

**Takaful International B.S.C**

**Earning rewards**  
for the future



annual report **2019**

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

The Prime Minister of  
The Kingdom of Bahrain



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

The King of  
The Kingdom of Bahrain



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

The Crown Prince  
Deputy Supreme Commander and  
First Deputy Prime Minister of  
The Kingdom of Bahrain

## General Information

### Takaful International Co. B.S.C.

**Registered Office:** Building No. 680, Road No 2811  
Seef District 428  
Kingdom of Bahrain

**Postal Address:** P.O. Box 3230  
Manama  
Kingdom of Bahrain

Telephone: 17565656  
Fax: 17582688  
E-mail: [takaful@gigtakaful.bh](mailto:takaful@gigtakaful.bh)  
Website: [www.gigtakaful.bh](http://www.gigtakaful.bh)

### Takaful Centers:

**Salmabad** Building 2164, Road 437,  
Salmabad 704  
Kingdom of Bahrain

Telephone: +973 80008050

**Seef Mall Muharraq** Shop 5, Building 154,  
Road 29, Arad 240  
Kingdom of Bahrain

Telephone: +973 80008050

**East Riffa** Shop 13A, Abu Shaheen  
Avenue  
Al Reem Centre,  
East Riffa 923  
Kingdom of Bahrain

Telephone: +973 80008050

**Saar Mall** Shop 24, Building 133,  
Road 25, Saar 525  
Kingdom of Bahrain

Telephone: +973 80008050

**Jerdab** Shop 771G, Ajood Al Jabri  
Avenue 77, Jerdab 729  
Kingdom of Bahrain

Telephone: +973 80008050

**Primary Bankers:**  
Bahrain Islamic Bank B.S.C  
Al Salam Bank

**Auditors:**  
Ernst & Young  
10th Floor  
East Tower, Bahrain World Trade Center  
P.O. Box 140 Manama,  
Kingdom of Bahrain

**Listing:**  
Bahrain Bourse

**Actuary:**  
Abdul Rahim Abdul Wahab  
A-62 KDA Officers Society,  
Karachi, Pakistan.  
Telephone: +92 213 4993000  
Mobile: +92 320 9262723

**Registrars:**  
Bahrain Clear B.S.C. (c)  
P.O. Box 3203, Manama  
Kingdom Of Bahrain



[www.gigtakaful.bh](http://www.gigtakaful.bh)



Everything we do, we do it to make our society a better place to live in and prosper. The portfolio of our unmatched solutions and services, the latest technology we adopt, and the string of warm-hearted CSR programs – everything reflects our unswerving commitment to giving back to the community that trusts us. Every employee takes up that mission. Every project is inspired by that vision. And we stride ahead into a promising future, upholding this spirit of excellence. Every year. Year after year.

## 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 caters to the requirements of the modern era.

## Products and Services

### 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)

### 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





# Executive Management



**Jijan Stephen**  
Chief Underwriting Officer  
General Takaful

**Lamia Hassan**  
Chief Compliance Officer  
Comliance & Legal Affiars

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

**Santosh Prabhu**  
Chief Financial Officer

**Essam Al Ansari**  
Chief Executive Officer

**Abdulaziz Al Othman**  
Deputy Chief Executive Officer

## Sharia'a Supervisory Board

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

**Dr. Shaikh Abdul Sattar Abuguddah**  
Deputy Chairman

**Shaikh Mohsin Al Asfor**  
Member

# Director's Report

**Jamal Al Hazeem**  
Chairman



We have consciously strived to build an institution that rests on a robust platform and benefits from a flexible and pragmatic management approach to embrace new practices in sync with the rapidly changing times.

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

Dear Shareholders,

On behalf of the members of the Board of Directors, it's my privilege to present the 30th Annual report of your Company for the financial year ended 31 December 2019.

Fiscal 2019 was an eventful year characterised by divergence in global economic trends where the global growth remained low. The year symbolised the growing risk environment in which we live today. On one hand we faced the risk related to environmental changes and global warming and on the other hand, new age risks such as cyber events and data frauds emerged as a significant threat, not just to businesses but to the consumers as well.

It is imperative for the Insurance sector to keep evolving, not only in terms of enhancing its service capabilities but also by expanding its bouquet of solutions to be able to effectively address the growing spectrum of risks. We at Takaful International continue to transform ourselves to cater to this changing risk environment. Our approach has been to offer better value as a risk manager instead of limiting ourselves to risk underwriting. We are helping our clients and customers prepare for risk incidents through a gamut of innovative products and services. At the same time, we have been harnessing technology to empower our customers to manage and address risks more effectively. Our focus during the last few years has been on using the technology and advanced analytics to mitigate logistics, property and health related risks. Our vision is backed by concrete steps to prepare for future growth and we continue to invest in the infrastructure required to expand the delivery of insurance services across various segments.

Bahrain has achieved pre-eminence as the regional financial services centre, through the Government's wise and far-sighted policy of maintaining an open and diversified economy base and by paying close attention to the legal and regulatory infrastructure. This has provided the framework for the Bahrain insurance industry to flourish and for Bahrain to become the insurance hub of this important region. The Central Bank of Bahrain (CBB) acts as the regulator of the insurance sector and provides an efficient regulatory framework for financial services firms operating in Bahrain. Further, all legal, regulatory and supervisory insurance frameworks follow the essential criteria of the International Association of Insurance Supervisors (IAIS) core principles and methodology.

Bahrain's economy has been improving gradually over the past years and the inflation has been under control, the current account deficit remains contained and liquidity conditions showing improvement. The business sentiment continues to show positive signs, largely owing to political stability and some reforms starting to come through. The economic growth is likely to improve gradually, though realizing our full potential would require focused measures to revive the investment cycle and boost consumption. Further although slow the global economic scenario continues to show gradual and sustained improvement with signs of recovery both in the US and Europe. On the other hand, emerging economies, which were considered

## We are focused on building a Takaful company that sets benchmarks and creates sustainable value for all stakeholders.

the growth engines pulling the world out of a slowdown, seem to be facing some issues in terms of tepid domestic growth and inflationary concerns. We believe that these will improve and the economic scenario should further improve across developed and emerging economies. We expect investments to pick up in the coming quarters, which would further augment economic growth.

Takaful achieved another major milestone during the year by being assigned a Financial Strength Rating of A- (Excellent) and a long-Term Issuer Credit Rating of "a-", reflecting the sound financial position of the company and its outstanding image as a pioneer in local and regional markets. With this achievement Takaful becomes the first and only A- rated Islamic insurance provider in the Kingdom.

On an overall basis, our combined ratio improved this year as a result of the continuous efforts to manage operational and technical expenses and the focus on cost saving initiative and other measures taken by the company through various department level and functional synergies with the group which helped in improving efficiency and economy in operational expenses. During the year, the company could further strengthen its solvency and capital adequacy. The Company achieved an overall profit of BD 1,030K during year 2019 compared to BD 846K last year.

We have consciously strived to build an institution that rests on a robust platform and benefits from a flexible and pragmatic management approach to embrace new practices in sync with the rapidly changing times. Our thrust remains on investing in a talent pool, across the leadership team and the other levels of management and business operations. It is this resource base that enables us to continue to lead the industry on many fronts and address our customer requirements effectively. Going forward, we remain committed to our customer-centric service proposition, leveraging technology for enhanced customer convenience.

Your Company continued to launch various customer-centric initiatives during the year as it progressed on its digital journey. Presence across physical, web and mobile modes enables anytime, anywhere access to our products and services. Your Company continues to evaluate innovative technologies to further support its pursuit of service excellence. These will continue to expand in scope to help us further enrich the customer experience. We will also keep optimizing our investments and pave the way for sustained and profitable growth in the future. We are focused on building a Takaful company that sets benchmarks and creates sustainable value for all stakeholders.

I would like to extend our sincere thanks and gratitude to His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain, His Royal Highness Prince Khalifa Bin Salman Al Khalifa, the Prime Minister, His Royal Highness Prince Salman Bin Hamad Al Khalifa the Crown Prince, Deputy Supreme Commander of the BDF and First Deputy Prime Minister and the Government for their continued support to the economy of Bahrain and to the Financial Sector in particular. I would like also to thank the Government Ministers and the Central Bank of Bahrain for their valuable assistance and guidance.

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

Thank You,

**Jamal Al Hazeem**

Chairman

Bahrain, 18 February 2020

# Chief Executive Officer's Report

**Essam Al Ansari**  
Chief Executive Officer



Our biggest strength is our human resource which has within them a depth of expertise across a range of business scenarios.

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


In a fast-changing environment, organisations need to keep pace with the evolving market and consumer dynamics. Sustained leadership requires redefined business models by embedding the principles of innovation across all aspects of the enterprise – products, services, technology, infrastructure and people. Further, in tandem with the emergence of a hyper-connected world, customer expectations have changed considerably. More than ever, their expectations need to be at the forefront of every business decision.

In the insurance sector, the yesteryears were all about developing new products and selling them through a large network of agents and advisors. However, today's customers seek not just a product, but a positive and seamless experience at every touch point. Looking for insurers to provide more than efficient claim settlements, they expect an encompassing suite of value-added offerings across the customer life cycle, going beyond insurance coverage. For achieving this objective, it is critical to embrace and embed innovation that revolves around the customers and their needs.

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.

