

Sustainability  
for Prosperity



2021  
Annual Report

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**His Majesty  
King Hamad Bin Isa Al Khalifa**

The King of  
The Kingdom of Bahrain



**His Royal Highness  
Prince Salman Bin Hamad Al Khalifa**

Crown Prince and Prime Minister of  
The Kingdom of Bahrain

# General Information

## Takaful International Company B.S.C.

<b>HEAD OFFICE</b>	Building 680, Road 2811, Seef District 428, Kingdom of Bahrain
<b>Postal Address</b>	P.O. Box 3230 Manama Kingdom of Bahrain  Telephone: +973 17565656 Fax: +973 17582688 E-mail: takaful@gigtakaful.bh Website: www.gigtakaful.bh

Commercial registration : 21100 obtained on 11 April 1989

## Takaful Centers:

<b>MUHARRAQ SEEF MALL</b>	MuharrAQ Seef Mall Gate A Shop 83, Road 44, MuharrAQ 243 Kingdom of Bahrain  Telephone: +973 17565405
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<b>SANAD</b>	Shop No. D2420, Road 4571, Sanad 745, Kingdom of Bahrain  Telephone: +973 17565447
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<b>PRINCIPAL BANKERS</b>	Bahrain Islamic Bank B.S.C Al Salam Bank B.S.C
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<b>AUDITORS</b>	Ernst & Young - Middle East Manama, Kingdom of Bahrain  P.O. Box : 140 Telephone: +973 17535455 Telefax: +973 17535405
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<b>ACTUARY</b>	Lux Actuaries & Consultants Bay Square Building 1, Office 705, Business Bay Dubai, UAE  P.O. Box : 371557 Telephone: +971 4 876 8530
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<b>LISTING</b>	Bahrain Bourse
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<b>SHARE REGISTRAR</b>	Bahrain Clear B.S.C (c) Manama, Kingdom of Bahrain  P.O. Box : 3203 Telephone: +973 17108833 Telefax: +973 17228061
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[www.gigtakaful.bh](http://www.gigtakaful.bh)



For decades, Takaful International has always been one of the most trusted insurance solution providers in the Kingdom. Driven by its thoughtfully developed products, customer-friendly service and innovative vision, the company has redefined the Islamic insurance industry unlike any other. Evolving with the changing times, Takaful International has embraced the most advanced digital technology to deliver its solutions more conveniently to its customers.

And now, reflecting on its commitment to build a safer, more secure society, Takaful International is embarking on a future-inspired journey towards sustainability, through adapting modern initiatives to make the world a better place.

## Vision

To be recognized as the pioneering innovative leader of quality Sharia'a compliant insurance solutions."

## Mission

"To be the insurance company of choice by spreading awareness of Islamic insurance solutions and becoming the leading provider of a full range of Takaful products that combines superior quality based on Sharia'a principals and values."

## Values

The essence of our values is our ability to succeed in providing excellent services based on commitment and quality. The principles are:

- Adhere to the highest levels of professionalism.
- Contribute effectively to the local economy.
- Maintaining the company growth, profitability and development.
- Believe that there is potential for development and commitment to achieve success.
- Strengthen leadership by providing integrated services and innovative products.

TAKAFUL IS THE FIRST ISLAMIC INSURANCE COMPANY IN THE REGION WHICH HAVE BEEN PROVIDING SERVICES THAT SPECIFICALLY SUIT THE ISLAMIC VALUES AND CATER TO THE REQUIREMENTS OF THE MODERN ERA.

## 1. General Takaful

### A. Commercial and Major Accounts

- Property All Risks Takaful
- Marine & Aviation Takaful
- Engineering Takaful
- Bankers Blanket Bond Takaful
- Directors & Officers Takaful
- Professional Indemnity Takaful
- Medical Malpractice Takaful
- Surety Bonds Takaful
- Office Comprehensive Takaful
- General Accident Takaful
- Sabotage and Terrorism
- Political Violence

### B. Personal Lines

- Travel Takaful
- Home Takaful
- Property Takaful
- Personal Accident Takaful
- Domestic Servant Takaful

## 2. Family Takaful and Healthcare

- Family Takaful (Osratak)
- Group Family Takaful
- Education Takaful ( Taleemi)
- Saving Takaful (Edikhari)
- Group Health Takaful (Sehatak)
- Regular Pay-back Takaful (Sandooki)
- Long Term Individual DTA/LTA

## 3. Motor Takaful (Sayaratak)

- Motor Comprehensive Takaful with various a la carte options for coverage enhancement
- Motor Third Party

## 4. Smart Takaful

## 5. e-Takaful (online Takaful)

# Board of Directors



**Mr. Ebrahim Alrayes**  
Chairman



**Mr. Abdulrahman Mohammed**  
Vice Chairman



**Mr. Khaled Al Hasan**  
Board Member



**Dr. Abdulla Sultan**  
Board Member



**Mr. Abdulla Rabea**  
Board Member



**Mr. Ahmed Bucheeri**  
Board Member



**Dr. Osama Albaharna**  
Board Member



**Mr. Osama Kishk**  
Board Member



**Mr. Rashed Abdulrahim**  
Board Member



**Mr. Saleh Al Zouman**  
Board Member



# Executive Management



**Mr. Essam Al Ansari**  
Chief Executive Officer



**Mr. Abdulaziz Al Othman**  
Deputy Chief Executive Officer



**Mr. Santosh Prabhu**  
Chief Financial Officer



**Mrs. Reema Nowrooz**  
Chief Underwriting Officer  
Family Takaful & Healthcare



**Ms. Lamia Hassan**  
Chief Underwriting Officer  
Motor Takaful



**Mr. Jijan Stephen**  
Chief Underwriting Officer  
General Takaful

## Sharia'a Supervisory Board

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

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

Dear Shareholders,

On behalf of the Board of Directors, it is my privilege to present your Company's 32nd Annual report for the financial year ended 31 December 2021.

The COVID-19 pandemic waves have created severe disruption in the economy around the world since the year 2020. It brought substantial human suffering and major economic disruption globally. After a severe collapse of the economy in 2020, recovery was seen in 2021 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. Focus has been shifted on re-evaluating and maintaining effective policy measures, while maintaining health care spending as a priority. The strength of the recovery varied across countries, depending on access to medical interventions, vaccine deployment, the effectiveness of policy support, and exposure to cross-country spillovers. The Bahraini financial system remained resilient through the challenges posed by the repercussions of the COVID-19 pandemic. The Government and the regulatory bodies have been actively monitoring the situation and implemented a series of policy decisions that have succeeded in mitigating any risks to capital, liquidity, and credit quality of the financial system. Key policy responses (including fiscal, monetary, and macro-financial) were issued to mitigate any implications on customers of financial services, financial institutions, and merchants affected by COVID-19, in addition to protecting the stability of the financial sector in the Kingdom. Measures were also taken to preserve the health and safety of customers and workers in the sector.

The company was poised with a twin challenge in this pandemic year; one, to enable the workforce to work from home at a short notice due to uncertain and unexpected intermittent lockdowns and the other for enabling a smooth and remote working environment. The objective was not only to fight against the pandemic but also to have high standards in servicing the customers. The Company continued to expand its service even in these difficult times by providing convenient and easy-to-use digital platforms for its customers.



**Mr. Ebrahim Alrayes**  
Chairman



We are proud that Takaful International is the first insurance company in the Kingdom of Bahrain to introduce e-Card services instead of plastic cards which is not only benefiting the company to save cost but also conserving nature.

Although a volatile year, the Gross Written Contributions of Takaful International Company increased to BD 24.8 M (2020: 22.9 M). The Net Earned Premium increased to BD 17.8 M (2020: BD 16.8 M). The Company achieved an overall Profit of BD 1.6M (2020: 1.54 M).

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

The company could achieve growth in its profits due to reduction in its operational expenses achieved by synergizing its cost and service centers with its parent company which helped cost savings and usage of expertise of both companies' thereby adding value addition to its services which enabled better customer service including passing of benefits to customers in terms of pricing for several products.

We are proud that Takaful International is the first insurance company in the Kingdom of Bahrain to introduce e-Card services instead of plastic cards which is not only benefiting the company to save cost but also conserving nature. Our smart-takaful app is one of the most robust and is popular amongst its customers as a one-stop destination for all their takaful needs. We have seen very good growth in customers moving from physical / visiting customers moving to digital channels. As takaful was digital-ready well before the pandemic it helped uninterrupted and smooth services to all its customers during the current difficult times thereby satisfying all the customer needs swiftly and in a more efficient manner.

Digital transformation is a journey and not a destination and looking at the ever-changing business needs Takaful along with its parent company Bahrain Kuwait Insurance Company (BKIC) has signed an agreement with a global leader in IT services, consulting, and business solutions to deploy the latest automated insurance technology to achieve the company's goals towards continuous digital transformation and to maintain their position as market leaders in Bahrain.

Takaful company is considered to be solvent if its assets are adequate and liquid to pay off claims or liabilities as and when they arise. The capital adequacy and solvency ratio helps us assess a company's ability to meet its long-term financial obligations. An insurance company's solvency ratio indicates its claim paying ability and its financial strength. Higher the capital adequacy and solvency ratio, the better the claim paying ability and the company's financial strength. As at 31st December 2021, the Company had a capital adequacy and solvency ratio of 180% compared minimum regulatory requirement which reflects the sound financial position of the company. This has contributed to the re-accreditation of the company's credit rating with an excellent (A-) rating from the international rating agency AM Best.

The Board of Directors 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 2021 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 Kingdom of Bahrain views cyber security as a pillar of its economic development. Its economy and prosperity are dependent on having a safe ICT infrastructure in place. Bahrain goes to a great length to protect its public and private sector infrastructure from online and financial threats. The Ministry of Interior organizations, the General Directorate of Anti-Corruption and Economic & Electronic Security, and the National Cyber Security Centre are the two institutions playing key roles in the area. Further, the implementation of the Personal Data Protection Law (PDPL) is a major step by the regulator to strengthen the regulations to the international standards.

# Board of Director's Report

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 and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans				Others**	Total
<b>First: Independent Directors:</b>													
<b>1- Mr. Ebrahim Mohamed Sharif Alrayes</b> Chairman	-	7,300	-	-	7,300	6,000	-	-	-	6,000	-	13,300	-
<b>2-AbdullaRahman Abdulla Mohamed</b> Vice Chairman	-	6,500	-	-	6,500	6,000	-	-	-	6,000	-	12,500	-
<b>3- Rashed Ali Abdulrahim</b> Director	-	8,000	-	-	8,000	6,000	-	-	-	6,000	-	14,000	-
<b>4- Dr. Osama Taqi Albaharna</b> Director	-	6,500	-	-	6,500	6,000	-	-	-	6,000	-	12,500	-
<b>5- Mr. Saleh Fahad Al Zouman</b> Director (Joined on 23-Mar-21)	-	4,700	-	-	4,700	5,143	-	-	-	5,143	-	9,843	-
<b>6- Jamal Ali Al Hazeem</b> Chairman (Resigned on 7-Sep-21)	-	5,200	-	-	5,200	3,429	-	-	-	3,429	-	8,629	-
<b>7- Khaled Jamal Al Muzaire</b> Director (Term ended on 23-Mar-21)	-	1,800	-	-	1,800	857	-	-	-	857	-	2,657	-
<b>Second: Non-Executive Directors:</b>													
None													
<b>Third: Executive Directors:</b>													
<b>1- Khaled Saud Al Hasan</b> Director	-	8,000	-	-	8,000	6,000	-	-	-	6,000	-	14,000	1,200
<b>2- Ahmed Bucheeri</b> Director	-	6,500	-	-	6,500	6,000	-	-	-	6,000	-	12,500	-
<b>3- Mr. Abdulla rabea Mohamed Rabea</b> Director	-	6,500	-	-	6,500	6,000	-	-	-	6,000	-	12,500	900
<b>4- Osama Kamel Kishk</b> Director	-	6,500	-	-	6,500	6,000	-	-	-	6,000	-	12,500	300
<b>5- Dr. Abdulla Saleh Sultan</b> Director (Joined on 7-Sep-21)	-	1,600	-	-	1,600	2,571	-	-	-	2,571	-	4,171	-
<b>Total</b>	-	<b>69,100</b>	-	-	<b>69,100</b>	<b>60,000</b>	-	-	-	<b>60,000</b>	-	<b>129,100</b>	<b>2,400</b>

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:

Name	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	351,190	111,320	38,729	501,239

**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).

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.

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

I would like to extend my sincere thanks to the previous Chairman Mr. Jamal Ali Al Hazeem and Mr. Khaled Al Muzaire – Board member for their dedicated services and actions. Further, I welcome all the new Board and committee members Dr. Abdulla Sultan and Mr. Saleh Al Zouman and count on their support and variable contribution towards the company further success.

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

Thank You,

**Mr. Ebrahim Alrayes**

Chairman

15th February 2022

# Chief Executive Officer's Report

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

Dear Shareholders,

As I connect with you today through this annual shareholder letter, life has come full circle. We continue to wade through a recurring pandemic, with the virus mutating into new variants. While many thought the vaccine would be the panacea to all problems, issues related to supply and logistics as well as concerns about efficacy against the emerging variants, keep the on-ground situation uncertain. What this tells us is that we may need to navigate the crisis for some more time than anticipated. More importantly, we need to stay nimble, agile and resilient while focussing on our long-term goals.

Impact of COVID-19 this pandemic will have far-reaching implications on consumers, businesses, and the society at large. The immediate impact and responses have been played out; however, the real transformation is a journey that has just begun. We strongly believe that the world on the other side of this crisis is a phygital i.e., one that blends the best of the physical experiences, with the convenience of the digital tools. In our view, there is a re-assessment of risk perception across the globe, which will fundamentally increase the demand for comprehensive Takaful and risk management solutions. We believe that organisations will have to prepare for new ways of working, with hybrid working, greater choice and flexibility to employees becoming the norm that will result in re-designing of organisation structure, design, policies, and practices. We are accordingly enhancing our Takaful solutions suite to make them conveniently available and laden with self service capabilities for our customers, further automating our distribution applications for channel partners while transforming ourselves as an organisation for our employees.

Given our focus on customer-centricity, we place a significant emphasis on our customer service standards. In FY2021, we continued to excel on this front. We believe that all the work we have done over the years in building our robust business model, leaves us stronger than many, to withstand the effects of the pandemic. We are confident that we will emerge stronger and well-positioned to disproportionately benefit from the long-term opportunities that our country in general and our sector in particular provide. In the coming decade, we will continue to stay focused on building a robust business model – one that stands on the solid pillars of prudent risk management, technological prowess, distribution network, passionate employees and above all, the trust of our customers. In everything that we do, our focus would be to create long-term value for our stakeholders. I thank all our stakeholders, channel partners, employees and customers for their unwavering support.



**Mr. Essam Al Ansari**  
Chief Executive Officer

## Takaful International has maintained credit rating of **(A-) Excellent** by AM Best. This indicates the Company's sound position and strength and quality of services it offers to its customers and the trust of its various stakeholders

At Takaful International, our customers are at the heart of our innovation strategy. We are continually seeking creative ways to identify and address their evolving and unmet needs. To us, customer-centric innovation is ultimately about delivering technology, products, services and information that benefits, empowers and enriches the customer. Observing things from a customer's perspective will enable us to win even in a changing world.

We believe in 360° Customer-Centric Innovation. We believe that Takaful International is well positioned to capitalise on the redefined industry paradigm. Our business architecture is customer centric and service oriented while we have built critical mass in all key product-market segments.

