273)	(583,646)
Transfer to family takaful technical reserve	-	-	-	-	-	(740,823)	(740,823)
(Provision for) / reversal of impaired takaful receivables	(43,701)	(24,159)	(244,401)	(10,000)	(322,261)	-	(322,261)
Underwriting surplus / (defecit) before wakala fees	1,333,731	1,121,688	2,422,521	130,402	5,008,342	(22,999)	4,985,343
Wakala fees expense	(1,127,285)	(978,958)	(2,182,859)	(91,038)	(4,380,140)	(128,979)	(4,509,119)
Surplus/ (deficit) from takaful operations after wakala fees	206,446	142,730	239,662	39,364	628,202	(151,978)	476,224
Investment income - net					128,728	132,026	260,754
Mudarib fees expense					(32,182)	(33,007)	(65,189)
Net surplus / (deficit)					724,748	(52,959)	671,789

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

29 SEGMENTAL UNDERWRITING RESULTS (continued)

The following table presents disclosure of segment assets and liabilities:

	<i>Fire & General BD</i>	<i>Medical BD</i>	<i>Motor BD</i>	<i>Marine & 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 2022 - (Audited)</i>								
Identifiable assets	<u>4,896,898</u>	<u>101,858</u>	<u>854,709</u>	<u>101,696</u>	<u>387,186</u>	<u>6,342,347</u>	<u>39,878,119</u>	<u>46,220,466</u>
Identifiable liabilities	<u>6,038,614</u>	<u>3,915,257</u>	<u>9,741,223</u>	<u>157,628</u>	<u>4,223,610</u>	<u>24,076,332</u>	<u>8,759,968</u>	<u>32,836,300</u>
<i>Identifiable assets and liabilities as on 31 December 2021 - (Audited)</i>								
Identifiable assets	<u>4,230,972</u>	<u>66,561</u>	<u>704,579</u>	<u>101,605</u>	<u>3,373,222</u>	<u>8,476,939</u>	<u>37,109,942</u>	<u>45,586,881</u>
Identifiable liabilities	<u>5,289,217</u>	<u>3,201,519</u>	<u>8,821,805</u>	<u>190,910</u>	<u>6,753,649</u>	<u>24,257,100</u>	<u>8,828,213</u>	<u>33,085,313</u>

29 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 2022 and 2021 is as follows:

	Gross contributions by location		Non-current assets by location of assets	
	2022	2021	2022	2021
	BD	BD	BD	BD
Kingdom of Bahrain	24,920,252	24,806,354	61,565	85,814
	24,920,252	24,806,354	61,565	85,814

30 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 covered 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 covered 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.

30 RISK MANAGEMENT (continued)

Takaful risk (continued)

The Company principally issues the following types of takaful contracts: Medical, Motor and 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 covered type of risk covered 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.

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 (2021: same). The geographical and segmental concentration of takaful risk is set out in note 29.

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 2022 (Audited)

30 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 86,323 (2021: +/- of BD 82,426).

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 at fair value through equity is:

	31 December 2022 BD	<i>31 December 2021 BD</i>
Kingdom of Bahrain	5,143,927	4,576,940
Other GCC countries	3,251,366	3,433,648
Asia	41,797	42,528
Other countries	195,204	189,468
	<u>8,632,294</u>	<u>8,242,584</u>

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.

	At 31 December 2022	
	Carrying value BD	Maximum exposure BD
Financial assets		
Cash and balances with banks	21,867,048	21,867,048
Debt-type instruments at amortised cost	1,044,696	1,044,696
Takaful and retakaful receivables	5,654,455	5,654,455
Retakaful providers' share of outstanding claims - reported	2,816,446	2,816,446
Other receivables, accrued income and prepayments	2,008,331	2,008,331
Statutory deposit	125,000	125,000
Total financial assets	<u>33,515,976</u>	<u>33,515,976</u>

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

30 RISK MANAGEMENT (continued)

Credit risk (continued)

	At 31 December 2021	
	Carrying value BD	Maximum exposure BD
Financial assets		
Cash and balances with banks	22,073,266	22,073,266
Debt-type instruments at amortised cost	738,472	738,472
Takaful and retakaful receivables	4,494,339	4,494,339
Retakaful providers' share of outstanding claims - reported	2,065,228	2,065,228
Other receivables, accrued income and prepayments	588,898	588,898
Statutory deposit	125,000	125,000
Total financial assets	30,085,203	30,085,203

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.