There is an increased focus on developing robust customer value propositions for achieving success in a competitive market. Innovative product development, development of virtual channels of distribution, differentiated customer service, competitive advantage through the use of technology, analytics and expertise in underwriting will become factors critical for success. The importance of brand as a key factor for customer decision making in a multi-player scenario is being realised. A disciplined approach that is anchored around the customer will be required to expand the market and drive penetration. 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.

Continued growth in the Bahrain economy was witnessed over the past couple of quarters. The business sentiment continued to be positive, largely owing to political stability and some reforms starting to come through. The financial services sector was a good beneficiary of these positive developments. Increasing awareness about the benefits of



## Company has been assigned Financial Strength Rating of A- (Excellent) with stable outlook and a long-Term Issuer Credit Rating of “a-” by AM Best Rating Agency, which reflects the sound financial position enjoyed by the company.

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 digitalisation are benefitting the sector in multiple ways; easy on-boarding 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.

Bahrain and other GCC countries continued to see some improvements in macroeconomic conditions during the year. Several structural reforms were initiated by the Government that are expected to provide an impetus to long-term sustainable growth in the economy. Many business sectors have been under economic stress in the last couple of years on account of several global, regional and economical situations. There were challenges in terms of slowdown in nominal growth in some sectors due to the impact of muted global commodity prices on some important sector and subdued private investments.

The year 2019 was another year of challenges and opportunities for Takaful International. Although a tough year Takaful International could maintain its business. Takaful wrote a Gross Written Contributions of BHD21.7 M during 2019 compared to previous year of BD22.0 M. 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 73% for the year 2019 compared to 74% for year ended 2018.

I'm glad to announce that your company has been assigned Financial Strength Rating of A- (Excellent) with stable outlook and a long-Term Issuer Credit Rating of “a-” by AM Best Rating Agency, which reflects the sound financial position enjoyed by the company, being the only Takaful provider in the kingdom to be rated A- with stable outlook.

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.

The performance delivered by our Company over the years is an outcome of our efforts to provide a superior experience to our customers. It is our constant endeavour to understand the customers' changing preferences and to improve their experience at every stage. Simplification and transparency of products, services and processes enables us to create value for our customers, right from on-boarding to claim settlement. We believe that removal of complexity from our business is instrumental in driving all-round value creation for all stakeholders. Our technology and digital offerings are aimed at providing a seamless transacting experience to our customers. The Company's persistency ratio reiterates the trust and support that customers have reposed in us. Takaful International embodies the two words of trust and transparency. We believe that trust is dependent on our ability to design simple and easy to understand products, while transparency is reflected in the long-term value delivered by our products and services.

Our ability to continuously deliver value to our customers is the outcome of the dedicated efforts put in by our people. They value

# Chief Executive Officer's Report

their association with the Company and believe in the growth potential of the sector. Our team is agile and has the humility and sensitivity to keep adapting to the changing preferences of our customers. This approach drives our Company to achieve greater heights in the dynamic ecosystem that we operate in. Overall, we will continue to offer simple products which are relevant to society and simultaneously drive efficiencies across the organisation.

Takaful International was successful in maintaining and growing its business despite challenging business environment. The company adopted prudent underwriting and best practice policies for preserving resources and savings in the cost thereby successful in have a successful year registering decent overall profit of BD 1,030K for the year ended 2019 compared to loss of BD 846K in the previous year.

Bahrain's insurance sector has evolved over the last decade. A competitive market and regulatory initiatives focused on high quality products that meet the needs of the customers have laid the foundation for future growth. These factors enhance Takaful's prospects to tap the available potentials in the market. We have built a business model based on a competitive product proposition, quality customer service and a good distribution network. With the use of technology and a committed team of employees, we strive to be the preferred choice of customers for their protection and savings

needs. We accord the highest importance to honouring the trust that our customers have reposed in us, not only for themselves but also for their families. We are therefore committed to ensuring that we are responsive to customer needs.

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 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.

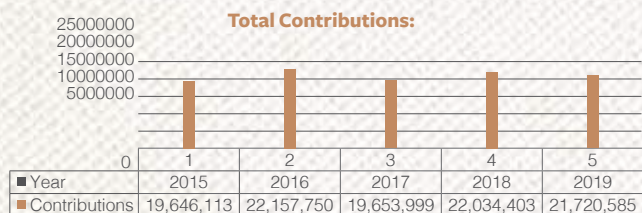
All these helped your company to leverage opportunities and to maintain its leadership position in Bahrain's Takaful business. We are thankful to all our stakeholders for their support extended in making us their preferred Insurance provider.

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

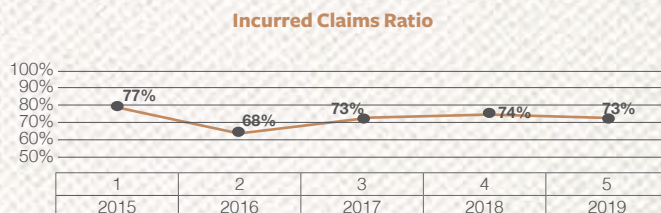
### Contributions:

The total contributions for the year ended 31 December 2019 amounted to BHD21.7M against BD22.0M for 2018.



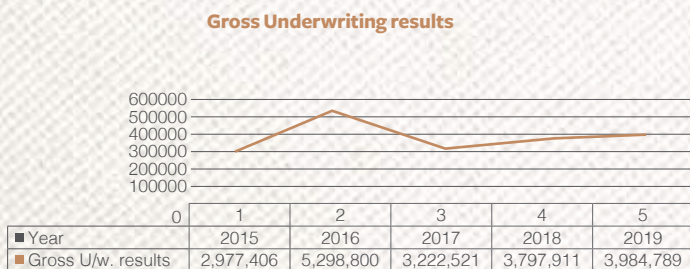
### Claims:

The overall net claims incurred ratio for year 2019 was 73% compared to 74% for the year 2018.



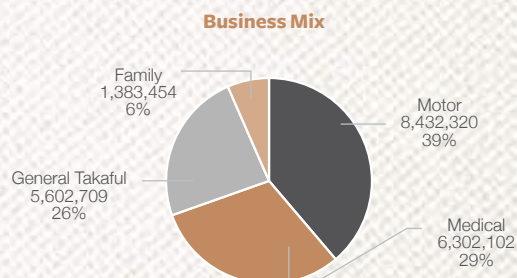
### Gross Underwriting results:

The gross underwriting results before Wakala charge was BD 3.9M compared to BD 3.7M for the previous year.

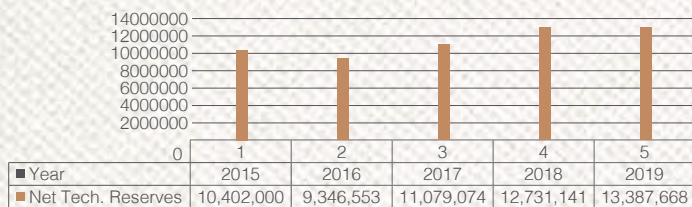


### Business Mix:

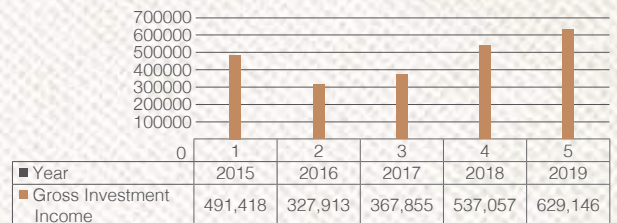
Further diversified during the year 2019.



**Net Technical Reserve:**



**Gross Investments:**



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 2020 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,

**Essam Al Ansari**  
Chief Executive Officer  
Bahrain, 18th February 2020

# Corporate Governance Report

for the year ended 31 December 2019

## 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 has 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 2019 are not applicable on the Company. 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 2019.

## 2. Shareholding

The Company's shares are listed and publically 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	192	78,731,765	92.65%
Other GCC Nationalities	7	6,268,235	7.35%
Total	199	85,000,000	100%

### 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%	195	6,195,820	7.29%
Total	199	85,000,000	100%

### 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 2019

## 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 Members**

**Non-Executive, Independent 5 Members**

Board Members	Position	Date of Joining	Executive/ Non-Executive	Independent/ Non-Independent
Jamal Ali Al Hazeem	Chairman	7-Apr-15	Non-Executive	Independent
AbdulRahman Abdulla Mohammed	Vice Chairman	17-Jun-15	Non-Executive	Independent
Khaled Saud Al Hasan	Director	7-Apr-15	Executive	Non-Independent
Ebrahim Mohamed Sharif Alrayes	Director	7-Apr-15	Executive	Non-Independent
Ahmed AbdulRahman Bucheeri	Director	17-Jun-15	Executive	Non-Independent
Osama Kamel Kishk	Director	20-Dec-17	Executive	Non-Independent
Dr. Osama T. Albaharna	Director	21-Mar-18	Non-Executive	Independent
Rashed Ali Abdulrahim	Director	21-Mar-18	Non-Executive	Independent
Khalid Jamal Al Muzaire	Director	17-Jun-15	Non-Executive	Independent
Abdulla Rabea Mohamed Rabea	Director	27-Jun-16	Executive	Non-Independent

The current Board term started on 21st March 2018. According to the Company's articles 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.

### Directors' 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 appointments to the Board and the Company Secretary; and
- Ensuring that a satisfactory dialogue takes place with shareholders.