Takaful's selective underwriting approach by continuous risk measurement has helped avoid adverse selections. Besides, the Company has also adopted risk-based pricing approach for sourcing motor business. In the health takaful space, the Company continues to focus on various mediums for customers to take informed decisions.

Our biggest strength is our human resource which has within them a depth of expertise across a range of business scenarios. The strength of our core values enables the organisation to leverage cross functional learnings to synergistically address the complex challenges thrown up by an evolving business environment. Our focus going forward is to build on our capabilities and take our business model to the next level to deliver profitable growth.

Growth in the economy was halted over the year 2021 due to the pandemic. However, the business sentiment seems to be positive, largely owing to political stability and some reforms starting to come through and support of the Government. Going forward we are positive, and these measures will help the economy and especially the financial services sector as a good beneficiary of these developments. Increasing awareness about the benefits of insurance across the general population, along with increasing the penetration of general insurance in the country had provided good support for the Insurance market. Amid rising awareness, growing population of young working individuals and the Bahraini insurance sector is estimated to continue growing further. Increasing levels of digitisation are benefitting the sector in multiple ways; easy onboarding of new customers and improving customer experience and convenience. Additionally, increasing adoption of technology across the operations of insurance companies is driving efficiencies, leading to higher value creation for all stakeholders. Going forward, customer centricity will continue to be a key differentiator for the insurance companies.

Although the investments showed some positive signs, weak investment appetite, partly emanating from a leveraged corporate sector alongside a stressed banking sector, remained a challenge. At a time when the global economy seems poised for a turnaround

after years of sluggish growth, we hope the investment cycle turns better and builds on the improving macro parameters.

The year 2021 was a very challenging year for all. Although a tough year Takaful International could maintain and grow its business. The company was cautious in its underwriting policy and restructured further its business portfolio in line with its strategy to maintain a balanced portfolio, adopting prudent underwriting policies to protect the interest of its stakeholders. The overall net claims ratio was 68.5% for the year 2021 compared to 70% for previous year ended 2020.

Our organisational aim is to meet the savings, wealth accumulation, health and protection needs of the fast growing and increasingly affluent residents of Bahrain. The continued success of Takaful International is a testament to the strength of the long-standing trust of our customers and various stakeholders. This has been underpinned by our shared commitment to providing quality products to our customers, delivering value to our shareholders, and contributing to the development of the economy.

During the year 2021, Takaful International has maintained credit rating of A- Excellent by AM Best. This indicates the Company's sound position and strength and quality of services it offers to its customers and the trust of its various stakeholders.

The Cost Management Team is keenly driven to improve on its past performance and deliver better value to all stakeholders. Cost optimisation is achieved through the methodologies of cost planning, coordination, control and reporting of cost data. Latest and sophisticated cost-effective tools are deployed to improve functionality and to reduce costs, energy usage and environmental impact. Raising awareness of cost control among employees has also helped to lower organisational overheads. Synergy at various function levels with its parent company and group has also enable Takaful to improve its services and economies of cost at various levels.

During FY2021, the Company focussed on enhancing the quality of its services, lessening the time to market and improving customer service time. Scale and capability were created in operations function to facilitate business growth and serve various business verticals in the organisation.

There was an accelerated drive in the Company to provide superior customer experience for reinforcing Takaful's proposition of being a customer-centric and trusted brand. Operational and process excellence approaches such as digitisation, robotic process automation, risk-based design thinking and customer-centric process innovation saw considerable focus, thus bringing about resource optimisation and increased efficiency. An organisation-wide campaign #Bestidea was run to simplify complex and tedious processes, thereby making it easier to do business with customers,

# Chief Executive Officer's Report

suppliers and channel partners. The campaign attracted ideas with active employee participation. Employees suggested ideas to eliminate non-value added manual tasks and voiced measures to align customer impacting processes with customer perception. The campaign was an opportunity for employees to lead the change that they wanted to make in the organisation.

Takaful International's focus remains on supporting delivery of elements of value to customers. The company's array of products continues to fulfil customer specific protection and financial goals, in a cost-effective manner. The Company has consistently focused on its differentiator – a customer-centric value proposition. At the same time, it has adopted a strategy to follow a segmented approach with an emphasis on more profitable product lines. Our customer-focussed approach encompasses products, distribution, customer service and claims settlement activities designed to provide a superior experience to our customers.

Our strategy has been that of offering convenience to customers. To render this strategy in action we developed an array of products relevant to customers' needs to provide a delightful on-boarding experience and to deliver superior service to customers. During year 2021 Takaful introduced two new products Anaya and Afia under the medical segment which was a step towards its strategy to develop and provide customised products to its esteemed customers.

Our strength is in growing and managing high quality, multi-distribution channel, together with our expertise in providing innovative solutions to our customers' savings and protection needs and delivering service excellence.

All these helped your company to leverage opportunities and to maintain its leadership position in Bahrain's Takaful business. We are thankful to all our stakeholders for their support extended in making us their preferred Insurance provider.

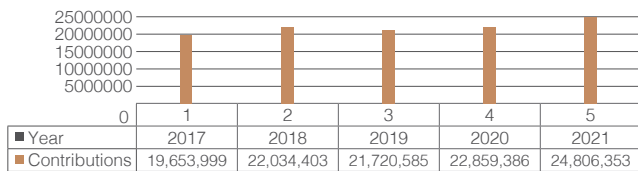
I would like to highlight some of important results of the company which are reflected in the following graphs and are self-explanatory:

## Financial performance

### Contributions:

The total contributions for the year ended 31 December 2021 amounted to BHD24.81M against BD 22.86M for previous year 2020.

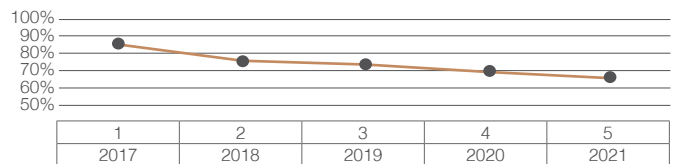
**Total Contributions:**



### Claims:

The overall net claims incurred ratio for year 2021 was 68.5% compared to 70.2% for the year 2020.

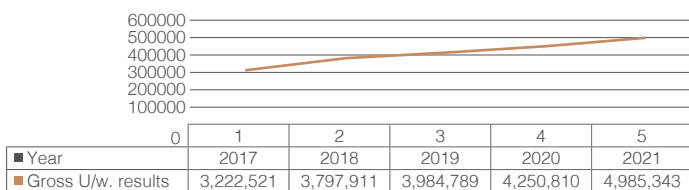
**Incurred Claims Ratio**



### Gross Underwriting results:

The gross underwriting results before Wakala charge was BD 4.99M (2021) compared to BD 4.25M for the previous year (2020).

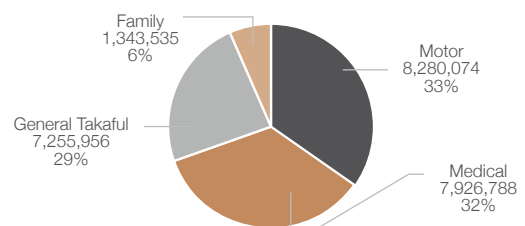
**Gross Underwriting results**



### Business Mix:

Further diversified during the year 2021

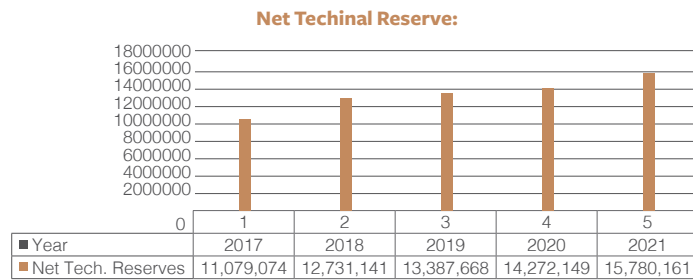
**Business Mix**



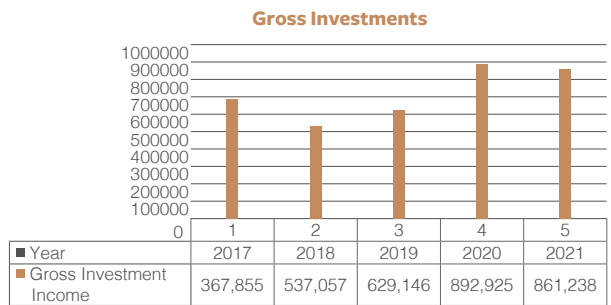




**Net Techinal Reserve:**



**Gross Investments Income grew during the year 2021:**



Overall management, general and administrative expenses for year 2021 amounted to BHD2.35M compared to previous year BHD2.24M.

Takaful has endeavored to maintain the expectations of its shareholders, policyholders and other stakeholders. Nurturing long-term relationships and best services have always been the highest priority of Takaful. Since inception, Takaful has believed in building a culture of integrity and transparency and endeavored to revolve all its business activities based on its founding principles of fairness, kindness, efficiency and effectiveness based on the Islamic Insurance, cooperative sharing and caring principles.

Our Board of Directors believe in upholding the highest standards of governance and accountability. The board has taken cognizance of various regulatory changes in the overall governance framework and remains committed to imbibing the spirit of the law and regulations.

We expect a positive outlook for the year 2022 and expect a decent growth in business. Our main focus will be on quality services, prudent claims & expenses management expenses which will help the company to generate better results.

I would like to take this opportunity to thank our Board of directors for their support and guidance. I would also like to express my appreciation to the employees of Takaful International for their

dedicated efforts towards achieving the goals of the company. Also thank our valued clients, reinsurance companies, Sharia'a board members, intermediaries and all our business partners for their support which has contributed in the growth of the company.

Congratulations to the team on achieving a year of strong financial performance and continuing to execute on its strategy to capture long-term growth opportunities in the insurance market.

We would like to thank all our stakeholders for their continued trust and support extended to us. We will continue to build our business by adhering to our strong culture of trust and transparency and prudent risk management.

Thank you,

**Mr. Essam Al Ansari**  
 Chief Executive Officer  
 15th February 2022



# Corporate Governance Report

for the year ended 31 December 2021

## 1. Corporate Governance

Good Corporate Governance is an integral part of the Company's management and business philosophy. The Company subscribes fully to the principles and spirit of good Corporate Governance and embeds the principles of independence, integrity, accountability, and transparency into the value system driving the Company.

The Board of Directors exercise their fiduciary responsibilities towards all stakeholders by ensuring transparency and independence in the decision-making process. The Board have adopted high standards and values which set out the discipline expected of staff in their dealings with the participants, customers, shareholders, colleagues, brokers, and other stakeholders of the company. One of the core values communicated within the Company is a belief that the highest standard of integrity is essential in business. The governance of the Company remains under continuous review, in order to enhance compliance levels according to international standards and best practice.

The Company is committed to comply with the requirements of the Corporate Governance Code issued by the Ministry of Industry, Commerce and Tourism and the High-Level Controls (HC) Module of the Central Bank of Bahrain's (CBB) Rulebook, Volume 3. Changes in HC Module that took place during the year ended 31 December 2021 have all been effectively implemented and complied with. The Company is also committed to comply with the requirements of Governance Standards as issued by the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI).

The Company maintained its full commitment to all rules and regulations issued by the Central Bank of Bahrain, without reporting any violations during the year 2021.

## 2. Shareholding Information

The Company's shares are listed and publicly traded on Bahrain Bourse. The Company has issued 85,000,000 ordinary shares with a face value of BD 0.100 per share (issued and fully paid-up share capital of BD 8,500,000). The Company has only one class of equity shares and the holders of the shares have equal voting rights.

### Distribution of shareholding by Nationality

	Number of shareholders	Number of shares	Percentage of shareholding
Bahraini	194	78,731,765	92.65%
Other GCC Nationalities	7	6,268,235	7.35%
<b>Total</b>	<b>201</b>	<b>85,000,000</b>	<b>100%</b>

### Distribution of shareholding by Size

	Number of shareholders	Number of shares	Percentage of shareholding
More than 50%	1	69,651,974	81.94%
10% up to less than 50%	-	-	-
5% up to less than 10%	1	5,250,000	6.18%
1% up to less than 5%	2	3,902,206	4.59%
Less than 1%	197	6,195,820	7.29%
<b>Total</b>	<b>201</b>	<b>85,000,000</b>	<b>100%</b>

### Major shareholders of the Company (5% and more shareholding)

	Nationality	Number of shares	Percentage of shareholding
Bahrain Kuwait Insurance Company B.S.C.	Bahraini	69,651,974	81.94%
Kuwait Public Awqaf Foundation	Kuwaiti	5,250,000	6.18%

# Corporate Governance Report

for the year ended 31 December 2021

## 3. Board of Directors and Executive Management

### Board Composition

The Board composition is based on the Company's Memorandum and Articles of Association. Board members, in compliance with corporate governance requirements, possess a mix of high-level professional skills and expertise. Members of board committees possess adequate professional background and experience.

The Board comprises of ten members. The classification of Executive/Non-Executive, Independent/ Non-Independent is as per the definitions stipulated by the CBB and the Company's own 'independence' criteria as approved by the Board of Directors.

**Executive, Non-Independent 5**

**Non-Executive, Independent 5**

Board Members	Position	Date of Joining	Executive/ Non-Executive	Independent/ Non-Independent
Mr. Ebrahim Mohamed Sharif Alrayes	Chairman	7-Apr-15	Non-Executive	Independent
Mr. AbdulRahman Abdulla Mohamed	Vice Chairman	17-Jun-15	Non-Executive	Independent
Mr. Khaled Saud Al Hasan	Director	7-Apr-15	Executive	Non-Independent
Mr. Ahmed AbdulRahman Bucheeri	Director	17-Jun-15	Executive	Non-Independent
Mr. Osama Kamel Kishk	Director	20-Dec-17	Executive	Non-Independent
Dr. Osama Taqi Albaharna	Director	21-Mar-18	Non-Executive	Independent
Mr. Rashed Ali Abdulrahim	Director	21-Mar-18	Non-Executive	Independent
Mr. Abdulla Rabea Mohamed Rabea	Director	27-Jun-16	Executive	Non-Independent
Mr. Saleh Fahad Al Zouman	Director	23-Mar-21	Non-Executive	Independent
Dr. Abdulla Salah Sultan	Director	7-Sep-21	Executive	Non-Independent
Mr. Jamal Ali Al Hazeem	Chairman Resigned on 7 Sep 21	7-Apr-15	Non-Executive	Independent
Mr. Khaled Jamal Al Muzaire	Director Term ended on 23 Mar 21	17-Jun-15	Non-Executive	Independent

The current Board term started on 23rd March 2021. According to the Company's article of association, the board term is defined to be three years.

The Board periodically reviews its composition and the contribution of its members and committees.

Directors are elected/ appointed by the shareholders at the Annual General Meeting (AGM). Election or re-election of a director at the AGM shall be accompanied by a recommendation from the board, based on a recommendation from the Nomination and Remuneration Committee with specific information such as biographical and professional qualifications and other directorships held. The appointment of directors is subject to prior approval of the CBB.

The Board is supported by the Board Secretary who provides professional and administrative support to the General Assembly, the Board, its committees and members. The appointment of the Board Secretary is subject to the approval of the Board.

### Board's Roles and Responsibilities

The Company is governed through its Board of Directors. The Board's main role is to create value addition to its participants and shareholders, to provide entrepreneurial leadership, to approve Company's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives. The Board, which meets at least four times in the financial year, has a schedule of matters reserved for its approval.