	31 December 2022			
	One year or less BD	More than one year BD	No term BD	Total BD
ASSETS				
Statutory deposits	-	-	125,000	125,000
Cash and balances with banks	21,867,048	-	-	21,867,048
Investments	2,727,841	5,904,453	-	8,632,294
Investment in an associate	-	-	190,145	190,145
Takaful and retakaful receivables	5,550,629	103,826	-	5,654,455
Retakaful providers' share of takaful liabilities	5,857,185	-	-	5,857,185
Deferred acquisition costs	431,912	-	-	431,912
Property and equipment	-	-	61,565	61,565
Other receivables, accrued income and prepayments	2,894,869	-	-	2,894,869
Retakaful share of family takaful technical reserves	53,250	-	-	53,250
Right of use assets	-	452,743	-	452,743
	39,382,734	6,008,279	376,710	46,220,466
LIABILITIES				
Takaful Liabilities	20,034,175	-	-	20,034,175
Unearned commissions	368,201	-	-	368,201
Family takaful technical reserves	3,673,956	-	-	3,673,956
Payables and accrued liabilities:				
Takaful and retakaful companies	3,920,016	-	-	3,920,016
Participants'	1,950,423	-	-	1,950,423
Others	2,021,084	390,930	-	2,412,014
Ijarah liability	-	477,515	-	477,515
	31,967,855	868,445	-	32,836,300

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022 (Audited)

30 RISK MANAGEMENT (continued)

Liquidity risk (continued)

	31 December 2021			
	One year or less BD	More than one year BD	No term BD	Total BD
ASSETS				
Statutory deposits	-	-	125,000	125,000
Cash and balances with banks	22,073,266	-	-	22,073,266
Investments	2,524,029	5,718,556	-	8,242,585
Investment in an associate	-	-	184,856	184,856
Takaful and retakaful receivables	4,005,488	488,850	-	4,494,338
Retakaful providers' share of takaful liabilities	4,998,262	-	-	4,998,262
Deferred acquisition costs	433,427	-	-	433,427
Property and equipment	-	-	85,814	85,814
Other receivables, accrued income and prepayments	1,384,123	-	-	1,384,123
Retakaful share of family takaful technical reserves	3,045,250	-	-	3,045,250
Right of use assets	-	519,960	-	519,960
	38,463,845	6,727,366	395,670	45,586,881
LIABILITIES				
Takaful Liabilities	17,603,335	-	-	17,603,335
Unearned commissions	365,615	-	-	365,615
Family takaful technical reserves	6,288,150	-	-	6,288,150
Payables and accrued liabilities:	-	-	-	-
Takaful and retakaful companies	4,326,883	-	-	4,326,883
Participants'	1,725,117	-	-	1,725,117
Others	1,903,927	342,761	-	2,246,688
Ijarah liability	-	529,525	-	529,525
	32,213,027	872,286	-	33,085,313

31 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 are on a combined basis of both participants' and shareholder's funds together. The capital available to cover solvency margin required is as follows:

	2022	2021
Shareholder - Available capital	9,797,000	11,046,000
Less: Net Admissible assets of General Participants' Fund	(1,465,000)	(3,280,000)
Less: Net Admissible assets of Family Participants' Fund	(710,000)	(271,000)
Total available capital to cover required solvency margin	7,622,000	7,495,000
Less: Margin required for General Takaful funds	(3,303,000)	(3,236,000)
Less: Margin required for Family Takaful funds	(1,173,000)	(914,000)
Excess Capital	3,146,000	3,345,000

32 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.

33 ZAKAH

Zakah of **BD 310,990/- at 3.66 fils** per share (2021: BD 295,490/- at 3.48 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.

34 EARNINGS PROHIBITED UNDER SHARI'A

There were no earnings retained during the year (2021: nil) from transactions which are not permitted under Shari'a.

35 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 company have made provisions which, in their opinion, are adequate to cover any resultant liabilities.

36 COMMITMENTS

There are no commitments as at 31 December 2022 and 31 December 2021

37 QARD AL HASSAN

In accordance with the capital adequacy requirements of the Central Bank of Bahrain' Insurance Rulebook, there is no Qard apportionment made through the Insurance Firm Return for the year ended 31 December 2022 (2021: nil).