# Corporate Governance Report

for the year ended 31 December 2019

## Directors' Induction and Professional Development

The Board is required to be up to date with current business, insurance industry, regulatory and legislative developments 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.

## Board and Committees Evaluations

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

Member	Academic & Professional Qualifications	Directors' external appointments
<b>Jamal Ali Al Hazeem</b> Chairman	<ul style="list-style-type: none"> <li>• Certified Public Accountant (CPA), USA</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Eazy Financial Services, Bahrain</li> <li>• Executive Chairman of Fasset Holding Ltd., Abu Dhabi Global Market</li> <li>• Chairman of Oma Bahrain Co. WLL, Bahrain</li> <li>• Chairman of Jeem Holding SPC, Bahrain</li> <li>• Chairman of Jeem Food Trading WLL, Bahrain</li> <li>• Chairman of Jeem Properties WLL, Bahrain</li> <li>• Board Member of Nass Corporation, Bahrain</li> <li>• Board Member of Kuwait Company for Process Plant Construction &amp; Contracting (KCPC), Kuwait</li> </ul>
<b>Abdulrahman Abdulla Mohamed</b> Vice Chairman	<ul style="list-style-type: none"> <li>• Master 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>Khaled Saoud Al Hasan</b> Board Member	<ul style="list-style-type: none"> <li>• Bachelor 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>• Vice Chairman of Gulf Assist, Bahrain</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>Ebrahim Mohammed Sharif Alrayes</b> Board Member	<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>• Chairman of ARAB war risks insurance syndicate (AWRIS), Bahrain</li> <li>• Board Member of United Insurance Company (UIC), Bahrain</li> <li>• Board Member of Motor Compensation Fund, Bahrain</li> <li>• Board Member of Supreme Council of Health, Bahrain</li> </ul>
<b>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>• Board Member INVITA Claims Management Company, Bahrain</li> <li>• Chief Investment Officer of Bahrain Kuwait Insurance Company BSC, Bahrain</li> </ul>

# Corporate Governance Report

for the year ended 31 December 2019

Member	Academic & Professional Qualifications	Directors' external appointments
<b>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> </ul>
<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 Degrees 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>Rashed Ali Abdulrahim</b> Board Member	<ul style="list-style-type: none"> <li>• Association of Chartered Certified Accountants (ACCA), 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>Khalid Jamal Al Muzaire</b> Board Member	<ul style="list-style-type: none"> <li>• BSc. In Accounting from University of Kuwait, Kuwait</li> <li>• Certified Public Accountant (CPA), Kuwait</li> </ul>	<ul style="list-style-type: none"> <li>• General Manager of Refreshment Trading Company - Independent Bottler of the Coca Cola Company, Kuwait</li> </ul>
<b>Abdulla Rabia Mohamed Rabia</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>

# Corporate Governance Report

for the year ended 31 December 2019

## Board Meetings and Attendance

During the financial year ended 31 December 2019, the Board of Directors met four times. All meetings were convened in the Kingdom of Bahrain. A record of members' attendance is set below:

Board Members	13-Feb-19	22-Apr-19	23-Jul-19	21-Oct-19	No. of Meetings Attended
<b>Jamal Ali Al Hazeem</b> Chairman	◆	◆	◆	◆	4
<b>AbdulRahman Abdulla Mohammed</b> Vice Chairman	◆	◆	◆	◆	4
<b>Khaled Saud Al Hasan</b> Board Member	◆	◆	◆	◆	4
<b>Ebrahim Mohamed Sharif Alrayes</b> Board Member	◆	◆	◆	◆	4
<b>Ahmed AbdulRahman Bucheeri</b> Board Member	◆	◆	◆	◆	4
<b>Osama Kamel Kishk</b> Board Member	◆	◆	◆	◆	4
<b>Dr. Osama T. Albaharna</b> Board Member	◆	◆	◆	◇	3
<b>Rashed Ali Abdulrahim</b> Board Member	◆	◆	◆	◆	4
<b>Khalid Jamal Al Muzaire</b> Board Member	◆	◆	◆	◆	4
<b>Abdulla Rabea Mohamed Rabea</b> Board Member	◆	◆	◆	◆	4

- ◆ = Attended  
◇ = Not Attended

## 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.

# Corporate Governance Report

for the year ended 31 December 2019

## Key Persons and Related Parties' Interests

The number of shares held by key persons and related parties as of 31 December 2019 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 2019.

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.

## Executive Management's Profile

### Essam Al Ansari – Chief Executive Officer

Mr. Al Ansari is a top professional in the insurance field. He is a Fellow of the Chartered Insurance Institute - London (FCII) and possesses an extensive experience of more than 30 years in insurance and reinsurance business, through his long association in the insurance and reinsurance industry in Bahrain and the gulf region. Mr. Al Ansari has been in the Executive Management Cadre of Bahrain National Insurance Company (BNI), National Company for Cooperative Insurance (Tawuniya) – Saudi Arabia and Bahrain Kuwait Insurance Company (BKIC), before joining Takaful International Company in 2006.

### Abdulaziz Al Othman – Deputy Chief Executive Officer

Mr. Al Othman holds a Masters 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 association of over 30 years in the insurance industry with in-depth understanding of Takaful Markets. Mr. Al-Othman began his distinguished career with Takaful International Company in 1989. He's also the Chairman of Health 360 Ancillary Services. Mr. Al Othman is well experienced in developing, evaluating and analysing strategies, business planning and insurance statistics and financial statements.

## 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 key management personnel consists of fixed monthly salaries and allowances, and other benefits like bonus, medical, life insurance cover and retirement benefits.

The remuneration of the Board of Directors and key management personnel paid during the financial year ended 31 December 2019 was as follows:

Directors sitting fees & other expenses	<u>BD 76,281</u>
Key Management salaries and benefits	<u>BD 180,283</u>
Key Management end of service benefits	<u>BD 18,123</u>

## 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.

# Corporate Governance Report

for the year ended 31 December 2019

## 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 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

### 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 2019, the executive committee met four times:

		12-Feb-19	21-Apr-19	23-Jul-19	21-Oct-19	No. of Meetings Attended
<b>Khaled Saud Al Hasan</b> Non-Independent	Chairman	◊	◊	◊	◊	4
<b>AbdulRahman Abdulla Mohammed</b> Independent	Vice Chairman	◊	◊	◊	◊	4
<b>Abdulla Rabea Mohamed Rabea</b> Non-Independent	Member	◊	◊	◊	◊	4
<b>Ebrahim Mohamed Sharif Alrayes</b> Non-Independent	Member	◊	◊	◊	◊	4
<b>Ahmed AbdulRahman Bucheeri</b> Non-Independent	Member	◊	◊	◊	◊	4

### 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;
- Reviewing regularly 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;

# Corporate Governance Report

for the year ended 31 December 2019

- 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; and
- 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.

## 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 2019, the Audit and Corporate Governance Committee met five times:

		13-Feb-19	24-Mar-19	22-Apr-19	23-Jul-19	21-Oct-19	No. of Meetings Attended
<b>Khalid Jamal Al Muzaire</b> Independent	Chairman	◊	◊	◊	◊	◊	5
<b>Rashed Ali Abdulrahim</b> Independent	Vice Chairman	◊	◊	◊	◊	◊	5
<b>Dr. Osama T. Albaharna</b> Independent	Member	◊	◊	◊	◊	◊	4
<b>Osama Kamel Kishk</b> Non-Independent	Member	◊	◊	◊	◊	◊	5

## 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 2019, the executive committee met on 13th of February 2019 and a second meeting was held on 8th January 2020 ( postponed from 21st October 2019):

		13-Feb-19	8-Jan-20	No. of Meetings Attended
<b>Dr. Jamal Ali Al Hazeem</b> Independent	Chairman	◊	◊	2
<b>Khaled Saud Al Hasan</b> Non-Independent	Vice Chairman	◊	◊	2
<b>Rashed Ali Abdulrahim</b> Independent	Member	◊	◊	2
<b>Khalid Jamal Al Muzaire</b> Independent	Member	◊	◊	2

# Corporate Governance Report

for the year ended 31 December 2019

## Risk Committee

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

### Duties:

- 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. However, the Risk Committee was formed by the Board in its meeting dated 21 October 2019. Therefore, no meetings were held during the year ended 31 December 2019.

<b>Dr. Osama T. Albaharna</b> Independent	Member
<b>Ahmed AbdulRahman Bucheeri</b> Non-Independent	Member
<b>Osama Kamel Kishk</b> Non-Independent	Member
<b>Abdulaziz Al Othman</b> Non-Independent	Member

## 5. 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 2019, paid by the Company are as follows:

Audit fees	BD 20,265
Non-Audit fees	BD 18,826

## 6. 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:

	2019	2018
Total net available shareholders' capital to cover required solvency margin	4,879,000	4,439,000
Total Margin required for General & Family Takaful funds'	4,014,000	3,986,000
Excess Capital	865,000	453,000



# Corporate Governance Report

for the year ended 31 December 2019

## 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 Chief Compliance Officer, who is responsible for managing the Company's Compliance and Legal Affairs Department and is directly responsible for all compliance related issues.

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.