The specific responsibilities reserved to the Board include:

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

# Corporate Governance Report

for the year ended 31 December 2021

## Directors' Induction and Professional Development

The Board is required to be up to date with current business, insurance industry, regulatory and legislative development and trends that will affect the Company's business operations. Immediately after appointment, the Company will provide a formal induction, if necessary. Meetings will also be arranged with Executive Management and the Company's Heads of Departments. This will foster a better understanding of the business environment and markets in which the Company operates. A continuing awareness program is essential and it may take many different forms, through distribution of publications, workshops, presentations at Board meetings and attendance at conferences encompassing topics on directorship, business, insurance industry and regulatory developments. During the year ended 31 December 2021, the Board of Directors' training program covered the following topics:

1. IFRS17 Board Awareness Session
2. Using the Technology to prevent Money Laundering & Other Fraudulent Activities
3. ESG and Sustainability for Insurance Companies
4. Investment for Insurance Board
5. Why Insurance Companies Fail

## Board and Committees Evaluation

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

## Directors' Profile

Director's Name	Academic	Directors' external appointments
<b>Mr. Ebrahim Mohamed Sharif Alrayes</b> Chairman	<ul style="list-style-type: none"> <li>• BSc. in Accounting from Beirut Arab University, Lebanon</li> <li>• Certificate of Insurance Proficiency (CIP) from Chartered Insurance Institute, UK</li> </ul>	<ul style="list-style-type: none"> <li>• Board Member of Supreme Council of Health, Bahrain</li> </ul>
<b>Mr. Abdulrahman Abdulla Mohamed</b> Vice Chairman	<ul style="list-style-type: none"> <li>• Master's in business administration from University of Hull, UK</li> </ul>	<ul style="list-style-type: none"> <li>• Board Member of Al Baraka Islamic Bank BSC, Bahrain</li> <li>• Vice Chairman of Bahrain Middle East Bank, Bahrain</li> </ul>
<b>Mr. Khaled Saoud Al Hasan</b> Board Member	<ul style="list-style-type: none"> <li>• Bachelor's degree in political science and Economics from Kuwait University, Kuwait</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Kuwait Insurance Federation (KIF), Kuwait</li> <li>• Board Member of Arab Reinsurance Co., Lebanon</li> <li>• Board Member and Chief Executive Officer of Gulf Insurance Group KSC, Kuwait</li> <li>• Board Member in many of Gulf Insurance Groups' Subsidiaries</li> </ul>
<b>Mr. Ahmed Abdulrahman Bucheeri</b> Board Member	<ul style="list-style-type: none"> <li>• Chartered Alternative Investment Analyst (CAIA)</li> <li>• Investment representative program (Series 7)</li> <li>• Treasury and capital markets diploma</li> <li>• Commercial studies diploma</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Investment Officer of Bahrain Kuwait Insurance Company BSC, Bahrain</li> </ul>
<b>Mr. Osama Kamel Kishk</b> Board Member	<ul style="list-style-type: none"> <li>• Bachelor of Commerce from Helwan University in Cairo, Egypt</li> <li>• Diploma in Modern Accounting from American University in Cairo, Egypt</li> <li>• Master of Business Administration from Maastricht School of Management, Kuwait</li> <li>• Certified Public Accountant (CPA), USA</li> <li>• Certified Risk Professional (CRP), USA</li> <li>• Certified Internal Auditor (CIA), USA</li> <li>• Certified Associate Business Manager (CABM), USA</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Financial Officer of Gulf Insurance Group KSC, Kuwait</li> <li>• Board Member of Egyptian Takaful Property &amp; Liability, Egypt</li> <li>• Independent Board Member of HSBC Management Fund, Egypt</li> <li>• Board Member of AXA Gulf, Bahrain</li> <li>• Board Member of AXA Cooperative, K.S.A</li> </ul>

# Corporate Governance Report

for the year ended 31 December 2021

Member	Academic & Professional Qualifications	Directors' external appointments
<b>Dr. Osama Taqi Albaharna</b> Board Member	<ul style="list-style-type: none"> <li>• Doctorate (Ph.D.) in Computer Engineering from Imperial College London, UK</li> <li>• Master's and bachelor's degree in computer engineering from McGill University, Canada</li> </ul>	<ul style="list-style-type: none"> <li>• Managing Director of Continental Group, Bahrain and other GCC countries</li> <li>• Chairman of Technology Committee at Bahrain Chamber of Commerce and Industry</li> </ul>
<b>Mr. Rashed Ali Abdulrahim</b> Board Member	<ul style="list-style-type: none"> <li>• Bachelor of Commerce (BCom) in Accounting from Beirut Arab University, Lebanon</li> <li>• Association of Chartered Certified Accountants (FCCA), UK</li> </ul>	<ul style="list-style-type: none"> <li>• Board Member of Gulf Electronic Management Systems Company W.L.L, Bahrain</li> </ul>
<b>Mr. Abdulla Rabea Mohamed Rabea</b> Board Member	<ul style="list-style-type: none"> <li>• Diploma in Cars Engineering</li> </ul>	<ul style="list-style-type: none"> <li>• General Manager (Kuwait Operations) of Bahrain Kuwait Insurance Company BSC, Bahrain</li> </ul>
<b>Mr. Saleh Fahad Al Zouman</b> Board Member	<ul style="list-style-type: none"> <li>• American Institute of Certified Public Accountants (AICPA), USA</li> <li>• Master of Business Administration (MBA) from Ohio State University, USA</li> <li>• Bachelor's degree of Commerce from Kuwait University, Kuwait</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Dr. Abdulla Salah Sultan</b> Board Member	<ul style="list-style-type: none"> <li>• Fellow of the Chartered Insurance Institute (FCII) - Chartered Insurance Institute, UK</li> <li>• Associate in Risk Management (ARM) - The Institutes, Pennsylvania, USA</li> <li>• Certified Catastrophe Modeler (CCM) - AIR Institute, Boston, USA</li> <li>• Doctor of Business Administration (DBA) - Swiss Business School, Switzerland</li> <li>• Master of Business Administration (MBA) - University of Strathclyde, UK</li> <li>• Master of Science in Applied Research (Msc) – Swiss Business School, Switzerland</li> <li>• Bachelor of Science (Bsc) in Marketing with concentration in Finance – NYIT, USA</li> </ul>	<ul style="list-style-type: none"> <li>• General Manager (Kuwait Operations) of Bahrain Kuwait Insurance Company BSC, Bahrain</li> </ul>

# Corporate Governance Report

for the year ended 31 December 2021

## Board Meetings and Attendance

During the financial year ended 31 December 2021, the Board of Directors met seven times. All meetings were convened in the Kingdom of Bahrain. A record of members' attendance is set below:

Board Members	16-Feb-21	23-Mar-21	4-May-21	3-Aug-21	12-Sep-21	2-Nov-21	22-Dec-21	No. of Meetings Attended
<b>Mr. Ebrahim Mohamed Sharif Alrayes</b> Chairman	🟢	🟢	🟢	🟢	🟢	🟢	🟢	7
<b>Mr. AbdulRahman Abdulla Mohamed</b> Vice Chairman	🟢	🟢	🟢	🟢	🟢	🟢	🟢	7
<b>Mr. Khaled Saud Al Hasan</b> Board Member	🟢	🟢	🟢	🟢	🟢	🟢	🟢	7
<b>Mr. Ahmed AbdulRahman Bucheeri</b> Board Member	🟢	🟢	🟢	🟢	🟢	🟢	🟢	7
<b>Mr. Osama Kamel Kishk</b> Board Member	🟢	🟢	🟢	🟢	🟢	🟢	🟢	7
<b>Dr. Osama Taqi Albaharna</b> Board Member	🟢	🟢	🟢	🟢	🟢	🟢	🟢	7
<b>Mr. Rashed Ali Abdulrahim</b> Board Member	🟢	🟢	🟢	🟢	🟢	🟢	🟢	7
<b>Mr. Abdulla Rabea Mohamed Rabea</b> Board Member	🟢	🟢	🟢	🟢	🟢	🟢	🟢	7
<b>Mr. Saleh Fahad Al Zouman</b> Board Member - Joined on 23-Mar-21	🟡	🟢	🟢	🟢	🟢	🟢	🟢	6
<b>Dr. Abdulla Salah Sultan</b> Board Member - Joined on 7-Sep-21	🟡	🟡	🟡	🟡	🟢	🟢	🟢	3
<b>Mr. Jamal Ali Al Hazeem</b> Chairman – Resigned on 7-Sep-21	🟢	🟢	🟢	🟢	🟡	🟡	🟡	4
<b>Mr. Khaled Jamal Al Muzaire</b> Board Member – Term ended on 23-Mar-21	🟢	🟡	🟡	🟡	🟡	🟡	🟡	1

🟢 = Attended

🟡 = Not Attended

# Corporate Governance Report

for the year ended 31 December 2021

## Key matters discussed and final decisions taken

Meeting Date	Key Matters Discussed	Final Decision
16-Feb-2021	<ul style="list-style-type: none"> <li>The financial statements as of 31st December 2020</li> <li>Recommendation to AGM to distribute cash dividends of 5% of the paid-up capital and to transfer of BD 114,410 to statutory reserve</li> <li>The directors' remunerations for 2020</li> <li>Recommendation to AGM to re-appoint external auditors for the year 2021</li> <li>Recommendation to AGM to re-appoint Shari'a Supervisory Board Members for the year 2021</li> <li>Reappoint Internal Auditors for the year 2021</li> <li>Amended Succession Plan of the Company</li> <li>Staff Bonus for 2020</li> <li>Updated Shari'a Supervisory Board and Internal Shair'a Review Charters</li> <li>Updated Risk Management Policies &amp; Procedures Manual</li> </ul>	Approved Approved Approved Approved Approved Approved Approved Approved Approved Approved
23-Mar-2021	<ul style="list-style-type: none"> <li>Board and Board Committees' Composition</li> </ul>	Approved
4-May-2021	<ul style="list-style-type: none"> <li>The interim financial statements as of 31st March 2021</li> <li>Updated Insider Trading Policy Manual</li> <li>Update the Organizational Chart</li> <li>CEO's KPIs</li> <li>Appointment of PMO for New Core Insurance System</li> </ul>	Approved Approved Approved Approved Approved
3-Aug-2021	<ul style="list-style-type: none"> <li>The interim financial statements as of 30th June 2021</li> <li>New Core Insurance System</li> <li>Appointment of PMO for IFRS 17 implementation</li> <li>Payment of the fine imposed by QFCRA on QFC Branch</li> <li>Closing down of three branches and opening a new branch</li> <li>Updated Human Resources Policies and Procedures Manual</li> <li>Group Risk Management Committee Charter</li> <li>Review updated procedures manuals (AML, Administration, Internal Audit) and Personal Data Protection Framework</li> </ul>	Approved Approved Approved Approved Approved Approved Approved Approved
12-Sep-2021	<ul style="list-style-type: none"> <li>Resignation of Board Chairman and Election of a new Chairman</li> <li>Appointment of New Board Member</li> </ul>	Approved Approved
2-Nov-2021	<ul style="list-style-type: none"> <li>The interim financial statements as of 30th September 2021</li> <li>Board of Directors Compensation Policy</li> <li>Long Term Incentive Scheme (LTI)</li> <li>Update the Authorized Signatories List</li> </ul>	Approved Approved Approved Approved
22-Dec-2021	<ul style="list-style-type: none"> <li>The Company's budget for 2022</li> <li>Relaunch of Family Investment Products</li> </ul>	Approved Approved

## Key Persons Trading Policy

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

## Key Persons and Related Parties' Interests

The number of shares held by key persons and related parties as of 31 December 2021 was as follows:

Name	Position	No of shares
Dr. Shaikh Abdullatif M. Al-Mahmood	Shari'a Supervisory Board Chairman	98,867

The key persons did not trade in the shares of the company during the financial year ended 31 December 2021.

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

# Corporate Governance Report

for the year ended 31 December 2021

## Executive Management's Profile

### Mr. Essam Al Ansari – Chief Executive Officer

Mr. Al Ansari's has extensive professional experience in the insurance and reinsurance industry in Bahrain and the Gulf region. Having held positions in Executive Management Cadre, his responsibilities included steering the company to a path of profitability, implementing its vision, mission and fulfilling short-term and long-term objectives, changing demands of the market while maintaining Company's leadership role in the Industry, overseeing the company's financial performance, investments and other business ventures.

He is a Board Member in Gulf Takaful, Kuwait. He is also a Director in the Board of Bahrain Insurance Association.

Mr. Al Ansari is a Fellow of the Chartered Insurance Institute (FCII) - United Kingdom and Fellow CIP from Australian and New Zealand Institute of Insurance and Finance.

### Mr. Abdulaziz Al Othman – Deputy Chief Executive Officer

Mr. Al Othman holds a master's degree in business administration from the University of Hull – UK and is a Certified Accountant since 2002. He holds a Diploma CII from the Chartered Insurance Institute – London. He is considered as a key professional in the field of Takaful Insurance in Bahrain supported by his extensive experience in the Takaful Insurance business acquired through the long service years in the insurance industry with in-depth understanding of Takaful Markets. He is well experienced in developing, evaluating and analysing strategies, business planning and insurance statistics and financial statements.

Mr. Al Othman is the Vice Chairman of Health 360 Ancillary Services W.L.L., Bahrain and the Vice Chairman of National Orbits Holding for Insurance Claims, Kingdom of Saudi Arabia.

## Board of Directors and Executive Management Remuneration

Board members are paid sitting fees for Board of Directors and the various sub-committees of the Board meetings.

The remuneration of the Board of Directors paid during the financial year ended 31 December 2021 for the year 2020 was BD 60,000. The proposed total remuneration of BD 60,000 to be paid to the directors for the year 2021, subject to the relevant authorities' approval, will be presented at the Annual General Meeting for approval.

Sitting fees paid to the Directors for attendance of the Board and Committees meetings and other expenses during the financial year ended 31 December 2021 were BD 131,500.

The remuneration of Executive Management personnel consists of fixed monthly salaries and allowances, and other benefits like bonus, medical, life insurance cover and retirement benefits.

The remuneration of Executive Management personnel, which includes the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Underwriting Officer – General Takaful, Chief Underwriting Officer – Family Takaful and Healthcare, and the Chief Underwriting Officer – Motor Takaful paid during the financial year ended 31 December 2021 was as follows:

Executive Management salaries, benefits and end of service benefits	<u>BD 501,239</u>
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## Code of Conduct

The Company's Code of Conduct covers the conduct of the Company's directors and executive management. The Code binds the signatories to the highest standards of professionalism and due diligence in performance of their duties. It also covers conflicts of interest, disclosure, and the confidentiality of insider information.

## 4. Board Committees' Responsibilities, Meetings and Record of Attendance

### Board Committees

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

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

The Board has formed four committees as follows:

- Executive Committee
- Audit and Corporate Governance Committee
- Nomination and Remuneration Committee
- Risk Committee



# Corporate Governance Report

for the year ended 31 December 2021

## Executive Committee

### Duties:

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

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

### Meetings and Attendance:

The executive committee shall meet at least four times in the financial year. During the year ended 31 December 2021, the executive committee met four times.