Takaful International Company B.S.C.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022 (Audited)

38 TOTAL COMPREHENSIVE INCOME

	<i>For the year ended 31 December 2022 (Audited)</i>				<i>For the year ended 31 December 2021(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>
Net profit and surplus / (deficit) for the year	1,002,036	726,154	(24,726)	1,703,464	930,946	724,748	(52,959)	1,602,735
Other comprehensive (loss) / income to be reclassified to statement of profit or loss in subsequent periods:								
<i>Equity and debt-type instruments at fair value through equity:</i>								
Fair value changes arising during the year	(74,579)	(182,633)	(21,286)	(278,498)	(6,136)	31,016	49,249	74,129
Recycled to statement of profit or loss on disposal	(20,965)	(69)	(94,234)	(115,268)	(12,544)	(6,716)	120	(19,140)
Other comprehensive (loss) / income for the year to be reclassified to statement of profit or loss in subsequent periods	(95,544)	(182,702)	(115,520)	(393,766)	(18,680)	24,300	49,370	54,989
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	906,492	543,452	(140,246)	1,309,698	912,266	749,048	(3,589)	1,657,724

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

As at 31 December 2022 (Audited)

39 FINANCIAL INSTRUMENTS

Set out below is an overview of the financial instruments held by the Company as at 31 December 2022 and 31 December 2021:

	31 December 2022		
	<i>Investments at fair value through equity BD</i>	<i>Financial assets at amortised cost BD</i>	<i>Total BD</i>
Statutory deposit	-	125,000	125,000
Cash and balances with banks	-	21,867,048	21,867,048
Investments	7,587,598	1,044,696	8,632,294
Takaful and retakaful receivables	-	5,654,455	5,654,455
Retakaful providers' share of Takaful Liabilities			
- Outstanding claims - Reported claims	-	2,816,446	2,816,446
Other receivables, accrued income and prepayments	-	2,008,331	2,008,331
	7,587,598	33,515,976	41,103,574
			Liabilities BD
Takaful liabilities			
- Outstanding claims - Reported claims			6,318,691
Takaful and retakaful payables			5,870,439
Other liabilities and provisions			1,257,937
Ijarah Liabilities			477,515
			13,924,582
			Financial Liabilities BD
			4,702,652
Takaful and retakaful payables			6,052,000
Other liabilities and provisions			1,234,886
Ijarah liabilities			529,525
			12,519,063

	31 December 2021		
	<i>Investments at fair value through equity BD</i>	<i>Financial assets at amortised cost BD</i>	<i>Total BD</i>
Statutory deposit	-	125,000	125,000
Cash and balances with banks	-	22,073,266	22,073,266
Investments	7,504,112	738,472	8,242,584
Takaful and retakaful receivables	-	4,494,339	4,494,339
Retakaful providers' share of Takaful Liabilities			
- Outstanding claims - Reported claims	-	2,065,228	2,065,228
Other receivables, accrued income and prepayments	-	588,898	588,898
	7,504,112	30,085,203	37,589,315
			Financial Liabilities BD
Takaful liabilities			
- Outstanding claims - Reported claims			4,702,652
Takaful and retakaful payables			6,052,000
Other liabilities and provisions			1,234,886
Ijarah liabilities			529,525
			12,519,063

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

As at 31 December 2022 (Audited)

39 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.

	31 December 2022			
	Level 1	Level 2	Level 3	Total
	BD	BD	BD	BD
Equity and debt-type instruments at fair value through equity				
<i>Quoted investments</i>				
Banking	1,170,909	-	-	1,170,909
Government	3,497,407	-	-	3,497,407
Infrastructure	1,389,093	-	-	1,389,093
Consumer Service	391,457	-	-	391,457
Others	901,730	-	-	901,730
<i>Other managed funds</i>				
Consumer Service	-	-	195,205	195,205
Others	-	-	41,797	41,797
	7,350,596	-	237,002	7,587,598

39 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
	BD	BD	BD	BD
Equity and debt-type instruments at fair value through equity				
<i>Quoted investments</i>				
Banking	1,695,676	-	-	1,695,676
Government	3,260,762	-	-	3,260,762
Infrastructure	1,546,920	-	-	1,546,920
Consumer Service	79,221	-	-	79,221
Others	672,308	-	-	672,308
<i>Other managed funds</i>				
Consumer Service	-	-	189,468	189,468
Infrastructure	-	-	17,228	17,228
Others	-	-	42,529	42,529
	7,254,887	-	249,225	7,504,112
	7,254,887	-	249,225	7,504,112

In case of investments 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 38) 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 2022, 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 (2021 : No transfer)

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

A reasonably possible increase in the key assumptions by 10% would result in a fair value increase of BD 23,700 (2021: BD 24,923). 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, 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.

40 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.