## 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.

## 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.

## 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 during the year ended 31 December 2019.

## 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.

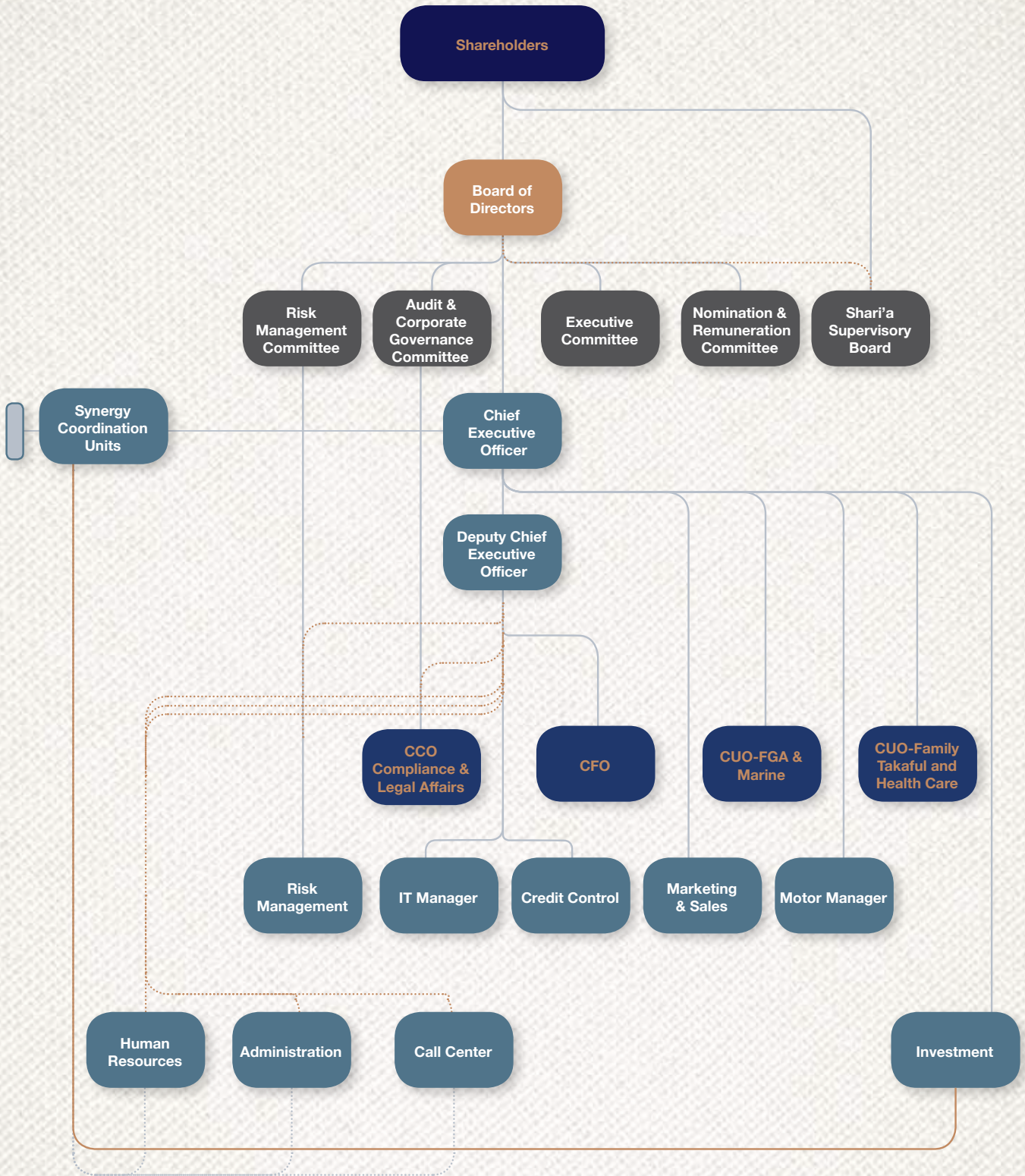
The Company is committed to:

- 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.

# Corporate Governance Report

for the year ended 31 December 2019

## 7. Organization Chart



# Shari'a Supervisory Board's Report

For the Financial Year Ended on 31 December 2019

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

To the Shareholders and Participants of Takaful International.

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh.

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

The Shari'a Supervisory Board reviewed the procedures relating to the Takaful transactions and the applications introduced by the company for the year ended on 31.12.2019. 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

**2 Jumada 15, 1441 corresponding to 9th February 2020.**

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

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

Chairman

**Dr. Shaikh Abdul Sattar Abdul Karim Abu Ghuda**

Deputy Chairman

**Shaikh Mohsin Abdul Hussain Al Asfoor**

Member

# Independent Auditor's Report to the shareholders

TAKAFUL INTERNATIONAL COMPANY B.S.C.

## Report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Takaful International B.S.C. (the "Company") and its subsidiary (together the "Group") as of 31 December 2019, and the related consolidated 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 and other explanatory information. These consolidated financial statements and the Company's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2019, 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 issued by AAOIFI.

### Report on other regulatory requirements

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

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith; and
- b) the consolidated financial information contained in the Board of Directors' report is consistent with the consolidated financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2019 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Company has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Company.

Partner's registration no. 117  
18 February 2020  
Manama, Kingdom of Bahrain



**Consolidated Financial  
statements for the year**

**2019**

# Consolidated Statement of Financial Position

At 31 December 2019

(Expressed in Bahraini Dinars)

	Notes	Shareholders		General Takaful		Family Takaful		Total	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<b>ASSETS</b>									
<b>Cash and investments:</b>									
Statutory deposits	6	125,000	125,000	-	-	-	-	125,000	125,000
Cash and balances with banks	7	5,340,231	3,958,097	4,864,318	4,604,035	1,348,964	698,152	11,553,513	9,260,284
Investments at fair value through equity	8	2,715,089	3,411,562	1,699,240	934,535	1,645,939	1,936,497	6,060,268	6,282,594
Investment in an associate	9	206,640	-	-	-	-	-	206,640	-
		<b>8,386,960</b>	<b>7,494,659</b>	<b>6,563,558</b>	<b>5,538,570</b>	<b>2,994,903</b>	<b>2,634,649</b>	<b>17,945,421</b>	<b>15,667,878</b>
Takaful and retakaful receivables	10	-	-	9,382,099	9,398,813	691,213	598,612	10,073,312	9,997,425
Retakaful providers' share of takaful liabilities	11,13	-	-	6,061,201	8,523,919	306,743	445,359	6,367,944	8,969,278
Deferred acquisition costs	14	573,803	600,206	-	-	-	-	573,803	600,206
Property and equipment	17	1,160,550	1,949,641	-	-	-	-	1,160,550	1,949,641
Other receivables, accrued income and prepayments	16,18	1,105,160	1,941,203	474,520	333,741	16,772	21,718	1,596,452	2,296,662
Retakaful providers' share of family takaful technical reserves		-	-	-	-	570,251	311,250	570,251	311,250
<b>TOTAL ASSETS</b>		<b>11,226,473</b>	<b>11,985,709</b>	<b>22,481,378</b>	<b>23,795,043</b>	<b>4,579,882</b>	<b>4,011,588</b>	<b>38,287,733</b>	<b>39,792,340</b>
<b>LIABILITIES, PARTICIPANTS' FUNDS AND OWNERS' EQUITY</b>									
<b>Liabilities</b>									
Takaful liabilities	11,13	-	-	17,466,331	19,249,875	437,273	626,874	17,903,604	19,876,749
Unearned commissions	15	-	-	337,810	313,639	-	-	337,810	313,639
Family takaful technical reserves		-	-	-	-	2,739,985	2,421,489	2,739,985	2,421,489
Payables and accrued liabilities :									
Takaful and retakaful companies		-	-	2,438,960	2,644,765	979,345	629,105	3,418,305	3,273,870
Participants'		420,943	496,206	1,032,723	1,021,775	27,957	27,062	1,481,623	1,545,043
Others	21	726,559	2,210,235	1,667,106	1,449,032	224,466	227,746	2,618,131	3,887,013
<b>Total liabilities</b>		<b>1,147,502</b>	<b>2,706,441</b>	<b>22,942,930</b>	<b>24,679,086</b>	<b>4,409,026</b>	<b>3,932,276</b>	<b>28,499,458</b>	<b>31,317,803</b>
<b>Participants' fund (Deficit) / surplus in participants' fund</b>		<b>-</b>	<b>-</b>	<b>(591,591)</b>	<b>(907,710)</b>	<b>163,939</b>	<b>139,898</b>	<b>(427,652)</b>	<b>(767,812)</b>
<b>Investments fair value reserve</b>		<b>-</b>	<b>-</b>	<b>130,039</b>	<b>23,667</b>	<b>6,917</b>	<b>(60,586)</b>	<b>136,956</b>	<b>(36,919)</b>
<b>Owners' equity</b>		<b>-</b>	<b>-</b>	<b>(461,552)</b>	<b>(884,043)</b>	<b>170,856</b>	<b>79,312</b>	<b>(290,696)</b>	<b>(804,731)</b>
Share capital	20	8,500,000	8,500,000	-	-	-	-	8,500,000	8,500,000
Statutory reserve	20	656,159	587,115	-	-	-	-	656,159	587,115
General reserve	20	200,000	200,000	-	-	-	-	200,000	200,000
Retained earnings / (accumulated losses)		548,670	(72,730)	-	-	-	-	548,670	(72,730)
Investments fair value reserve		174,142	(36,397)	-	-	-	-	174,142	(36,397)
<b>Equity attributable to parent's shareholders</b>		<b>10,078,971</b>	<b>9,177,988</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,078,971</b>	<b>9,177,988</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>101,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,280</b>
<b>Total owners' equity</b>		<b>10,078,971</b>	<b>9,279,268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,078,971</b>	<b>9,279,268</b>
<b>TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND OWNERS' EQUITY</b>		<b>11,226,473</b>	<b>11,985,709</b>	<b>22,481,378</b>	<b>23,795,043</b>	<b>4,579,882</b>	<b>4,011,588</b>	<b>38,287,733</b>	<b>39,792,340</b>