		16-Feb-21	4-May-21	3-Aug-21	2-Nov-21	No. of Meetings Attended
<b>Mr. Khaled Saud Al Hasan</b> Non-Independent	Chairman	🟢	🟢	🟢	🟢	4
<b>Mr. AbdulRahman Abdulla Mohamed</b> Independent	Vice Chairman	🟢	🟢	🟢	🟢	4
<b>Mr. Ahmed AbdulRahman Bucheeri</b> Non-Independent	Member	🟢	🟢	🟢	🟢	4
<b>Mr. Saleh Fahad Al Zouman</b> Independent	Member Joined on 23-Mar-21	🟡	🟢	🟡	🟢	2
<b>Dr. Abdulla Salah Sultan</b> Non-Independent	Member Joined on 12-Sep-21	🟡	🟡	🟡	🟢	1
<b>Mr. Abdulla Rabea Mohamed Rabea</b> Non-Independent	Member Left on 12-Sep-21	🟢	🟢	🟢	🟡	3
<b>Mr. Ebrahim Mohamed Sharif Alrayes</b> Independent	Member Left on 23-Mar-21	🟢	🟡	🟡	🟡	1

🟢 = Attended

🟡 = Not Attended

## Audit and Corporate Governance Committee

### Duties:

The Board has delegated the following responsibilities to the Audit and Corporate Governance Committee:

- Reviewing the Company's draft financial statements and interim results statement prior to the Board approval and reviewing the external auditors' details reports thereon.
- Reviewing the appropriateness of the Company's accounting policies and other operational procedures.
- Regularly reviewing the potential impact in the Company's financial statements of certain matter such as impairment of fixed assets, investments, receivables and other assets values and proposed changes in AAOIFI and International Financial Reporting Standards as applicable to the company in case not covered by AAOIFI.
- Reviewing and approving the terms of engagement for the audit
- Reviewing the annual report of the company and reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and
- Reviewing the internal audit function terms of reference, its work program, and quarterly reports on its work during the year.
- Developing and making recommendations on the changes required under the company's corporate governance policy from time to time.
- Monitoring and overseeing the implementation of the corporate governance framework by working together with the executive management, nomination and remuneration committee and Shari'a supervisory board.
- Providing the Board with reports and recommendations based on its findings in the performance of its duties.

The Committee meets with Directors and management, and as and when considered necessary with both the external and internal auditors. The Company has outsourced the internal audit function to Grant Thornton – Abdulaal, who conduct their procedures on all transactions of the company as per the International Audit Standards and provides periodic reports directly to the Audit and Corporate Governance Committee.



# Corporate Governance Report

for the year ended 31 December 2021

## Meetings and Attendance:

The Audit and Corporate Governance Committee shall meet at least four times in the financial year. During the year ended 31 December 2021, the Audit and Corporate Governance Committee met four times.

		16-Feb-21	4-May-21	2-Aug-21	1-Nov-21	No. of Meetings Attended
<b>Mr. Rashed Ali Abdulrahim</b> Independent	Chairman	🟢	🟢	🟢	🟢	4
<b>Dr. Osama Taqi Albaharna</b> Independent	Vice Chairman	🟢	🟢	🟢	🟢	4
<b>Mr. Osama Kamel Kishk</b> Non-Independent	Member	🟢	🟢	🟢	🟢	4
<b>Mr. Abdulla Rabea Mohamed Rabea</b> Non-Independent	Member Joined on 12-Sep-21	🟡	🟡	🟡	🟢	1
<b>Mr. Ebrahim Mohamed Sharif Alrayes</b> Independent	Chairman Joined on 23-Mar-21 Left on 12-Sep-21	🟡	🟢	🟢	🟡	2
<b>Mr. Khaled Jamal Al Muzaire</b> Independent	Chairman Term ended on 23-Mar-21	🟢	🟡	🟡	🟡	1

🟢 = Attended

🟡 = Not Attended

# Corporate Governance Report

for the year ended 31 December 2021

## Nomination and Remuneration Committee

### Duties:

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

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

### Meetings and Attendance:

The Nomination and Remuneration Committee shall meet at least two times in the financial year. During the year ended 31 December 2021, the nomination and remuneration committee met four times.

		16-Feb-21	3-May-21	3-Aug-21	2-Nov-21	No. of Meetings Attended
<b>Mr. Ebrahim Mohamed Sharif Alrayes</b> Independent	Chairman Joined on 23-Mar-21	Ⓜ	Ⓜ	Ⓜ	Ⓜ	3
<b>Mr. Khaled Saud Al Hasan</b> Non-Independent	Vice Chairman	Ⓜ	Ⓜ	Ⓜ	Ⓜ	4
<b>Mr. Rashed Ali Abdulrahim</b> Independent	Member	Ⓜ	Ⓜ	Ⓜ	Ⓜ	4
<b>Dr. Abdulla Salah Sultan</b> Non-Independent	Member Joined on 12-Sep-21	Ⓜ	Ⓜ	Ⓜ	Ⓜ	1
<b>Mr. Khaled Jamal Al Muzaire</b> Independent	Member Term ended on 23-Mar-21	Ⓜ	Ⓜ	Ⓜ	Ⓜ	1
<b>Mr. Jamal Ali Al Hazeem</b> Independent	Chairman Resigned on 7-Sep-21	Ⓜ	Ⓜ	Ⓜ	Ⓜ	3

Ⓜ = Attended

Ⓜ = Not Attended

# Corporate Governance Report

for the year ended 31 December 2021

## Risk Committee

### Duties:

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

- Assist the board in the preparation, review and approval of risk management policies & procedures and strategies in addition to setting acceptable limits & adequate internal controls and ensure the execution of these policies and strategies which commensurate with the size and nature of the business activity.
- Assist the board to identify and assess the acceptable level of risk in the company (Risk Appetite), and make sure that the company does not exceed the level of risk approved by the board.
- Evaluate the systems and techniques of risk management for identifying, measuring, and monitoring various risks that the company is exposed or may be exposed to, in order to determine its deficiencies.
- Supervise the implementation of the company's risk strategy, and Risk Management Framework, including coverage of all aspects of major and minor risks.
- Monitor the company's financial strength supported by strong capital adequacy, to ensure its ability to meet all its obligations towards all stakeholders.

### Meetings and Attendance:

The Risk Committee shall meet at least two times in the financial year. During the year ended 31 December 2021, the board risk committee met twice.

		10-Feb-21	7-Jul-21	No. of Meetings Attended
<b>Dr. Osama Taqi Albaharna</b> Independent	Chairman	🟢	🟢	2
<b>Mr. Osama Kamel Kishk</b> Non-Independent	Vice Chairman	🟢	🟢	2
<b>Mr. Ahmed AbdulRahman Bucheeri</b> Non-Independent	Member	🟢	🟢	2
<b>Mr. Abdulaziz Al Othman</b> Non-Independent – (Deputy Chief Executive)	Member Left on 12-Sep-21	🟢	🟢	2

🟢 = Attended

🟡 = Not Attended

## 5. Shari'a Supervisory Board ("SSB")

### SSB Composition and Meetings

The Shari'a Supervisory Board is an independent body of specialized jurists in Shari'a compliant transactions. The SSB may include a member other than those specialized in Fiqh Al-Mua'malat, but who should be an expert in the field of Islamic financial institutions and with knowledge of Fiqh Al- Mua'malat.

The SSB members are appointed by the shareholders in the Annual General Meeting ("AGM"), upon the recommendations of the Company's Board of Directors ("BoD"), taking the CBB regulations into consideration. Shareholders may authorize the Board of Directors to fix the remuneration of SSB.

The SSB should consist of at least three members. The SSB term is three years as per the CBB rules. The SSB consist of the following members:

Board Member	Position	Date of Joining
Shaikh Dr. Abdullatif Mahmood Al Mahmood	Shari'a Supervisory Board Chairman	1989
Shaikh Esam Ishaq	Shari'a Supervisory Board Vice Chairman	24 March 2020
Shaikh Dr. Osama Bahar	Shari'a Supervisory Board Member	24 March 2020

The current SSB term started on 24th March 2021.

The SSB shall hold at least one regular meeting every financial year, and additional meetings as may be required. The SSB extends continuous support to the Company's management and Board of Directors. The SSB has met once during the financial year ended 31st December 2021. All SSB members attended the meeting held on 7th February 2021.

# Corporate Governance Report

for the year ended 31 December 2021

## SSB Roles and Responsibilities

The SSB is entrusted with the duty of directing, reviewing and supervising the activities of the Company in order to ensure its compliance with Shari'a rules and principles. The Fatwas and rulings of the SSB are binding on the Company. The SSB prepare and present an annual report to the General Assembly in the AGM, which states the SSB's opinion on the Company's overall compliance with Shari'a principles. The report shall also include opinions on administration of Zakah and other charity funds established by the Company.

The SSB appoints an Internal Shari'a Reviewer to help it in performing its duties, which include (but not limited to):

- Examining the extent of the Company's compliance, in all its activities, with Shari'a rules and principles.
- Assisting the management of the Company by providing guidance, advise and training relating to compliance with the Shari'a.
- Planning, executing and documenting Shari'a review procedures.

The SSB shall elect one of its members as a representative in the Audit and Corporate Governance Committee, to guide in the shari'a-related governance matters (if any) and act as a link between the SSB and the BoD. The SSB has elected the Chairman, Shaikh Dr. Abdullatif Mahmood Al Mahmood, as a representative in the Audit and Corporate Governance Committee. He attended the Audit and Corporate Governance Committee's meeting held on 16th February 2021.

## SSB Members Profiles

SSB Member's Name	Academic & Professional Qualification	Professional Experience
<b>Shaikh Dr. Abdullatif Mahmood Al Mahmood</b> Chairman of Shari'a Supervisory Board	<ul style="list-style-type: none"> <li>• PhD degree from the Zitouna University of Sharia and Fundamentals of Religion in fiqh and Sharia Policy for his thesis (Social Insurance in the Light of Islamic Sharia).</li> <li>• Master's in Comparative fiqh from the College of Sharia and Law - Al-Azhar University.</li> <li>• Bachelor's degree in Islamic law from the College of Sharia and Law - Al-Azhar University.</li> <li>• General Diploma in education from the University of Education - Ain Shams University.</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Professor and Head of the Department of Arabic Language and Islamic Studies until 2005 in the University of Bahrain.</li> <li>• Participated in the membership of Sharia supervisory boards in several Islamic banks and insurance and reinsurance companies, as well as chairing several Sharia supervisory boards.</li> <li>• A member of several Islamic fiqh academies and an expert in the International Islamic Fiqh Academy of the Organization of the Islamic Conference.</li> <li>• Chairman of the Islamic Association of Bahrain.</li> <li>• Published several books on insurance, education, and Islamic studies and research. He co-authored several Islamic education books for the Ministry of Education in Bahrain and the University of Bahrain. He has refereed and non-refereed research papers and working papers for seminars and workshops, and participated in many fiqh, educational, economic, intellectual, social and cultural conferences and seminars.</li> </ul>
<b>Shaikh Esam Ishaq</b> Vice Chairman of Shari'a Supervisory Board	<ul style="list-style-type: none"> <li>• Bachelor's degree from McGill University</li> <li>• Studies in Shari'a under the supervision of specialized Shari'a jurists</li> <li>• Aural permission for attribution to the prophet Mohammed (pbuh), in the Quran, Hadeeth books and others by a number of specialized Shari'a jurists</li> </ul>	<ul style="list-style-type: none"> <li>• Appointed as a member of Shari'a Supervisory Board in many Islamic financial institutions the Kingdom of Bahrain.</li> <li>• Appointed as a member of the Sharia Board of the Maldives Monetary Authority in the State of the Maldives.</li> <li>• Appointed as the Sharia advisor and Vice president of Discover Islam Society - Kingdom of Bahrain.</li> <li>• Participated in many specialized banking conferences and seminars.</li> <li>• Presented several training courses in Islamic finance, fiqh, Belief and interpretation.</li> </ul>
<b>Shaikh Dr. Osama Bahar</b> Member of Shari'a Supervisory Board	<ul style="list-style-type: none"> <li>• PhD. at Lahaye University - Holland</li> <li>• Master's degree at Al Emam Al Awzae University, Beirut</li> <li>• Bachelor's degree in Islamic Sharia'a from Prince Abdul Qader University of Islamic Studies, Algeria</li> </ul>	<ul style="list-style-type: none"> <li>• More than 26 years of experience in Islamic Banking.</li> <li>• Appointed as a member of Shari'a Supervisory Board in many Islamic financial institutions the Kingdom of Bahrain.</li> <li>• Published several Papers and articles related to Islamic Economic studies.</li> </ul>

# Corporate Governance Report

for the year ended 31 December 2021

## 6. Auditors

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

The audit and non-audit fees for the year ended 31 December 2021, paid by the Company are as follows:

Audit fees	<b>BD 17,950</b>
Non-Audit fees	<b>BD 6,900</b>

## 7. Other Matters

### Capital Adequacy and Solvency Margin

Capital adequacy and solvency margin requirements are determined in accordance with the regulatory requirements established by the CBB and are calculated with reference to a prescribed contributions and claims basis. According to the CBB's rules, solvency margin is required on a combined basis for both participants' and shareholder's funds together. The capital available to cover solvency margin required is as follows:

	2021	2020
Total available capital to cover required solvency margin	7,495,000	5,360,000
Total Margin required for General & Family Takaful funds	4,150,000	3,832,000
Excess Capital	3,345,000	1,528,000

### Compliance and Anti-Money Laundering

Responsibility for ensuring the Company's compliance with the rules of the CBB in and all other applicable laws and regulations resides with the Governance, Risk Management and Compliance Manager.

The Company has in place policies and procedures to handle all aspects of anti-money laundering activities in line with regulations of the CBB. The Company conducts, on an annual basis, a thorough review of its policies, procedures, internal directives in addition to arranging specialized courses to ensure ongoing compliance.

### Related Party Transactions

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

There were no major related party transactions during the year ended 31 December 2021.

### Communication with Shareholders and Investors

The Company remains committed by communicating effectively with all its stakeholders, both internally and externally in a timely, transparent, and professional manners. The Company's main communications channels include the Annual General Meeting, financial statements and annual reports, Company's website, press releases and announcements in the local media and social media channels.

### Internal Control

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

# Corporate Governance Report

for the year ended 31 December 2021

## Conflict of Interest

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

## Whistle Blowing Policy

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

## Policy on Employment of Relatives

The Board has approved the policy on employment of relatives which illustrates that the Company does not generally encourage the employment of "closely related" persons in order to maintain the integrity of the Audit, Control and Management Systems. "Closely related" persons in this context includes spouses, parents, children, siblings, in-laws, and members of the same household.

## Fines and Penalties

The Company did not pay any fines or penalties to regulatory or governmental agencies in the Kingdom of Bahrain during the year ended 31 December 2021.

During the year 2021, the Company paid a financial penalty of an equivalent of BD 85k which was imposed by Qatar Financial Centre Regulatory Authority ("QFCRA"), for alleged breaches in compliance with QFCRA rules on the Company's branch in the State of Qatar, which was under a withdrawal process since 2017 (withdrawn in 2021).