Jamal Al Hazeem  
Chairman

AbdulRahman Mohammed  
Vice Chairman

Essam Al Ansari  
Chief Executive Officer

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

# Consolidated Statement of Income

Year Ended 31 December 2019

(Expressed in Bahraini Dinars)

	Notes	Shareholders		General Takaful		Family Takaful		Total	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<b>Gross contributions</b>		-	-	20,337,132	20,589,852	1,383,454	1,444,551	21,720,586	22,034,403
Retakaful provider's share of gross contributions	21	-	-	(5,440,177)	(5,359,345)	(848,114)	(938,439)	(6,288,291)	(6,297,784)
<b>Retained contributions</b>		-	-	14,896,955	15,230,507	535,340	506,112	15,432,295	15,736,619
Unearned contributions adjustment - gross	13	-	-	1,472	(1,150,952)	26,998	(9,126)	28,470	(1,160,078)
Unearned contributions adjustment - retakaful	13	-	-	204,233	(182,770)	(16,195)	16,400	188,038	(166,370)
<b>Net earned contributions</b>		-	-	15,102,660	13,896,785	546,143	513,386	15,648,803	14,410,171
<b>Gross claims paid</b>		-	-	(15,364,725)	(14,127,714)	(306,571)	(1,064,957)	(15,671,296)	(15,192,671)
Retakaful provider's and others share of claims paid		-	-	4,975,708	4,041,935	122,986	595,856	5,098,694	4,637,791
Outstanding claims adjustment - gross		-	-	1,782,072	(164,757)	162,602	430,759	1,944,674	266,002
Outstanding claims adjustment - retakaful and others		-	-	(2,666,951)	78,112	(122,420)	(394,041)	(2,789,371)	(315,929)
<b>Net incurred claims</b>		-	-	(11,273,896)	(10,172,424)	(143,403)	(432,383)	(11,417,299)	(10,604,807)
<b>Fee and commission income</b>		-	-	877,065	1,061,367	11	35	877,076	1,061,402
Other takaful expenses		-	-	(726,110)	(547,715)	(12,774)	(3,762)	(738,884)	(551,477)
Transfer to family takaful technical reserve		-	-	-	-	(269,763)	(430,427)	(269,763)	(430,427)
Provision for impaired takaful receivables		-	-	(113,045)	(92,759)	(2,101)	5,808	(115,146)	(86,951)
<b>Surplus from takaful operations before wakala fees</b>		-	-	3,866,674	4,145,254	118,113	(347,343)	3,984,787	3,797,911
Wakala fees expense		-	-	(3,685,444)	(3,543,764)	(146,768)	(245,574)	(3,832,212)	(3,789,338)
<b>Surplus / (deficit) from takaful operations after wakala fees</b>		-	-	181,230	601,490	(28,655)	(592,917)	152,575	8,573
Wakala fees income	25	3,832,212	3,789,338	-	-	-	-	3,832,212	3,789,338
Investment income - net		159,296	(51,505)	179,852	141,562	70,261	107,845	409,409	197,902
Mudarib share		62,528	62,352	(44,963)	(35,391)	(17,565)	(26,961)	-	-
Income from an associate		51,116	-	-	-	-	-	51,116	-
Other income	27	319,129	406,286	-	-	-	-	319,129	406,286
		4,424,281	4,206,471	134,889	106,171	52,696	80,884	4,611,866	4,393,526
General administration expenses	23	(2,290,863)	(2,329,876)	-	-	-	-	(2,290,863)	(2,329,876)
Corporate expenses	23	(230,922)	(177,782)	-	-	-	-	(230,922)	(177,782)
Amortisation of acquisition costs		(1,211,731)	(1,047,619)	-	-	-	-	(1,211,731)	(1,047,619)
		(3,733,516)	(3,555,277)	-	-	-	-	(3,733,516)	(3,555,277)
<b>Net profit and surplus / (deficit) for the year</b>		690,765	651,194	316,119	707,661	24,041	(512,033)	1,030,925	846,822
<b>Attributable to:</b>									
Parent's shareholder		690,444	650,731						
Non-controlling interests		321	463						
		690,765	651,194						
<b>Earnings per share</b>	28	8.12 fils	8.54 Fils						

Jamal Al Hazeem  
Chairman

AbdulRahman Mohammed  
Vice Chairman

Essam Al Ansari  
Chief Executive Officer

# Consolidated Statement of Changes in Owners' Equity

Year Ended 31 December 2019

(Expressed in Bahraini Dinars)

	Share capital	Statutory reserve	General reserve	Retained earnings / (accumulated losses)	Investments fair value reserve	Equity attributable to parent's shareholders	Non-Controlling interests	Total equity
Balance at 1 January 2019	8,500,000	587,115	200,000	(72,730)	(36,397)	9,177,988	101,280	9,279,268
Profit for the year	-	-	-	690,444	-	690,444	321	690,765
Other comprehensive loss	-	-	-	-	210,539	210,539	-	210,539
Total comprehensive income / (loss) for the year	-	-	-	690,444	210,539	900,983	321	901,304
Deconsolidation of subsidiary (Note 3.1)	-	-	-	-	-	-	(101,601)	(101,601)
Transfer to statutory reserve (Note 20)	-	69,044	-	(69,044)	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>8,500,000</b>	<b>656,159</b>	<b>200,000</b>	<b>548,670</b>	<b>174,142</b>	<b>10,078,971</b>	<b>-</b>	<b>10,078,971</b>
Balance at 1 January 2018	6,250,000	522,041	200,000	(658,387)	63,219	6,376,873	100,817	6,477,690
Additional paid-in capital	2,250,000	-	-	-	-	2,250,000	-	2,250,000
Profit for the year	-	-	-	650,731	-	650,731	463	651,194
Other comprehensive loss	-	-	-	-	(99,616)	(99,616)	-	(99,616)
Total comprehensive income / (loss) for the year	-	-	-	650,731	(99,616)	551,115	463	551,578
Transfer to statutory reserve (Note 20)	-	65,074	-	(65,074)	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>8,500,000</b>	<b>587,115</b>	<b>200,000</b>	<b>(72,730)</b>	<b>(36,397)</b>	<b>9,177,988</b>	<b>101,280</b>	<b>9,279,268</b>

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



# Consolidated Statement of Changes in Participants' Fund

Year Ended 31 December 2019

(Expressed in Bahraini Dinars)

	Investments fair value reserve				Total
	General takaful	Family takaful	General takaful	Family takaful	
Balance at 1 January 2019	(907,710)	139,898	23,667	(60,586)	(804,731)
Realised fair value gains on investment securities	-	-	52,020	22,425	74,445
Unrealised fair value gains on investment securities	-	-	54,352	45,078	99,430
Surplus for the year	316,119	24,041	-	-	340,160
<b>Balance as at 31 December 2019</b>	<b>(591,591)</b>	<b>163,939</b>	<b>130,039</b>	<b>6,917</b>	<b>(290,696)</b>
Balance at 1 January 2018	(1,615,371)	651,931	21,338	(22,286)	(964,388)
Realised fair value gains on investment securities	-	-	18,338	17,510	35,848
Unrealised fair value loss on investment securities	-	-	(16,009)	(55,810)	(71,819)
Surplus / (deficit) for the year	707,661	(512,033)	-	-	195,628
<b>Balance as at 31 December 2018</b>	<b>(907,710)</b>	<b>139,898</b>	<b>23,667</b>	<b>(60,586)</b>	<b>(804,731)</b>

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

# Consolidated Statement Of Cash Flows

Year Ended 31 December 2019

(Expressed in Bahraini Dinars)