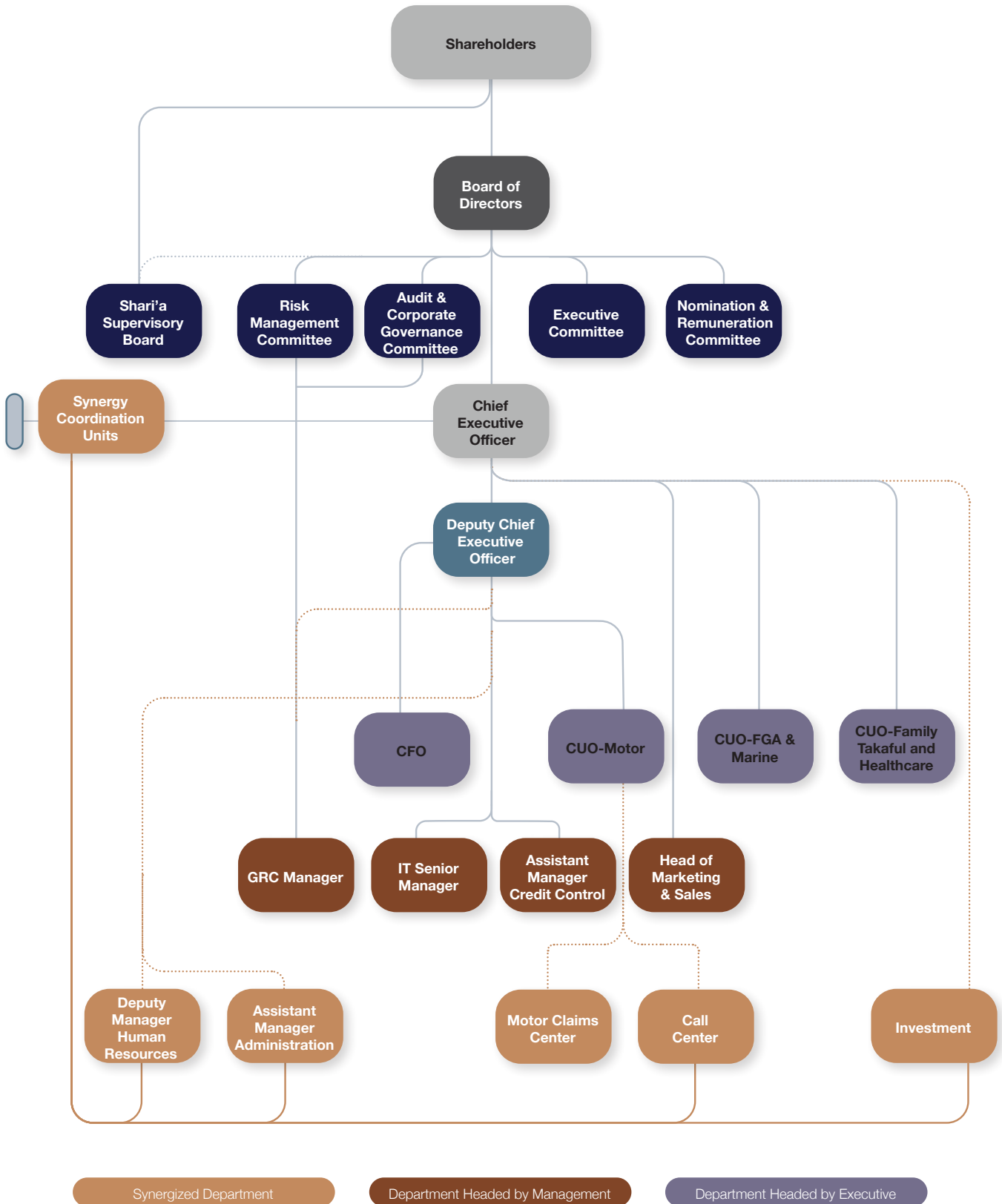
## Corporate Social Responsibility

The Company implements ideals of Islamic Social Responsibility to the best of its ability in all aspects of its operations. In line with these ideals, the Company has applied best practice standards on Islamic Corporate Social Responsibility issued by the AAOIFI.

The Company is committed to:

- Screening prospective clients based on the criteria approved by the Shari'a Supervisory Board ("SSB").
- Maintaining highest standards of integrity in order to maintain responsible dealing with clients.
- Investing in Shari'a compliant investments.
- Treating all employees fairly and with dignity.
- Calculating the shareholders' Zakah liability in accordance with the applicable standards.
- Protecting the environment, preventing pollution, and protecting the health and safety of all individuals affected by its activities including employees and others.
- Establishing a charity fund where income from impermissible sources is transferred.

## 8. Organization Chart





# Shari'a Supervisory Board's Report

For the Financial Year Ended on 31 December 2021

In the name of Allah, The Merciful, The Compassionate

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 December 2021. 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 8, 1443 corresponding to 9th February 2022.**

## **Member of the Shari'a Supervisory Board:-**

### **Shaikh Dr. Abdul Latif Al Mahmood**

Chairman

### **Shaikh Esam Ishaq**

Deputy Chairman

### **Shaikh Dr. Osama Bahar**

Member

# Independent Auditor's Report to the shareholders

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 2021, the related statements of income, changes in owners' 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 2021 and the results of its operations, its cash flows, changes in participants' fund and changes in owners' equity for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"] ("FAS as issued by AAOIFI").

In our opinion, the Company has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Company during the year ended 31 December 2021.

### Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions 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 2021. 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.

Description of key audit matter	How the key audit matter was addressed in the audit
<p><u>Takaful reserves of the Company includes liability for claims Incurred But Not Reported (IBNR)</u></p> <p>Management is required to make an estimate for the Incurred But Not Reported (IBNR) claims for all lines of business. This estimate is calculated based on various assumptions and projections and using the history of the frequency and severity of previously reported claims.</p> <p>The calculation of the IBNR reserves is complex and require technical input from a qualified actuary. All estimates by their nature require significant judgement and there is a risk that any change in the assumptions used in the calculations may have a significant impact on the reserves calculation and ultimately the reported profit of the Company.</p> <p>The IBNR reserves calculation is outsourced to a third party actuarial firm which is approved by the Central Bank of Bahrain.</p> <p>Refer to note 4 to the financial statements for significant judgements applied in determination of IBNR reserves, note 3 for significant accounting policies pertaining to IBNR reserves and note 10 for details of IBNR reserves as of 31 December 2021.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"><li>Performed a walkthrough of the claims and reserving processes, to confirm our understanding of the flow of transactions relating to paid claims, outstanding claims and the IBNR reserves; and</li><li>Involved our internal specialists to assess the reasonableness of the methodology and key assumptions used in calculating the IBNR reserves.</li></ul> <p>In addition to the above we have performed procedures to assess the completeness and accuracy of the data included in the IBNR reserve calculation which includes a reconciliation between the claims paid and outstanding data recorded in the policy administration systems and the data used in the actuarial calculations.</p>

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

### *Other information included in the Company's 2021 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.

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 Auditor's Report to the shareholders

TAKAFUL INTERNATIONAL COMPANY B.S.C.

## 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 Volume 3, we report that:

- a. the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b. the financial information contained in the Report of the Board of Directors is consistent with the financial statements;
- c. we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law 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 2021 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  
15 February 2022  
Manama, Kingdom of Bahrain



**Financial statements**  
for the year

**2021**

# Statement of Financial Position

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

	Notes	Shareholders		General Takaful		Family Takaful		Total	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<b>ASSETS</b>									
<b>Cash and investments:</b>									
Statutory deposit	5	125,000	125,000	-	-	-	-	125,000	125,000
Cash and balances with banks	6	7,806,996	7,678,395	11,359,413	8,512,369	2,906,857	2,100,488	22,073,266	18,291,252
Investments at fair value through equity	7	3,518,485	2,634,093	3,544,404	2,031,884	1,179,695	1,252,954	8,242,584	5,918,931
Investment in an Associate	8	184,856	260,776	-	-	-	-	184,856	260,776
		11,635,337	10,698,264	14,903,817	10,544,253	4,086,552	3,353,442	30,625,706	24,595,959
Takaful and retakaful receivables	9	-	-	4,038,798	5,599,724	455,541	486,885	4,494,339	6,086,609
Retakaful providers' share of takaful liabilities	10, 12	-	-	4,675,790	5,583,715	322,472	300,570	4,998,262	5,884,285
Deferred acquisition costs	13	433,427	493,161	-	-	-	-	433,427	493,161
Property and equipment	16	85,814	72,728	-	-	-	-	85,814	72,728
Other receivables, accrued income and prepayments	15, 17	869,992	1,156,184	489,274	373,669	24,857	27,070	1,384,123	1,556,923
Retakaful providers' share of family takaful technical reserves		-	-	-	-	3,045,250	2,550,251	3,045,250	2,550,251
Right of use assets	28	519,960	-	-	-	-	-	519,960	-
<b>TOTAL ASSETS</b>		<b>13,544,530</b>	<b>12,420,337</b>	<b>24,107,679</b>	<b>22,101,361</b>	<b>7,934,672</b>	<b>6,718,218</b>	<b>45,586,881</b>	<b>41,239,916</b>
<b>LIABILITIES, PARTICIPANTS' FUNDS AND OWNERS' EQUITY</b>									
<b>Liabilities</b>									
Takaful liabilities	10, 12	-	-	17,137,836	17,363,546	465,499	498,210	17,603,335	17,861,756
Unearned commissions	14	-	-	365,615	285,762	-	-	365,615	285,762
Family takaful technical reserves		-	-	-	-	6,288,150	5,052,328	6,288,150	5,052,328
Payables and accrued liabilities :									
Takaful and retakaful companies		-	-	3,397,677	2,256,096	929,206	792,177	4,326,883	3,048,273
Participants'		346,930	350,760	1,374,482	1,094,879	3,706	4,065	1,725,118	1,449,704
Others	20	1,022,405	905,444	1,168,660	1,186,724	55,622	175,360	2,246,687	2,267,528
ljara Liabilities	28	529,525	-	-	-	-	-	529,525	-
<b>Total liabilities</b>		<b>1,898,860</b>	<b>1,256,204</b>	<b>23,444,270</b>	<b>22,187,007</b>	<b>7,742,183</b>	<b>6,522,140</b>	<b>33,085,313</b>	<b>29,965,351</b>
<b>Participants' fund</b>									
<b>Surplus / (Deficit) in participants' fund</b>		-	-	564,910	(159,838)	79,490	132,449	644,400	(27,389)
<b>Investments fair value reserve</b>		-	-	98,499	74,192	112,999	63,629	211,498	137,821
		-	-	663,409	(85,646)	192,489	196,078	855,898	110,432
<b>Owners' equity</b>									
Share capital	19	8,500,000	8,500,000	-	-	-	-	8,500,000	8,500,000
Statutory reserve	19	863,664	770,569	-	-	-	-	863,664	770,569
General reserve	19	200,000	200,000	-	-	-	-	200,000	200,000
Retained earnings		1,985,487	1,578,365	-	-	-	-	1,985,487	1,578,365
Investments fair value reserve		96,519	115,199	-	-	-	-	96,519	115,199
<b>Total owners' equity</b>		<b>11,645,670</b>	<b>11,164,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,645,670</b>	<b>11,164,133</b>
<b>TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND OWNERS' EQUITY</b>		<b>13,544,530</b>	<b>12,420,337</b>	<b>24,107,679</b>	<b>22,101,361</b>	<b>7,934,672</b>	<b>6,718,218</b>	<b>45,586,881</b>	<b>41,239,916</b>

Mr. Ebrahim Mohamed Sharif Alrayes  
Chairman

Mr. AbdulRahman Abdulla Mohammed  
Vice Chairman

Mr. Essam Mohamed Al Ansari  
Chief Executive Officer

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

# Statement of Income

Year Ended 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

	Notes	Shareholders		General Takaful		Family Takaful		Total	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<b>Gross contributions</b>		-	-	23,462,819	21,410,864	1,343,535	1,448,522	24,806,354	22,859,386
Retakaful provider's share of gross contributions	21	-	-	(6,762,842)	(5,860,777)	(403,753)	(565,893)	(7,166,595)	(6,426,670)
<b>Retained contributions</b>		-	-	16,699,977	15,550,087	939,782	882,629	17,639,759	16,432,716
Unearned contributions adjustment - gross	12	-	-	138,564	176,572	(4,627)	12,545	133,937	189,117
Unearned contributions adjustment - retakaful	12	-	-	61,443	165,997	8,339	(17,613)	69,782	148,384
<b>Net earned contributions</b>		-	-	16,899,984	15,892,656	943,494	877,561	17,843,478	16,770,217
<b>Gross claims paid</b>		-	-	(12,412,032)	(13,423,339)	(443,164)	(246,007)	(12,855,196)	(13,669,346)
Retakaful provider's and others share of claims paid	-	-	-	1,291,026	2,631,250	173,866	48,219	1,464,892	2,679,469
Outstanding claims adjustment - gross	-	-	-	87,146	(73,788)	37,338	(73,481)	124,484	(147,269)
Outstanding claims adjustment - retakaful and others	-	-	-	(969,369)	(643,484)	13,563	11,440	(955,806)	(632,044)
<b>Net incurred claims</b>		-	-	(12,003,229)	(11,509,361)	(218,397)	(259,829)	(12,221,626)	(11,769,190)
<b>Fee and commission income</b>		-	-	1,010,221	795,016	-	12	1,010,221	795,028
Other takaful expenses	-	-	-	(576,373)	(503,088)	(7,273)	(5,720)	(583,646)	(508,808)
Transfer to family takaful technical reserve	-	-	-	-	-	(740,823)	(332,343)	(740,823)	(332,343)
Provision for impaired takaful receivables	9	-	-	(322,261)	(631,613)	-	(72,481)	(322,261)	(704,094)
<b>Surplus from takaful operations before wakala fees</b>		-	-	5,008,342	4,043,610	(22,999)	207,200	4,985,343	4,250,810
Wakala fees expense	-	-	-	(4,380,140)	(3,734,528)	(128,979)	(171,650)	(4,509,119)	(3,906,178)
<b>Surplus / (deficit) from takaful operations after wakala fees</b>		-	-	628,202	309,082	(151,978)	35,550	476,224	344,632
Wakala fees income	24	4,509,119	3,906,178	-	-	-	-	4,509,119	3,906,178
Investment income / (loss) - net	25	179,458	101,773	128,728	163,561	132,026	(67,040)	440,212	198,294
Mudarib share	-	65,189	40,890	(32,182)	(40,890)	(33,007)	-	-	-
Income from an associate	8	6,615	54,136	-	-	-	-	6,615	54,136
Other income	26	12,773	710,940	-	-	-	-	12,773	710,940
		4,773,154	4,813,917	96,546	122,671	99,019	(67,040)	4,968,719	4,869,548
General administration expenses	22	(2,034,511)	(2,019,865)	-	-	-	-	(2,034,511)	(2,019,865)
Corporate expenses	-	(317,284)	(224,870)	-	-	-	-	(317,284)	(224,870)
Amortisation of acquisition costs	13	(1,490,413)	(1,425,077)	-	-	-	-	(1,490,413)	(1,425,077)
		(3,842,208)	(3,669,812)	-	-	-	-	(3,842,208)	(3,669,812)
<b>Net profit and surplus / (deficit) for the year</b>		930,946	1,144,105	724,748	431,753	(52,959)	(31,490)	1,602,735	1,544,368
<b>Earnings per share</b>	27	10.95 fils	13.46 fils						