	For the year ended	
	31 December 2019	31 December 2018
<b>OPERATING ACTIVITIES</b>		
Net profit for the year	690,765	651,194
Surplus / (Deficit) from participants' operations	340,160	195,628
Adjustments for:		
Income from an associate	(51,116)	-
Gain on deconsolidation of a subsidiary (note 3.1 c)	(3,120)	-
Investment income	(539,243)	(371,173)
Gains on sale of investments at fair value through equity	(89,903)	(165,884)
Impairment on property and equipment	78,478	-
Impairment loss on investments at fair value through equity	115,058	175,968
Depreciation	138,262	178,020
Provision for impairment of takaful and retakaful receivables	115,146	86,951
Movement in unearned contributions	(216,508)	1,326,447
Movement in unearned commissions	50,574	(154,733)
Movement in transfer to family takaful technical reserve	59,495	430,427
Operating profit before changes in operating assets and liabilities	688,048	2,352,845
Changes in operating assets and liabilities:		
Takaful and retakaful receivables	(191,033)	(195,309)
Other receivables and prepayments (note a)	(913,712)	(873,898)
Retakaful share of outstanding claims	2,789,372	315,928
Gross outstanding claims	(1,944,674)	(266,002)
Takaful and retakaful payables	81,015	(608,497)
Other liabilities and provisions (note a)	1,184,318	1,321,293
Employees' terminal benefits (note a)	26,355	(73,712)
<b>Net cash from operating activities</b>	<b>1,719,689</b>	<b>1,972,648</b>
<b>INVESTING ACTIVITIES</b>		
Investment income received	539,243	537,057
Purchase of property and equipment	(58,499)	(54,832)
Proceeds from sale of property and equipment	600,758	10,184
Purchase of investments at fair value through equity	(1,175,386)	(2,021,676)
Proceeds from the sale of investments at fair value through equity (note a)	1,708,718	1,031,921
Bank deposits with maturities of more than three months (note a)	(4,249,486)	(2,595,229)
Net cash flow from deconsolidation of a subsidiary (note 3.1 c) [note a]	(941,296)	-
<b>Net cash used in investing activities</b>	<b>(3,575,948)</b>	<b>(3,092,575)</b>
<b>FINANCING ACTIVITY</b>		
Additional paid-in capital and net cash from financing activity	-	2,250,000
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,856,259)</b>	<b>1,130,073</b>
Cash and cash equivalents at the beginning of the year	4,446,984	3,316,911
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>2,590,725</b>	<b>4,446,984</b>
<b>COMPRISING:</b>		
<b>CASH AND BALANCES WITH BANKS</b>		
Cash and balance in current accounts	2,590,725	2,550,232
Bank deposits with maturity of three months or less	-	1,896,752
<b>CASH AND CASH EQUIVALENTS</b>	<b>2,590,725</b>	<b>4,446,984</b>
Bank deposits with maturity of more than three months	8,962,788	4,813,300
<b>Cash and balances with banks as per statement of consolidated financial position</b>	<b>11,553,513</b>	<b>9,260,284</b>

## Note a - Non cash transactions

During the year ended 31 December 2019, the Company lost control in it's subsidiary Health 360 Ancillary Services Co W.L.L ("H-360" or "the subsidiary"). The following non-cash adjustments took place in the consolidated statement of cashflows:

	For the year ended	
	31 December 2019	31 December 2018
<b>OPERATING ACTIVITIES</b>		
Deposits	100,000	-
Property and equipment	30,092	-
Investment in an associate	48,253	-
Other receivables	1,507,030	-
Employee terminal benefits	(19,615)	-
Other payables	(2,353,051)	-
	(687,291)	-

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

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 1 ORGANISATION AND ACTIVITIES

Takaful International Company B.S.C. ("the Company"). 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 Company and its subsidiary (together the "Group") provide takaful and related products and services.

The activities of the Group are organised on the principles of Shari'a. The principal activity of the Group 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 Group is in the Kingdom of Bahrain. The full address is stated on page 2.

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 18 February 2020.

## 2 BASIS OF PRESENTATION

### Statement of compliance

The consolidated 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 Insurance Regulations set out in Volume 3 and applicable provisions of Volume 6 of the Insurance Rulebook issued by the Central Bank of Bahrain and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001. For the matters which are not covered by AAOIFI standards, International Financial Reporting Standards ("IFRS") have been applied. The accounting policies have been consistently applied by the Group and are consistent with those of the previous year.

### Accounting convention

The consolidated financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through equity.

The preparation of consolidated 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 Group's accounting policies.

### Functional currency

The consolidated financial statements have been presented in Bahraini Dinars (BD) which is the functional currency of the Group except when otherwise indicated.

## 3 BASIS OF CONSOLIDATION

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Income and each component of other comprehensive income (OCI) (detailed in Note 38) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 3 BASIS OF CONSOLIDATION (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

The following was the subsidiary of the Group:

Name of the subsidiary	Country of incorporation	Effective ownership		Principal activity
		2019	2018	
Health 360 Ancillary Services Co W.L.L	Bahrain	40.5%	60%	Third party administration

\*The subsidiary was deconsolidated on 16 July 2019 (note 3.1).

### 3.1 Loss of control in a subsidiary

As at 31 December 2018, the Company owned 60% of Health 360 Ancillary Services Co W.L.L (“H-360” or “the subsidiary”). During the period, H-360 offered a rights issue to which the Company did not subscribe. As a result, of not subscribing to this rights issue, the Company’s effective ownership in H-360 has decreased to 40.5% and the Company has also lost the power to govern the operating and financial policies of H-360.

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

The disposal has the following impact on the consolidated financial information for the year ended 31 December 2019:

#### 3.1 a. Consideration received

The Company did not receive any consideration upon deconsolidation of the subsidiary since the loss of control was as a result of rights issue.

#### 3.1 b. Details of assets and liabilities over which the Company lost control

	16 July 2019
	BD
Cash and bank balances	941,296
Fixed deposit	100,000
Plant and equipment	30,092
Investment in an associate	48,253
Other receivables	1,507,030
<b>Total Assets</b>	<b>2,626,671</b>
Employee terminal benefits	19,615
Other payables	2,353,051
<b>Total Liabilities</b>	<b>2,372,666</b>
<b>Net Assets</b>	<b>254,005</b>

#### 3.1 c. Gain on deconsolidation of subsidiary

	16 July 2019
	BD
Net assets derecognised	254,005
Non-controlling interest derecognised	(101,601)
	<b>152,404</b>
Investment in an associate recognised	155,524
Gain on deconsolidation of subsidiary	3,120

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the annual audited financial statements of the Group prepared as at, and for the year ended 31 December 2018, except for the new policies in relation to the Company's investment in an associate.

### 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 Group's consolidated financial statements are disclosed below. The Group reasonably expects these issued standards, interpretations and amendments to existing standards to be applicable at a future date. The Group intends to adopt these standards, interpretations and amendments to existing standards, if applicable, when they become effective:

- FAS 30 "Impairment and credit losses" (effective 1 January 2020);
- FAS 30 intends to define the accounting principles for impairment and credit losses (including expected credit losses) to be in line with ever-changing global best practices;
- FAS 31 "Investment Agency (Al-Wakala Bi Al-Istithmar)" (effective 1 January 2020);
- FAS 31 standard intends to define 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;
- FAS 32 "Ijarah" (effective 1 January 2021), which supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek" sets out principle for classification, measurement and presentation and disclosure of Ijarah. It defines new measurement and recognition principles for initial recognition for right-of-use assets, requirements to identify and separate Ijarah and non-Ijarah components and new measurement and recognition principles for Ijarah;
- FAS 33 "Investments in sukuk, shares and similar instruments" (effective 1 January 2020);
- FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Shari'a principles. It defines the key types of instruments of Shari'a compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.
- FAS 34 "Financial reporting for sukuk-holders" (effective 1 January 2020);
- FAS 34 aims to establish the principles of accounting and financial reporting for assets and businesses underlying the sukuk to ensure transparent and fair reporting to all relevant stakeholders, particularly including sukuk-holders;
- FAS 35 "Risk reserves" (effective 1 January 2021); and
- FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions.

The Board of Directors are currently assessing the impact of the above standards, interpretations and amendments on the consolidated financial statements of the Group.

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

### Takaful operations

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

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

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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

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

#### *Retakaful share*

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

#### *Net commission*

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

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

Retakaful commission income and commission paid are deferred on the same basis used in the calculation of unearned contributions.

#### *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 consolidated 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 consolidated 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 Group 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 consolidated 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 consolidated statement of financial position date. The reserve consists of two types of funds namely protection takaful and savings takaful.

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Family takaful (continued)

The protection takaful and savings takaful reserve is determined annually by the Group'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 (2018: 5% 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 consolidated statement of income on the due date of the contributions.

#### *Retakaful share*

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

#### *Net commission*

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

#### *Gross claims settled*

Claims settled are charged to the consolidated 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 Group 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 premiums (less related deferred acquisition costs) is inadequate the deficiency is recognised in the consolidated statement of income setting up a provision for liability adequacy.

### **Qard Hassan**

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

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

If the surplus in the participants' fund at the end of a three year period is sufficiently large, a percentage of the surplus is distributed between participants that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions are approved by the Group's Shari'a Supervisory Board 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 Group's Shari'a Supervisory Board. In case of an accumulated deficit, any qard hassan outstanding at the time of liquidation will not be repayable by the participants' fund and the shareholders' fund will forego such outstanding amount.

### **Cash and cash equivalents**

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

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 Group 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.

### Investment at fair value through equity

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

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

After initial measurement these are remeasured at fair value. Fair value gains and losses are reported as a separate component in the consolidated 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 consolidated statement of other comprehensive income (note 38) are transferred to the consolidated statement of income. Dividend income on equity-type instruments at fair value through equity are included under investment income in the consolidated statement of income.

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

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

After initial measurement these are remeasured at fair value. Fair value gains and losses are reported as a separate component in the consolidated 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 consolidated statement of other comprehensive income (note 38) are transferred to the consolidated statement of income. Coupon income on debt-type instruments at fair value through equity are included under investment income in the consolidated statement of income.

### 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 consolidated statement of income.

Retakaful contracts are contracts entered into by the Group with reinsurers for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group 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 Group from its direct obligations to its policyholders. The benefits to which the Group 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 consolidated 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 consolidated statement of income in the year the asset is derecognised.

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

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



# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 Group.