Mr. Ebrahim Mohamed Sharif Alrayes  
Chairman

Mr. AbdulRahman Abdulla Mohammed  
Vice Chairman

Mr. Essam Mohamed Al Ansari  
Chief Executive Officer

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

# Statement of Changes in Owners' Equity

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

	Share capital	Statutory reserve	General reserve	Retained earnings	Investments fair value reserve	Total equity
Balance at 1 January 2021	8,500,000	770,569	200,000	1,578,365	115,199	11,164,133
Effect of adoption of a new accounting standard (note 3)	-	-	-	(5,729)	-	(5,729)
Profit for the year	-	-	-	930,946	-	930,946
Other comprehensive loss	-	-	-	-	(18,680)	(18,680)
Total comprehensive income / (loss) for the year	-	-	-	930,946	(18,680)	912,266
Dividend paid for FY 2020	-	-	-	(425,000)	-	(425,000)
Transfer to statutory reserve (note 19)	-	93,095	-	(93,095)	-	-
<b>Balance as at 31 December 2021</b>	<b>8,500,000</b>	<b>863,664</b>	<b>200,000</b>	<b>1,985,487</b>	<b>96,519</b>	<b>11,645,670</b>
Balance at 1 January 2020	8,500,000	656,159	200,000	548,670	174,142	10,078,971
Profit for the year	-	-	-	1,144,105	-	1,144,105
Other comprehensive loss	-	-	-	-	(58,943)	(58,943)
Total comprehensive income / (loss) for the year	-	-	-	1,144,105	(58,943)	1,085,162
Transfer to statutory reserve (note 19)	-	114,410	-	(114,410)	-	-
<b>Balance as at 31 December 2020</b>	<b>8,500,000</b>	<b>770,569</b>	<b>200,000</b>	<b>1,578,365</b>	<b>115,199</b>	<b>11,164,133</b>

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



# Statement of Changes in Participants' Fund

Year Ended 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

	Investments fair value reserve				Total
	General takaful	Family takaful	General takaful	Family takaful	
Balance at 1 January 2021	(159,838)	132,449	74,192	63,629	110,432
Realised fair value gains on investment securities	-	-	201,034	26,250	227,284
Unrealised fair value (loss) / gain on investment securities	-	-	(176,727)	23,120	(153,607)
<b>Surplus / (deficit) for the year</b>	<b>724,748</b>	<b>(52,959)</b>	<b>-</b>	<b>-</b>	<b>671,789</b>
<b>Balance as at 31 December 2021</b>	<b>564,910</b>	<b>79,490</b>	<b>98,499</b>	<b>112,999</b>	<b>855,898</b>
Balance at 1 January 2020	(591,591)	163,939	130,039	6,917	(290,696)
Realised fair value gains on investment securities	-	-	31,911	214,532	246,443
Unrealised fair value loss on investment securities	-	-	(87,758)	(157,820)	(245,578)
<b>Surplus / (deficit) for the year</b>	<b>431,753</b>	<b>(31,490)</b>	<b>-</b>	<b>-</b>	<b>400,263</b>
<b>Balance as at 31 December 2020</b>	<b>(159,838)</b>	<b>132,449</b>	<b>74,192</b>	<b>63,629</b>	<b>110,432</b>

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

# Statement Of Cash Flows

Year Ended 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

	Notes	For the year ended 31 December	
		2021	2020
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		930,946	1,144,105
Surplus from participants' operations		671,789	400,264
Adjustments for:			
Income from an associate	8	(34,193)	(54,136)
Loss on sale of associate		27,578	-
Investment income	25	(618,330)	-
Gains on sale of investments at fair value through equity	25	(242,908)	(231,457)
Impairment loss on investments at fair value through equity	25	261,328	578,184
Amortisation of right-of-use assets		69,406	-
Depreciation	16	34,204	115,849
Provision for impairment of takaful and retakaful receivables	9	322,261	704,094
Gain on sale of property and equity	26	-	(543,902)
Movement in unearned contributions		(203,719)	(337,503)
Movement in unearned commissions		139,587	28,594
Movement in transfer to family takaful technical reserve		740,823	332,343
Ijarah cost		45,845	71,006
Operating profit before changes in operating assets and liabilities		2,144,617	2,207,441
Changes in operating assets and liabilities:			
Takaful and retakaful receivables		1,270,009	3,282,609
Other receivables, accrued income and prepayments		(97,086)	(27,422)
Retakaful share of outstanding claims		955,806	632,044
Gross outstanding claims		(124,484)	147,269
Takaful and retakaful payables		1,554,022	(401,950)
Other liabilities and provisions		196,149	(419,948)
Employees' terminal benefits		36,400	68,148
<b>Net cash from operating activities</b>		<b>5,935,433</b>	<b>5,488,191</b>
<b>INVESTING ACTIVITIES</b>			
Investment income received		861,238	-
Purchase of property and equipment	16	(47,290)	(34,125)
Proceeds from sale of property and equipment		-	1,550,000
Purchase of investments at fair value through equity	7	(3,247,213)	(1,618,428)
Proceeds from the sale of available for sale investments at fair value through equity		716,501	1,354,960
Bank deposits with maturities of more than three months		4,907,571	(686,783)
Net cash flow from deconsolidation of a subsidiary		83,249	-
<b>Net cash from investing activities</b>		<b>3,274,056</b>	<b>565,624</b>
<b>FINANCING ACTIVITIES</b>			
Cash dividend paid		(425,000)	-
Payment of Ijarah liabilities		(94,904)	-
<b>Net cash used in financing activities</b>		<b>(519,904)</b>	<b>-</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>8,689,585</b>	<b>6,050,956</b>
Cash and cash equivalents at the beginning of the year		8,641,681	2,590,725
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>6</b>	<b>17,331,266</b>	<b>8,641,681</b>
<b>COMPRISING:</b>			
<b>CASH AND BALANCES WITH BANKS</b>			
<b>Cash and balance in current accounts</b>		<b>7,424,725</b>	<b>5,211,681</b>
Bank deposits with original maturity of three months or less		9,906,541	3,430,000
<b>CASH AND CASH EQUIVALENTS</b>		<b>17,331,266</b>	<b>8,641,681</b>
Bank deposits with original maturity of more than three months	6	4,742,000	9,649,571
<b>Cash and balances with banks as per statement of financial position</b>	<b>6</b>	<b>22,073,266</b>	<b>18,291,252</b>

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

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 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.

### *Impact of COVID-19*

During the previous year 2020, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. While these developments continue to impact the Company's operations, the scale and duration of further developments remain uncertain at this stage and could potentially further impact the Company's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable.

The financial statements of the Company were authorised for issue in accordance with a resolution of the Board of Directors dated 15 February 2022.

## 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 2020 except for the adoption of new and amended standards issued and effective for annual periods beginning on or after 1 January 2021.

### **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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### *FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)*

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture. The Company's management is currently assessing the impact of the above standard on the Company's financial statements.

### *FAS 32 Ijarah*

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

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

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

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

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### FAS 32 Ijarah (continued)

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

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

#### a) Right-of-use assets

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

#### b) Ijarah liabilities

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

### FAS 33 Investment in sukuk, shares and similar instruments

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

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

### FAS 34 Financial Reporting for Sukuk -holders

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

### FAS 36 First Time Adoption of AAOIFI Financial Accounting Standards

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

### New standards, interpretations and amendments issued but not yet effective

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### New standards, interpretations and amendments issued but not yet effective (continued)

- FAS 35 "Risk reserves" (effective 1 January 2021)
- FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risk faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions.
- 'FAS 37 "Financial Reporting by Waqf Institutions" (effective 1 January 2022)  
The standard establishes principles of financial reporting by Waqf financial institutions, which are established and operated in line with Shari'ah principle and rules.
- FAS 38 Wa'ad Khiyar and Tahawwut (effective 1 January 2022)  
The standard prescribes the accounting and reporting principles and requirements for Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for the institutions.

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

### Investment in an associate

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

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

The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Company recognises its share of any changes and discloses this, when applicable, in statement of other comprehensive income (note 38). 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 associate is shown on the face of the statement of income. This is the profit or loss attributable to equity holders 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)

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 takaful contracts as follows:

- By the 1/365th method for all annual takaful 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.

#### *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 (2020: 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Retakaful share*

Retakaful share comprise the total contributions payable for the whole cover provided by contracts entered into during the year 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.

#### *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 between participants that have not made a claim in excess of paid contribution, in proportion to their risk contributions to the fund after accounting for reserves. The distributions are 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 owners' fund will forego such outstanding amount.

### **Cash and cash equivalents**

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

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

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



## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets are recognised initially at fair value, including directly attributable transaction costs. The company's 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 company's debt-type investments at fair value included investment in quoted sukuk.

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.

### 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.

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings on freehold lands	25 years
Furniture, fixtures and equipments	3-10 years
Vehicles	4 years

### Receivables from takaful funds

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

### Foreign currency transactions

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

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

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

### Dividends on share capital

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

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

### Share capital

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

### Revenue recognition

#### *Investment income*

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

#### *Rental income*

Rental income is recognised on an accruals basis.

#### *Dividends*

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

#### *Wakala fee*

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

#### *Mudarib share*

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

### Retakaful commissions

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

### Offsetting

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fair values

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

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

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

her comprehensive income (note 37) are transferred to the statement of income. Dividend income on equity-type instruments at fair value through equity are included under investment income in the statement of income.

### 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 that is non shari'a compliant. Accordingly, all non-shari'a compliant income is credited to a charity account where the Company uses these funds for charitable purposes.

## 4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

### *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.

## 5 STATUTORY DEPOSIT

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 (2020: 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.

# Notes To The Financial Statements

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(Expressed in Bahraini Dinars)

## 6 CASH AND BALANCES WITH BANKS

	31 December 2021			
	Shareholders BD	General Takaful BD	Family Takaful BD	Total 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

	31 December 2020			
	Shareholders BD	General Takaful BD	Family Takaful BD	Total BD
Cash in hand	499	541	-	1,040
Balances with banks	985,680	3,935,973	288,988	5,210,641
Bank deposits with original maturities of three months or less	1,160,000	1,270,000	1,000,000	3,430,000
	2,146,179	5,206,514	1,288,988	8,641,681
Bank deposits with original maturities of more than three months	5,532,216	3,305,855	811,500	9,649,571
Cash and balances with banks	7,678,395	8,512,369	2,100,488	18,291,252

Call account balance earn effective profit rates averaging 0.12% per annum (2020: 0.90% per annum).

The savings account balances with banks earn effective profit rates ranging between 0.22% and 0.40% per annum (2020: between 0.20% and 0.35% per annum).

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

## 7 INVESTMENTS

	31 December 2021 BD	31 December 2020 BD
Equity and debt-type instruments at fair value through equity (note 7.1)	7,504,112	5,574,931
Debt-type instruments at amortised cost (note 7.2)	738,472	344,000
	8,242,584	5,918,931

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 7 INVESTMENTS (continued)

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

	31 December 2021				31 December 2020			
	Shareholders BD	General Takaful BD	Family Takaful BD	Total BD	Shareholders BD	General Takaful BD	Family Takaful BD	Total BD
Opening balance	2,634,093	1,687,884	1,252,954	5,574,931	2,715,089	1,699,240	1,645,939	6,060,268
Additions during the year	1,261,514	1,588,895	2,332	2,852,741	895,391	379,037	-	1,274,428
Disposals during the year	(452,500)	(165,171)	(98,830)	(716,501)	(663,369)	(233,834)	(226,300)	(1,123,503)
Realised fair value (losses) / gains on sale of equity and debt-type investments at fair value through equity	(12,544)	(6,716)	120	(19,140)	(123,073)	(68,801)	(8,865)	(200,739)
Impairment loss for the year	(28,168)	(207,030)	(26,130)	(261,328)	(254,075)	(100,712)	(223,397)	(578,184)
Unrealised fair value (losses) / gains recognised in investment fair value reserve	(6,136)	30,296	49,249	73,409	64,130	12,954	65,577	142,661
Closing 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

### 7.2 Debt-type instruments at amortised cost

	Shareholders		General Takaful		Total	
	31December 2021 BD	31December 2020 BD	31December 2021 BD	31December 2020 BD	31December 2021 BD	31December 2020 BD
Opening balance	-	-	344,000	-	344,000	-
Additions during the year	122,226	-	272,246	344,000	394,472	344,000
Closing balance	122,226	-	616,246	344,000	738,472	344,000

### Analysis of investments

	31 December 2021				31 December 2020			
	Shareholders BD	General Takaful BD	Family Takaful BD	Total BD	Shareholders BD	General Takaful BD	Family Takaful BD	Total BD
Shares listed on stock exchanges	1,438,866	-	256,669	1,695,535	417,684	71,584	431,119	920,387
Quoted managed funds	171,624	65,318	192,720	429,662	159,647	25,355	26,892	211,894
Unquoted managed funds	177,862	54,135	17,228	249,225	145,975	35,824	6,773	188,572
Quoted Sukuks	1,607,907	2,808,705	713,078	5,129,690	1,910,787	1,555,121	788,170	4,254,078
Debt-type investments at amortised cost	122,226	616,246	-	738,472	-	344,000	-	344,000
Closing balance	3,518,485	3,544,404	1,179,695	8,242,584	2,634,093	2,031,884	1,252,954	5,918,931

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 261,328 (2020: BD 578,184) has been recognised in the statement of income.

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 8 INVESTMENT IN AN ASSOCIATE

During 2020, the Company received advance for sale of 20.5% shares of investment In Associate - Health 360 which was recorded as advance in other liabilities and provisions as at 31 December 2020 as legal procedure for the sale and share transfer was not effected in the books of associate. On March 2021, the legal procedure of sale and share transfer was effected in the books of associate. The company is having a share of 20% in the Associate Health 360 as at 31st Dec 2021: (2020: 40.5%)

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

	2021 BD	2020 BD
At 1 January	260,776	206,640
Sale of share in an associate	(82,535)	-
Share of results	6,615	54,136
At 31 December	184,856	260,776

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:

<i>Summarised financial position of the associate:</i>	2021 BD	2020 BD
Current assets	1,620,296	1,274,642
Non-current assets	297,974	425,594
Current liabilities	(898,010)	(679,935)
Non-current liabilities	(95,979)	(376,411)
Equity (100%)	924,281	643,890
Proportion of the Company's ownership %	20.00%	40.50%
Proportion of the Company's ownership	184,856	260,776
Carrying amount of investments in an associate	184,856	260,776
Company's share of an associate's results	6,615	54,136

## 9 TAKAFUL AND RETAKAFUL RECEIVABLES

	31 December 2021			31 December 2020		
	General Takaful BD	Family Takaful BD	Total BD	General Takaful BD	Family Takaful BD	Total BD
Due from takaful companies	701,858	-	701,858	1,714,548	-	1,714,548
Due from retakaful companies	307,881	30,200	338,081	383,025	41,903	424,928
Due from takaful participants	2,801,174	41,568	2,842,742	2,687,202	34,700	2,721,902
Due from brokers	1,622,654	461,152	2,083,806	2,044,459	487,660	2,532,119
Allowance for impairment of takaful and retakaful receivables	(1,394,769)	(77,379)	(1,472,148)	(1,229,510)	(77,378)	(1,306,888)
Closing balance	4,038,798	455,541	4,494,339	5,599,724	486,885	6,086,609

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

At 31 December 2021, in the opinion of the Company's management, a provision of BD 1,472,148 is required towards impairment of takaful and retakaful receivables (2020: BD 1,306,888). The movement in the provision for impaired takaful and retakaful receivables is as follows:

	31 December 2021 BD	31 December 2020 BD
At 1 January	1,306,888	697,088
Charge during the year	322,261	704,094
Written-off during the year	(157,001)	(94,294)
	1,472,148	1,306,888

# Notes To The Financial Statements

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(Expressed in Bahraini Dinars)

## 9 TAKAFUL AND RETAKAFUL RECEIVABLES (continued)

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

2021	Total BD	Neither past due nor impaired	Past due but not impaired			Impaired
			Less than 120 days	180-121 days	365-181 days	
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
	4,494,339	2,049,632	852,767	394,545	708,545	488,850

2020	Total BD	Neither past due nor impaired	Past due but not impaired			Impaired
			Less than 120 days	180-121 days	365-181 days	
General takaful	5,599,724	1,670,864	443,515	496,246	1,539,389	1,449,710
Family takaful	486,885	13,702	5,144	6,264	272,178	189,597
	6,086,609	1,684,566	448,659	502,510	1,811,567	1,639,307

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

2021	General takaful		Family takaful		Total	
	Current	Overdue and not impaired	Current	Overdue and not impaired	Current	Overdue and not impaired
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
	2,779,750	1,259,047	122,649	332,893	2,902,399	1,591,940

2020	General takaful		Family takaful		Total	
	Current	Overdue and not impaired	Current	Overdue and not impaired	Current	Overdue and not impaired
Age in days						
0 to 30 days	990,610	-	3,211	-	993,821	-
31 to 60 days	680,254	-	10,491	-	690,745	-
61 to 120 days	443,515	-	5,144	-	448,659	-
121 to 180 days	-	496,246	-	6,264	-	502,510
181 to 365 days	-	1,539,389	-	272,178	-	1,811,567
More than 365 days	-	1,449,710	-	189,597	-	1,639,307
	2,114,379	3,485,345	18,846	468,039	2,133,225	3,953,384

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.