### Foreign currency transactions

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

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 consolidated statement of financial position date. All differences are taken to the consolidated 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 consolidated 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 Group's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the consolidated 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.

### Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statements of profit or loss and comprehensive income and within equity, separately from the parent's shareholders' 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 accrual basis.

#### *Dividends*

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

#### *Wakala fee*

The Group 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' consolidated statement of income and as an income in the shareholders' consolidated statement of income.

#### *Mudarib share*

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

### Retakaful commissions

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

### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 consolidated statement of income unless required or permitted by any accounting standard or interpretation.

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fair value of financial instruments

The Group measures financial instruments such as investments at fair value through equity at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset for its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted investments at fair value through equity financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

### Impairment of financial assets

The Group assesses at each consolidated 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 consolidated statement of other comprehensive income (note 38) is transferred from consolidated statement of other comprehensive income (note 38) to the consolidated statement of income. Reversals in respect of equity instruments classified as fair value through equity are not recognised in the consolidated statement of income. Reversals of impairment losses on debt instruments classified as fair value through equity are reversed through the consolidated 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 consolidated 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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group'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 consolidated statement of income.

#### Employees' terminal benefits

The Group 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 consolidated statement of financial position date.

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

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

Provisions are recognised when the Group 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 Group 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 consolidated 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 consolidated 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 Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable purposes.

## 5 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Group 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 consolidated statement of financial position date, for which the insured event has occurred prior to the consolidated statement of financial position date.

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

### *Impairment losses on investments at fair value through equity*

The Group determines that investment at fair value through equity unquoted equity securities and managed funds 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 Group 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 Group 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 Group assesses takaful and retakaful receivables that are individually significant and takaful and retakaful receivables included in a group 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 Group 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 Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group 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 Group's ability to continue as a going concern. The Group is also complied with Capital Adequacy & Solvency margin requirements established by the Central Bank of Bahrain, refer note 31. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

### *Family takaful reserves*

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

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 6 STATUTORY DEPOSITS

Statutory deposits are maintained under the regulations of the Central Bank of Bahrain and Financial Institutions Law, 2006. Such deposits, which depend on the nature of the takaful business and the number of branches, cannot be withdrawn except with the approval of the Central Bank of Bahrain. A sum of BD 125,000 (2018: BD 125,000) has been deposited with Bahrain Islamic Bank B.S.C. in the name of the Group and for the order of Central Bank of Bahrain.

## 7 CASH AND BALANCES WITH BANKS

	31 December 2019			
	Shareholders	General takaful	Family takaful	Total
Cash in hand	600	1,262	-	1,862
Balances with banks accounts	239,829	1,680,682	668,352	2,588,863
	240,429	1,681,944	668,352	2,590,725
Bank deposits with maturity of more than three months	5,099,802	3,182,374	680,612	8,962,788
Cash and balances with banks	5,340,231	4,864,318	1,348,964	11,553,513

	31 December 2018			
	Shareholders	General takaful	Family takaful	Total
Cash in hand	600	4,518	-	5,118
Balances with banks accounts	1,394,682	947,620	202,812	2,545,114
Bank deposits with maturity of three months or less	1,708,075	-	188,675	1,896,750
	3,103,357	952,138	391,487	4,446,982
Bank deposits with maturity of more than three months	854,740	3,651,897	306,665	4,813,302
Cash and balances with banks	3,958,097	4,604,035	698,152	9,260,284

Call account balance earn effective profit rates ranging between 1.16% per annum (2018: 2% and 6% per annum).

The savings account balances with banks earn effective profit rates ranging between 0.20% and 0.35% per annum per annum (2018: between 0.20% and 0.35% per annum).

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

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 8 INVESTMENTS AT FAIR VALUE THROUGH EQUITY

	31 December 2019				31 December 2018			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Opening balance	3,411,562	934,535	1,936,497	6,282,594	2,907,441	1,070,434	1,626,512	5,604,387
Additions during the year	369,565	805,821	-	1,175,386	1,447,274	48,943	525,465	2,021,682
Disposals during the year	(1,136,490)	(83,525)	(327,053)	(1,547,068)	(707,691)	(164,372)	(159,857)	(1,031,920)
Realised fair value gains/(losses) on sale of investments at fair value through equity	8,117	(11,943)	(8,583)	(12,409)	(5,810)	(4,461)	187	(10,084)
Impairment loss for the year	(20,087)	(63,963)	(31,008)	(115,058)	(135,846)	(22,799)	(17,323)	(175,968)
Unrealised fair value gains/(losses) recognised in investment fair value reserve	202,422	118,315	76,086	396,823	(93,806)	6,790	(38,487)	(125,503)
Deconsolidation of a subsidiary	(120,000)	-	-	(120,000)	-	-	-	-
Closing balance	2,715,089	1,699,240	1,645,939	6,060,268	3,411,562	934,535	1,936,497	6,282,594

### Analysis of investments at fair value through equity

	31 December 2019				31 December 2018			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
Shares listed on stock exchanges	1,110,500	95,909	503,069	1,709,478	1,574,577	94,589	486,662	2,155,828
Quoted managed funds	149,461	27,213	29,920	206,594	369,097	22,632	29,920	421,649
Unquoted managed funds	206,719	195,671	169,968	572,358	221,977	216,902	200,300	639,179
Unquoted equity investments	80,267	-	-	80,267	200,268	-	-	200,268
Quoted Sukuks	1,168,142	1,380,447	942,982	3,491,571	1,045,643	600,412	1,219,615	2,865,670
Closing balance	2,715,089	1,699,240	1,645,939	6,060,268	3,411,562	934,535	1,936,497	6,282,594

During the year, the Group has performed an impairment test of its investments at fair value through equity and concluded that certain of those investments are impaired. Accordingly, the impairment loss of BD 115,058 (2018: BD 175,968) has been charged to the consolidated statement of income.

## 9 INVESTMENT IN AN ASSOCIATE

As at 31 December 2018, the Company owned 60% of Health 360 Ancillary Services Co W.L.L (“H-360” or “the subsidiary”). During the year ended 31 December 2019, H-360 offered a rights issue to which the Company did not subscribe. As a result, of not subscribing to this rights issue, the Company’s effective ownership in H-360 has decreased to 40.5% and the Company has also lost the power to govern the operating and financial policies of H-360.

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

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

	31 December 2019
At 1 January	-
Recognised at deconsolidation (note 3.1)	155,524
Share of results	51,116
At 31 December	206,640

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

# Notes To The Consolidated Financial Statements

At 31 December 2019

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## 9 INVESTMENT IN AN ASSOCIATE (Continued)

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

	(un-audited)
	31 December 2019
Summarised financial position of the associate:	
Current assets	2,692,672
Non-current assets	70,542
Current liabilities	(2,229,067)
Non-current liabilities	(23,928)
Equity (100%)	510,219
Proportion of the Company's Ownership	40.50%
Company's ownership	206,640
Carrying amount of investments in an associate	206,640

	(un-audited)
	31 December 2019
Summarised financial performance of the associate:	
Total Income	758,794
Staff cost	(340,227)
Administration expenses	(203,234)
Loss from an associate company	(42,868)
Net profit for the year (100%)	172,465
Adjustments	(46,251)
Company's share of an associate's results	51,116
Other comprehensive (loss) / income	-
Company's share of an associates' other comprehensive (loss) / income	-
Total comprehensive income	172,465
Company's share of an associates' total comprehensive income	51,116

## 10 TAKAFUL AND RETAKAFUL RECEIVABLES

	31 December 2019			31 December 2018		
	General takaful	Family takaful	Total	General takaful	Family takaful	Total
Due from takaful companies	3,618,336	-	3,618,336	3,046,326	-	3,046,326
Due from retakaful companies	659,538	41,971	701,509	749,094	207,742	956,836
Due from takaful participants	2,992,743	60,567	3,053,310	2,891,371	68,761	2,960,132
Due form brokers	2,802,826	594,419	3,397,245	3,468,578	336,571	3,805,149
Allowance for impairment of takaful and retakaful receivables	(691,344)	(5,744)	(697,088)	(756,556)	(14,462)	(771,018)
Closing balance	9,382,099	691,213	10,073,312	9,398,813	598,612	9,997,425

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

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## 10 TAKAFUL AND RETAKAFUL RECEIVABLES (Continued)

At 31 December 2019, in the opinion of the Company's management, a provision of BD 697,088 is required towards impairment of takaful and retakaful receivables (2018: BD 771,018). The movement in the provision for impaired takaful and retakaful receivables is as follows:

	31 December 2018	31 December 2017
At 1 January	771,018	684,067
Charge during the year	115,146	86,951
Written-off during the year	(189,076)	-
	697,088	771,018

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

2019	Total BD	Neither past due nor impaired	Past due but not impaired			
			Less than 120 days	121-180 days	181-365 days	More than 365 days
General takaful	9,382,099	2,205,177	1,973,426	718,977	1,832,248	2,652,271
Family takaful	691,213	209,469	167,532	43,538	228,583	42,091
Closing balance	10,073,312	2,414,646	2,140,958	762,515	2,060,831	2,694,362

2018	Total BD	Neither past due nor impaired	Past due but not impaired			
			Less than 120 days	121-180 days	181-365 days	More than 365 days
General takaful	9,398,813	2,223,014	2,032,390	1,613,354	939,320	2,590,735
Family takaful	598,612	303,563	150,259	108,805	4,169	31,816
Closing balance	9,997,425	2,526,577	2,182,649	1,722,159	943,489	2,622,551