## 10 OUTSTANDING CLAIMS

	2021			2020		
	Gross BD	Retakaful share BD	Net BD	Gross BD	Retakaful share BD	Net BD
At 1 January						
Reported claims	5,690,422	(3,026,034)	2,664,388	5,961,257	(3,227,793)	2,733,464
IBNR and IBNER claims	3,033,100	(531,121)	2,501,979	2,614,996	(961,406)	1,653,590
Claims incurred during the year	8,723,522	(3,557,155)	5,166,367	8,576,253	(4,189,199)	4,387,054
Claims paid during the year	12,730,712	(509,086)	12,221,626	13,816,615	(2,047,425)	11,769,190
At 31 December	8,599,038	(2,601,349)	5,997,689	8,723,522	(3,557,155)	5,166,367
At 31 December						
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

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.



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## 11 CLAIMS DEVELOPMENT

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

### Gross claims

Accident year	2013 BD	2014 BD	2015 BD	2016 BD	2017 BD	2018 BD	2019 BD	2020 BD	2021 BD	Total BD
<b>At the end of</b>										
Accident year	16,566,910	15,944,216	14,114,570	19,543,039	14,857,761	13,429,495	12,175,718	9,989,876	13,721,247	
One year later	18,467,530	17,929,940	15,616,058	21,003,703	15,609,702	14,726,672	13,185,804	11,411,977	-	
Two years later	19,107,107	18,473,773	16,067,398	21,585,358	15,094,685	15,759,222	13,678,767	-	-	
Three years later	19,199,346	18,684,098	15,716,863	21,778,100	16,041,265	15,922,906	-	-	-	
Four years later	19,252,601	18,606,886	15,787,211	22,204,947	16,172,933	-	-	-	-	
Five years later	19,183,033	18,784,189	15,901,061	22,240,397	-	-	-	-	-	
Six years later	19,171,941	18,802,644	15,864,775	-	-	-	-	-	-	
Seven years later	19,175,325	18,785,878	-	-	-	-	-	-	-	
Eight years later	19,159,713	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	19,159,713	18,785,878	15,864,775	22,240,397	16,172,933	15,922,906	13,678,767	11,411,977	13,721,247	146,958,593
Cumulative payments to date	(19,135,147)	(18,761,741)	(15,817,928)	(21,961,392)	(15,719,221)	(15,159,450)	(13,230,782)	(10,269,936)	(8,402,496)	(138,458,093)
Liability recognised in the statement of financial position	24,566	24,137	46,847	279,005	453,712	763,456	447,985	1,142,041	5,318,751	8,500,500
Liability in respect of years prior to 2013										98,538
Total reserve included in the statement of financial position										8,599,038

### Net outstanding claims

Accident year	2013 BD	2014 BD	2015 BD	2016 BD	2017 BD	2018 BD	2019 BD	2020 BD	2021 BD	Total BD
<b>At the end of</b>										
Accident year	6,818,786	7,969,734	7,693,410	9,953,127	8,442,811	8,794,214	9,561,175	8,137,711	11,633,011	
One year later	7,724,461	8,680,302	8,550,696	10,465,468	9,129,230	9,476,464	10,294,900	9,295,599	-	
Two years later	8,149,743	9,042,943	8,754,461	10,746,097	9,219,893	10,057,069	10,851,986	-	-	
Three years later	8,178,844	9,164,204	8,765,827	10,945,825	9,754,857	10,343,106	-	-	-	
Four years later	8,284,188	9,228,359	8,857,734	11,393,318	9,994,111	-	-	-	-	
Five years later	8,361,783	9,341,964	8,987,672	11,561,222	-	-	-	-	-	
Six years later	8,380,391	9,375,777	9,035,884	-	-	-	-	-	-	
Seven years later	8,396,207	9,439,696	-	-	-	-	-	-	-	
Eight years later	8,455,157	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	8,455,157	9,439,696	9,035,884	11,561,222	9,994,111	10,343,106	10,851,986	9,295,599	11,633,011	90,609,772
Cumulative payments to date	(8,449,188)	(9,423,182)	(9,014,241)	(11,509,045)	(9,929,413)	(10,165,524)	(10,484,556)	(8,380,816)	(7,264,383)	(84,620,348)
Liability recognised in the statement of financial position	5,969	16,514	21,643	52,177	64,698	177,582	367,430	914,783	4,368,628	5,989,424
Liability in respect of years prior to 2013										8,265
Total reserve included in the statement of financial position										5,997,689

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## 12 UNEARNED CONTRIBUTIONS AND DEFERRED RETAKAFUL CONTRUBUTIONS

	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

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

## 13 DEFERRED ACQUISITION COSTS

	2021 BD	2020 BD
At 1 January	493,161	573,803
Acquisition costs during the year	1,430,679	1,344,435
Amortisation for the year	(1,490,413)	(1,425,077)
At 31 December	433,427	493,161

## 14 UNEARNED COMMISSIONS

	2021 BD	2020 BD
At 1 January	285,762	337,810
Retakaful commissions received	987,623	722,733
Retakaful commissions earned	(907,770)	(774,781)
At 31 December	365,615	285,762

## 15 OTHER RECEIVABLES, ACCRUED INCOME AND PREPAYMENTS

	31 December 2021			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Staff related receivables	633	-	-	633
Accrued Income	70,618	98,864	24,857	194,339
Prepaid Expenses	11,289	81,372	-	92,661
Tender Deposits	-	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

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At 31 December 2021 (Audited)

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## 15 OTHER RECEIVABLES AND PREPAYMENTS (continued)

	31 December 2020			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Staff related receivables	637	-	-	637
Accrued Income	92,514	65,353	27,070	184,937
Prepaid Expenses	21,968	81,045	-	103,013
Tender Deposits	-	116,674	-	116,674
Other Receivables	60,089	67,441	-	127,530
VAT receivable	25,594	43,156	-	68,750
<b>At 31 December</b>	<b>200,802</b>	<b>373,669</b>	<b>27,070</b>	<b>601,541</b>

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.

## 16 PROPERTY AND EQUIPMENT

	Freehold land BD	Buildings on freehold land BD	Furniture and fixtures BD	Office equipment BD	Motor vehicles BD	Total BD
<b>Cost</b>						
At 1 January 2020	492,148	1,124,340	885,506	1,589,650	57,509	4,149,153
Additions	-	-	3,969	30,156	-	34,125
Transfers	-	10,581	10,026	(20,195)	(412)	-
Disposals	(492,148)	(1,134,921)	(295,315)	(1,219,766)	-	(3,142,150)
At 1 January 2021	-	-	604,186	379,845	57,097	1,041,128
Additions	-	-	11,675	35,615	-	47,290
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(24,000)	(24,000)
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>615,861</b>	<b>415,460</b>	<b>33,097</b>	<b>1,064,418</b>
<b>Accumulated depreciation</b>						
At 1 January 2020	-	557,313	861,887	1,512,306	57,097	2,988,603
Charge for the year	-	63,011	15,125	37,713	-	115,849
Disposals for the year	-	(620,971)	(295,315)	(1,219,766)	-	(2,136,052)
Transfers	-	647	2,710	(3,357)	-	-
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)
Transfers	-	-	-	-	-	-
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>589,246</b>	<b>356,261</b>	<b>33,097</b>	<b>978,604</b>
<b>Net book amount</b>						
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>26,615</b>	<b>59,199</b>	<b>-</b>	<b>85,814</b>
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>19,779</b>	<b>52,949</b>	<b>-</b>	<b>72,728</b>

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## 17 RECEIVABLE FROM TAKAFUL FUNDS

Receivable from takaful funds includes amounts due from General takaful and Family takaful policyholders' funds on account of wakala fees, mudarib fees and inter-company balances amounting to BD 702,564 (2020: BD 955,382).

## 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 2021 and 31 December 2020.

	31 December 2021		31 December 2020	
	Shareholders BD	Others BD	Shareholders BD	Others BD
Gross contributions	217,386	20,239	229,434	12075
Retakaful providers' share of gross contribution	124,657	118,303	89,211	
Gross claims paid	40,621	34,260	41,180	
Retakaful providers' share of claims paid	1,435	33,985	7	
Fee and commission income	11,478	17,151	7,541	
Acquisition costs	32,550	89	37,276	
Sale of Land and Building	-	-	1,550,000	
Other income	-	-	543,902	
General and administrative expenses	108,479	-	6,784	
Corporate expenses	-	28,800	-	28,609
Income from an associate	-	6,615	-	54,136

	31 December 2021		31 December 2020	
	Shareholders BD	Others BD	Shareholders BD	Others BD
Investments at fair value through equity	-	170,955		260,776
Right of use of asset	508,058		-	-
Ijarah liability	516,055		-	-
Takaful and retakaful balances receivable	164,397	47,427	119,110	-
Takaful and retakaful balances payable	106,678	16,546	62,035	580
Other payables	31,175	10,854	18,952	1,343
Other receivables	-	2,258	13,568	118

# Notes To The Financial Statements

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## 18 RELATED PARTIES (continued)

### 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 2021 BD	31 December 2020 BD
Directors' remuneration	60,000	-
Directors' attendance fees	71,500	72,800
	131,500	72,800

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 2021 BD	31 December 2020 BD
Salaries and benefits	469,339	421,438
End of service benefits	31,900	31,955
	501,239	453,393

The Key Management personnel includes the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Underwriting Officer – General Takaful, Chief Underwriting Officer – Family Takaful & Health Care and the Chief Underwriting Officer – Motor Takaful.

## 19 EQUITY AND RESERVES

	31 December 2021 BD	31 December 2020 BD
<b>Authorised share capital:</b>		
<b>Ordinary shares</b>		
200,000,000 ordinary shares of 100 fils each (2020: 200,000,000 ordinary shares of 100 fils each)	20,000,000	20,000,000
<b>Issued and fully paid-up capital:</b>		
<b>Ordinary shares</b>		
85,000,000 ordinary shares of 100 fils each (2020: 85,000,000 ordinary shares of 100 fils each)	8,500,000	8,500,000

### Additional information on shareholding pattern

i) The names and nationalities and number of shares held by the major shareholders individually holding 5% and more of the issued and fully paid-up share capital as at 31 December 2021 and 2020 respectively is as follows:

Name of the shareholders	Nationality	31 December 2021	
		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 2020	
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%

# Notes To The Financial Statements

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## 19 EQUITY AND RESERVES (continued)

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

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

	31 December 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% and above	1	69,651,974	81.94%
	201	85,000,000	100.00%

	31 December 2020		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	203	6,195,820	7.29%
1% up to less than 5%	2	3,902,206	4.59%
5% up to less than 10%	1	5,250,000	6.18%
10% up to less than 50%	1	69,651,974	81.94%
	207	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 2021, the company transferred an amount of BD 93,095 (2020: BD 114,410) 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 15 February 2022, recommended cash dividend of 5 fils per share amounting to BD 425,000 (2020: BD 425,000), which are subject to approval of the shareholders at the Annual General Meeting to be held on 29 March 2022. Dividend of BD 425,000 for the financial year 2020 was paid during the year 2021.

# Notes To The Financial Statements

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## 20 PAYABLES AND ACCRUED LIABILITIES - OTHERS

	31 December 2021			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD
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

	31 December 2020			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Due to garages, spare part suppliers and others	-	76,363	-	76,363
Provision for employees' leaving indemnity	306,361	-	-	306,361
Accrued expenses	515,356	154,078	-	669,434
VAT payables	751	83,223	-	83,974
Provision for leave pay	9,394	-	-	9,394
Payable to Shareholders fund	-	782,176	173,206	955,382
Other liabilities	73,582	90,884	2,154	166,620
	905,444	1,186,724	175,360	2,267,528

## 21 GROSS CONTRIBUTIONS

	31 December 2021		
	General takaful BD	Family takaful BD	Total BD
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

	31 December 2020		
	General takaful BD	Family takaful BD	Total BD
Led by the company - net of refunds	20,911,442	1,448,522	22,359,964
Led by other insurance companies - Company's share	499,422	-	499,422
	21,410,864	1,448,522	22,859,386

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## 22 GENERAL ADMINISTRATION AND CORPORATE EXPENSES

	31 December 2021 BD	31 December 2020 BD
Employee related costs	1,483,615	1,395,835
General administration expenses	445,756	511,324
Depreciation	105,140	112,706
	<b>2,034,511</b>	<b>2,019,865</b>

## 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 2021 amounted to BD 107,676/- (2020: BD 88,429/-).

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

	31 December 2021 BD	31 December 2020 BD
Opening balance	306,361	238,213
Accruals for the year	71,169	71,006
Payments during the year	(34,769)	(2,858)
Closing balance	<b>342,761</b>	<b>306,361</b>
<b>Total number of staff employed by the Company</b>	<b>96</b>	<b>93</b>

## 24 WAKALA FEE AND MUDARIB SHARE

The shareholders manage the general and family takaful operations for the participants' and charged 18.67% (2020: 17%) and 9.60% (2020: 12%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 25% (2020: 25%) of the general takaful and family takaful investment income earned by the participants' investment funds, respectively. The maximum chargeable wakala fee and mudarib share, as approved by the Shari'a Supervisory Board, are 35% (2020: 35%) and 25% (2020: 25%) respectively.

## 25 INVESTMENT INCOME

	Year ended 31 December 2021			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD
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)
	<b>179,458</b>	<b>128,728</b>	<b>132,026</b>	<b>440,212</b>



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## 25 INVESTMENT INCOME (continued)

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

## 26 OTHER INCOME - NET

	Year ended 31 December 2021 BD	Year ended 31 December 2020 BD
<b>Other income</b>	-	543,902
Profit on sale of property and equipment	-	164,543
COVID19- Government grant	-	825
Rental income	12,773	1,670
Other income	12,773	710,940

## 27 EARNINGS PER SHARE

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

	Year ended 31 December 2021 BD	Year ended 31 December 2020 BD
Net profit	930,946	1,144,105
Weighted average number of ordinary shares issued	85,000,000	85,000,000
Earnings per share	10.95 fils	13.46 fils

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

	31 December 2021	31 December 2020
<b>Other information</b>		
Net asset value per share	137 Fils	131 Fils
Share price per Bahrain Bourse at 31 December	130 Fils	90 Fils
Price to earning ratio at 31 December	12 Times	7 Times
Total market capitalisation at 31 December (BD - thousand)	11,050	7,650

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## 28 IJARAH

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

### 28.1 Right of use assets

	31 December 2021 BD	31 December 2020 BD
Other income	599,840	-
Termination of lease	(6,859)	-
Depreciation for the year	(73,021)	-
Other income	519,960	-

### 28.2 Ijarah liabilities

	31 December 2021 BD	31 December 2020 BD
At 1 January	588,501	-
Termination of lease	(5,815)	-
Accretion of profit expense	46,174	-
Lease payments	(99,335)	-
At 31 December	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.

# Notes To The Financial Statements

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## 28 SEGMENTAL UNDERWRITING RESULTS (continued)

### Business segments – primary reporting segment

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

For the year ended 31 December 2021

	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	Total General Takaful BD	Family Takaful BD	Total BD
<b>Gross contributions</b>	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)
<b>Retained contributions</b>	<b>901,425</b>	<b>7,765,906</b>	<b>7,944,958</b>	<b>87,688</b>	<b>16,699,977</b>	<b>939,782</b>	<b>17,639,759</b>
Unearned Contribution adjustment - net	(49,378)	(61,032)	307,114	3,303	200,007	3,712	203,719
<b>Net earned contributions</b>	<b>852,047</b>	<b>7,704,874</b>	<b>8,252,072</b>	<b>90,991</b>	<b>16,899,984</b>	<b>943,494</b>	<b>17,843,478</b>
<b>Fee and Commission Income</b>	<b>926,038</b>	<b>28</b>	<b>228</b>	<b>83,927</b>	<b>1,010,221</b>	<b>-</b>	<b>1,010,221</b>
<b>Segment Revenue</b>	<b>1,778,085</b>	<b>7,704,902</b>	<b>8,252,300</b>	<b>174,918</b>	<b>17,910,205</b>	<b>943,494</b>	<b>18,853,699</b>
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 impaired takaful receivables	(43,701)	(24,159)	(244,401)	(10,000)	(322,261)	-	(322,261)
<b>Surplus / (Deficit) from takaful operations before wakala fees</b>	<b>1,333,731</b>	<b>1,121,688</b>	<b>2,422,521</b>	<b>130,402</b>	<b>5,008,342</b>	<b>(22,999)</b>	<b>4,985,343</b>
Wakala fees expense	(1,127,285)	(978,958)	(2,182,859)	(91,038)	(4,380,140)	(128,979)	(4,509,119)
<b>Surplus / (Deficit) from takaful operations after wakala fees</b>	<b>206,446</b>	<b>142,730</b>	<b>239,662</b>	<b>39,364</b>	<b>628,202</b>	<b>(151,978)</b>	<b>476,224</b>
Investment Income - net					128,728	132,026	260,754
Mudarib fees expense					(32,182)	(33,007)	(65,189)
<b>Net surplus / (deficit) for the year</b>					<b>724,748</b>	<b>(52,959)</b>	<b>671,789</b>

The following table presents disclosure of segment assets and liabilities:

For the year ended 31 December 2020

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

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## 29 SEGMENTAL UNDERWRITING RESULTS (continued)

The following table presents disclosure of segment assets and liabilities:

	Fire & General BD	Medical BD	Motor BD	Marine & Aviation BD	Family Takaful BD	Total BD	Unallocated assets / Liabilities BD	Total BD
Identifiable assets and liabilities as on 31 December 2021 - (Audited)								
Identifiable assets	4,230,972	66,561	704,579	101,605	3,373,222	8,476,939	37,109,942	45,586,881
Identifiable liabilities	5,289,217	3,201,519	8,821,805	190,910	6,753,649	24,257,100	8,828,213	33,085,313
Identifiable assets and liabilities as on 31 December 2020 - (Audited)								
Identifiable assets	4,373,040	50,564	1,546,471	102,189	2,855,434	8,927,698	32,312,219	41,239,917
Identifiable liabilities	5,238,833	2,784,584	9,473,676	152,215	5,550,538	23,199,846	6,765,506	29,965,352

The activities of the Company are restricted to carrying out takaful, on the principles of Sharia'a, a significant portion of which is concentrated in the GCC countries, which are subject to similar risks and rewards and hence geographical segmental information has not been presented.

### 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 2021 and 2020 is as follows:

	Gross contributions by location		Non-current assets by location of assets	
	2021 BD	2020 BD	2021 BD	2020 BD
Kingdom of Bahrain	24,806,354	22,859,386	85,814	72,728
	24,806,354	22,859,386	85,814	72,728

## 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 insured type of risk insured or by industry.

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

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 (2020: 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.

### Currency risk

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

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## 30 RISK MANAGEMENT (continued)

### Currency risk (continued)

ASSETS	31 December 2021			
	Bahraini Dinar BD	US Dollars BD	Others BD	Total BD
Cash and balances with banks	21,426,723	646,373	170	22,073,266
Statutory deposit	125,000	-	-	125,000
Takaful and retakaful receivables	3,649,853	844,486	-	4,494,339
Retakaful providers' share of outstanding claims -Reported claims	889,034	1,176,194	-	2,065,228
Investments at fair value through equity	1,679,909	4,999,639	1,563,036	8,242,584
	27,770,519	7,666,692	1,563,206	37,000,417
<b>LIABILITES</b>				
Takaful liabilities - outstanding				
- claims - Reported claims	4,702,652	-	-	4,702,652
Unearned commissions	246,432	119,183	-	365,615
<i>Payables and accrued liabilities :</i>				-
Takaful and retakaful companies	3,049,587	1,277,296	-	4,326,883
Participants'	1,725,117	-	-	1,725,117
Others	2,214,268	32,419	-	2,246,687
	11,938,056	1,428,898	-	13,366,954
Net Exposure	15,832,463	6,237,794	1,563,206	23,633,463

ASSETS	31 December 2020			
	Bahraini Dinar BD	US Dollars BD	Others BD	Total BD
Cash and balances with banks	17,306,676	984,403	173	18,291,252
Statutory deposit	125,000	-	-	125,000
Takaful and retakaful receivables	4,942,935	1,143,674	-	6,086,609
Retakaful providers' share of outstanding claims -Reported claims	1,417,674	1,608,360	-	3,026,034
Investments at fair value through equity	1,451,814	3,998,935	468,182	5,918,931
	25,244,099	7,735,372	468,355	33,447,826
<b>LIABILITES</b>				
Takaful liabilities - outstanding				
claims - Reported claims	5,690,422	-	-	5,690,422
Unearned commissions	166,579	119,183	-	285,762
<i>Payables and accrued liabilities :</i>				
Takaful and retakaful companies	2,148,423	899,850	-	3,048,273
Participants'	1,449,704	-	-	1,449,704
Others	2,241,706	25,822	-	2,267,528
	11,696,834	1,044,855	-	12,741,689
Net Exposure	13,547,265	6,690,517	468,355	20,706,137

# Notes To The Financial Statements

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## 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, sukuk and managed funds).

The impact on investment fair value reserve and equity of a 1% increase/decrease in prices would be +/- of BD 82,426 (2020: +/- of BD 55,749).

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 2021 BD	31 December 2020 BD
Kingdom of Bahrain	4,576,940	3,292,439
Other GCC countries	3,433,648	2,325,384
Asia	42,528	175,723
Other countries	189,468	125,385
	8,242,584	5,918,931

### 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.

Financial assets	At 31 December 2021	
	Carrying value BD	Maximum exposure BD
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

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

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

# Notes To The Financial Statements

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## 30 RISK MANAGEMENT (continued)

### 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.

ASSETS	31 December 2021			
	One year or less BD	More than one year BD	No term BD	Total BD
Statutory deposits	-	-	125,000	125,000
Cash and balances with banks	22,073,266	-	-	22,073,266
Investments at fair value through equity	2,524,029	5,718,556	-	8,242,585
Takaful and retakaful receivables	4,005,488	488,850	-	4,494,338
Right of Use Assets	-	519,960	-	519,960
Retakaful providers' share of outstanding claims	2,601,349	-	-	2,601,349
Deferred retakaful contribution	2,396,913	-	-	2,396,913
Deferred acquisition costs	433,427	-	-	433,427
Retakaful providers share of family takaful technical reserves	3,045,250	-	-	3,045,250
Property and equipment	-	-	85,814	85,814
Other receivables, accrued income and prepayments	681,559	-	-	681,559
Receivable from takaful funds	702,564	-	-	702,564
Investment in an associate	-	-	184,856	184,856
	38,463,845	6,727,366	395,670	45,586,881
<b>LIABILITES</b>				
Gross outstanding claims	8,599,038	-	-	8,599,038
Unearned contributions	9,004,297	-	-	9,004,297
Unearned commissions	365,615	-	-	365,615
Family takaful technical reserves	6,288,150	-	-	6,288,150
Payables and accrued liabilities	6,052,000	-	-	6,052,000
Other liabilities and provisions	1,201,362	-	-	1,201,362
Employees' terminal benefits	-	342,761	-	342,761
Payable to shareholders	702,564	-	-	702,564
Ijara Liability	-	529,525	-	529,525
	32,213,026	872,286	-	33,085,312



# Notes To The Financial Statements

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## 30 RISK MANAGEMENT (continued)

### Liquidity risk (continued)

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

# Notes To The Financial Statements

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## 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:

	2021	2020
	BD	BD
Total available shareholders' capital to cover required solvency margin	7,495,000	5,785,000
Total Margin required for General & Family Takaful funds'	4,150,000	3,832,000
Excess Capital	3,345,000	1,953,000

## 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 295,490/- at 3.48 fils** per share (2020: BD 283,707/- at 3.33 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 (2020: 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

### a) Operating lease commitments

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

	31 December 2021	31 December 2021
	BD	BD
Not later than 1 year	14,000	32,000

### b) Other commitments

There are no other commitments as at 31 December 2021 and 31 December 2020.

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 37 QARD AL HASSAN

In accordance with the requirements of the capital adequacy module of the Central Bank of Bahrain's Rulebook - volume 3, there is no Qard apportionment made through the Insurance Firm Return for the year ended 31 December 2021 (2020: nil).

## 38 TOTAL COMPREHENSIVE INCOME

	For the year ended 31 December 2021 (Audited)				For the year ended 31 December 2020 (Audited)			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD	Shareholders BD	General takaful BD	Family takaful BD	Total BD
<b>Net profit and surplus / (deficit) for the year</b>	930,946	724,748	(52,959)	1,602,735	1,144,105	431,753	(31,490)	1,544,368
<b>Other comprehensive (loss) / income to be reclassified to statement of profit or loss in subsequent periods:</b>								
<i>Equity and debt-type instruments at fair value through equity:</i>								
Fair value changes arising during the year	(34,303)	(176,734)	23,120	(187,917)	(189,945)	(87,758)	(157,820)	(435,523)
Recycled to statement of profit or loss on disposal/impairment	15,623	201,034	26,250	242,907	131,002	31,911	214,532	377,445
<b>Other comprehensive (loss) / income for the year to be reclassified to statement of profit or loss in subsequent periods</b>	(18,680)	24,300	49,370	54,990	(58,943)	(55,847)	56,712	(58,078)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>	912,266	749,048	(3,589)	1,657,725	1,085,162	375,906	25,222	1,486,290

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 39 FINANCIAL INSTRUMENTS

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

	31 December 2021		
	Fair value through equity BD	Financial assets at amortised cost BD	Total BD
Statutory deposit	-	125,000	125,000
Cash and balances with banks	-	22,073,266	22,073,266
Investments at fair value through equity	8,242,584	-	8,242,584
Takaful and retakaful receivables	-	4,494,339	4,494,339
Retakaful providers' share of Takaful Liabilities	-	2,065,228	2,065,228
- Outstanding claims - Reported claims	-	588,898	588,898
Other receivables, accrued income and prepayments	-	-	-
	8,242,584	29,346,731	37,589,315
			Financial Liabilities
Takaful Liabilities			
- Outstanding Claims - Reported claims			4,702,652
Takaful and retakaful payables			6,052,000
Other liabilities and provisions			1,234,886
			11,989,538
			Financial Liabilities BD
	31 December 2020		
	Fair value through equity BD	Financial assets at amortised cost BD	Total BD
Statutory deposit	-	125,000	125,000
Cash and balances with banks	-	18,291,252	18,291,252
Investments at fair value through equity	5,574,931	344,000	5,918,931
Takaful and retakaful receivables	-	6,086,609	6,086,609
Retakaful providers' share of Takaful Liabilities	-	3,026,034	3,026,034
- Outstanding claims - Reported claims	-	498,528	498,528
Other receivables, accrued income and prepayments	-	-	-
	5,574,931	28,371,423	33,946,354
			Financial Liabilities BD
Takaful Liabilities			
- Outstanding Claims - Reported claims			5,690,422
Takaful and retakaful payables			4,497,978
Other liabilities and provisions			1,282,339
			11,470,739

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 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 2021			Total BD
	Level 1 BD	Level 2 BD	Level 3 BD	
<b>Equity and debt-type instruments at fair value through equity</b>				
Quoted equities				
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
Other managed funds				
Consumer Service	-	-	189,468	189,468
Infrastructure	-	-	17,228	17,228
Others	-	-	42,529	42,529
	7,254,887	-	249,225	7,504,112

# Notes To The Financial Statements

At 31 December 2021 (Audited)

(Expressed in Bahraini Dinars)

## 39 FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

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

Date of valuation was 31 December 2021 for the current period and 31 December 2020 for the comparative period respectively.

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 2021, there were no transfers between Level 1 and Level 2 fair value hierarchies, and no transfers into or out of Level 3 fair value hierarchy (2020 : No transfer)

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

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

A reasonably possible increase / (decrease) in the key assumptions by 10% would result in a fair value increase / (decrease) of BD 24,923 (2020: BD 18,857 ). 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.

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

## Supplementary disclosure to the financial statements related to the financial impact of covid-19

as at 31 December 2021

(Expressed in Bahraini Dinars)

COVID-19 pandemic continues to present challenges for many entities throughout the world. The pandemic arrested the growth in business & resulted in pulling down the activities of the Company. However, the financial impact was insignificant. The Company is actively monitoring the COVID-19 situation to manage the potential business disruption on its operations and financial performance.

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

There was no direct financial impact of COVID-19 situation on the Company's operations during the year ended 31 December 2021.

The below are expenses directly related to COVID-19 situation during the year ended 31 December 2021 as assessed by the Company:

	<b>Shareholders BD</b>
<u>Revenue Expenditure</u>	
Sterilization & Disinfection of Premises, Sanitizers, Masks & Gloves, Depreciation, etc.	196
COVID19- rapid test expenses for employees	230
<b>Total Revenue Expenditure</b>	<b>426</b>
<u>Capital Expenditure</u>	
Cost of Laptops for contingency plan	2,240
<b>Total Capital Expenditure</b>	<b>2,240</b>

The above supplementary information is provided to comply with the CBB circular number OG/2020/259 (Reporting of Financial Impact of COVID19-), dated 14th July 2020.

This disclosure should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of the COVID19- is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be out-of-date. In addition, this information does not represent the exact full comprehensive assessment of COVID19- impact on the Company. This information is not subject to any formal review by the external auditors.



**Minutes of the  
Annual General and Extraordinary  
Meetings**