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

## 11 OUTSTANDING CLAIMS

	2019			2018		
	Gross	Retakaful share	Net	Gross	Retakaful share	Net
At 1 January						
Reported claims	8,413,931	(6,017,164)	2,396,767	9,246,606	(6,693,266)	2,553,340
IBNR and IBNER claims	2,106,996	(961,407)	1,145,589	1,540,323	(601,233)	939,090
	10,520,927	(6,978,571)	3,542,356	10,786,929	(7,294,499)	3,492,430
Claims incurred during the year	13,726,622	(2,309,322)	11,417,300	14,926,669	(4,321,863)	10,604,806
Claims paid during the year	(15,671,296)	5,098,694	(10,572,602)	(15,192,671)	4,637,791	(10,554,880)
At 31 December	8,576,253	(4,189,199)	4,387,054	10,520,927	(6,978,571)	3,542,356
At 31 December						
Reported claims	5,961,257	(3,227,793)	2,733,464	8,413,931	(6,017,164)	2,396,767
IBNR and IBNER claims	2,614,996	(961,406)	1,653,590	2,106,996	(961,407)	1,145,589
	8,576,253	(4,189,199)	4,387,054	10,520,927	(6,978,571)	3,542,356

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 Group to obtain collateral over dues from retakaful companies in connection with outstanding claims.

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## 12 CLAIMS DEVELOPMENT

Each year the Group 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 Group's ability to accurately estimate claims.

### Gross claims

Accident year	2011 BD	2012 BD	2013 BD	2014 BD	2015 BD	2016 BD	2017 BD	2018 BD	2019 BD	Total BD
<b>At the end of</b>										
Accident year	10,890,069	13,505,069	16,566,910	15,944,216	14,114,518	19,543,039	14,857,761	14,435,647	13,570,513	
One year later	11,247,499	14,836,499	18,467,530	17,929,940	15,616,005	21,003,651	16,694,848	15,580,562	-	
Two years later	13,103,090	14,844,483	19,107,107	18,473,773	16,067,346	21,583,396	15,616,761	-	-	
Three years later	13,129,554	15,079,279	19,199,346	18,684,098	15,716,811	21,775,999	-	-	-	
Four years later	13,185,275	15,125,422	19,252,601	18,606,886	15,787,158	-	-	-	-	
Five years later	13,187,708	15,165,432	19,183,033	18,784,111	-	-	-	-	-	
Six years later	13,207,685	15,179,870	19,171,941	-	-	-	-	-	-	
Seven years later	13,208,874	15,211,280	-	-	-	-	-	-	-	
Eight years later	13,203,427	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	13,203,427	15,211,280	19,171,941	18,784,111	15,787,158	21,775,999	15,616,761	15,580,562	13,570,513	148,701,752
Cumulative payments to date	(13,140,329)	(15,187,784)	(19,078,985)	(18,701,342)	(15,631,108)	(21,363,688)	(14,176,682)	(13,491,528)	(9,393,470)	(140,164,916)
Liability recognised in the statement of financial position	63,098	23,496	92,956	82,769	156,050	412,311	1,440,079	2,089,034	4,177,043	8,536,836
Liability in respect of years prior to 2010										39,417
Total reserve included in the consolidated statement of financial position										8,576,253

### Net outstanding claims

Accident year	2011 BD	2012 BD	2013 BD	2014 BD	2015 BD	2016 BD	2017 BD	2018 BD	2019 BD	Total BD
<b>At the end of</b>										
Accident year	4,443,399	5,754,752	6,818,786	7,969,734	7,693,376	9,953,127	8,439,795	9,193,914	10,303,419	
One year later	4,683,185	6,473,256	7,724,461	8,680,302	8,550,662	10,465,456	9,871,667	10,045,603	-	
Two years later	4,963,481	6,528,240	8,149,743	9,042,943	8,754,427	10,744,175	9,549,773	-	-	
Three years later	4,991,449	6,715,210	8,178,844	9,164,204	8,765,793	10,943,724	-	-	-	
Four years later	5,020,737	6,710,736	8,284,188	9,228,359	8,857,700	-	-	-	-	
Five years later	5,013,136	6,828,502	8,361,783	9,341,886	-	-	-	-	-	
Six years later	5,066,907	6,892,184	8,380,391	-	-	-	-	-	-	
Seven years later	5,083,076	6,925,849	-	-	-	-	-	-	-	
Eight years later	5,073,894	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	5,073,894	6,925,849	8,380,391	9,341,886	8,857,700	10,943,724	9,549,773	10,045,603	10,303,419	79,422,239
Cumulative payments to date	(5,063,280)	(6,922,717)	(8,366,343)	(9,331,978)	(8,835,196)	(10,909,191)	(9,138,109)	(8,990,312)	(7,483,305)	(75,040,431)
Liability recognised in the statement of financial position	10,614	3,132	14,048	9,908	22,504	34,533	411,664	1,055,291	2,820,114	4,381,808
Liability in respect of years prior to 2010										5,246
Total reserve included in the consolidated statement of financial position										4,387,054



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## 13 UNEARNED CONTRIBUTIONS AND DEFERRED RETAKAFUL CONTRUBUTIONS

	2019			2018		
	Gross BD	Retakaful share BD	Net BD	Gross BD	Retakaful share BD	Net BD
At 1 January	9,355,822	(1,990,708)	7,365,114	8,195,744	(2,157,078)	6,038,666
Contributions written	21,720,586	(6,288,291)	15,432,295	22,034,403	(6,297,784)	15,736,619
Contributions earned	(21,749,057)	6,100,254	(15,648,803)	(20,874,326)	6,464,155	(14,410,171)
At 31 December	9,327,351	(2,178,745)	7,148,606	9,355,821	(1,990,708)	7,365,114

## 14 DEFERRED POLICY ACQUISITION COSTS

	2019 BD	2018 BD
At 1 January	600,206	464,402
Acquisition costs during the year	1,185,328	1,183,423
Amortisation for the year	(1,211,731)	(1,047,619)
At 31 December	573,803	600,206

## 15 UNEARNED RETAKAFUL COMMISSIONS

	2019 BD	2018 BD
At 1 January	313,639	332,568
Retakaful commissions received	869,647	826,800
Retakaful commissions earned	(845,476)	(845,729)
At 31 December	337,810	313,639

## 16 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2019				31 December 2018			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Staff related receivables	1,454	-	-	1,454	504	-	-	504
Accrued Income	59,261	94,610	16,772	170,643	44,837	61,632	21,718	128,187
Prepaid Expenses	7,995	81,733	-	89,728	28,504	113,614	-	142,118
Tender Deposits	-	59,925	-	59,925	-	46,494	-	46,494
Other Receivables	60,478	109,329	-	169,807	806,285	111,997	-	918,282
VAT receivable	21,787	128,923	-	150,710	-	-	-	-
At 31 December	150,975	474,520	16,772	642,267	880,130	333,737	21,718	1,235,585

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

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## 17 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 31 December 2017	1,071,868	1,255,201	880,625	1,531,031	112,568	4,851,293
Additions	-	-	3,083	51,749	-	54,832
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(37,059)	(37,059)
At 31 December 2018	1,071,868	1,255,201	883,708	1,582,780	75,509	4,869,066
Additions	-	-	12,989	45,510	-	58,499
Impairment *	(67,015)	(11,463)	-	-	-	(78,478)
Disposals	(512,705)	(108,817)	-	-	(18,000)	(639,522)
Deconsolidation of a subsidiary (note 3.1)	-	(10,581)	(11,191)	(38,640)	-	(60,412)
At 31 December 2019	492,148	1,124,340	885,506	1,589,650	57,509	4,149,153
<b>Accumulated depreciation</b>						
At 31 December 2017	-	479,726	841,185	1,359,612	87,757	2,768,280
Charge for the year	-	50,167	14,728	103,461	9,664	178,020
Disposals for the year	-	-	-	-	(26,875)	(26,875)
At 31 December 2018	-	529,893	855,913	1,463,073	70,546	2,919,425
Charge for the year	-	49,600	10,895	73,574	4,193	138,262
Disposals for the year	-	(21,122)	-	-	(17,642)	(38,764)
Deconsolidation of a subsidiary (note 3.1)	-	(1,058)	(4,921)	(24,341)	-	(30,320)
At 31 December 2019	-	557,313	861,887	1,512,306	57,097	2,988,603
<b>Net book amount</b>						
At 31 December 2019	492,148	567,027	23,619	77,344	412	1,160,550
At 31 December 2018	1,071,868	725,308	27,795	119,707	4,963	1,949,641

\* This represents impairment of the Company's 2 storey building measuring 750 square meters located in Salmabad. The impairment was determined based on the valuation of third party valuers.

### Property owned by the company

Name of the property	Address	Description	Existing Use	Nature	Age of the property
Takaful International Co. BSC - Head office	Building No.680, Road No.2811, Seef District, 428, Kingdom of Bahrain	6 storey commercial tower measuring 688 square meters	Operational purpose	Freehold	14 Years

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## 18 RECEIVABLE FROM TAKAFUL FUNDS

Receivable from takaful funds includes amounts due from General takaful and Family takaful policyholders on account of wakala fees, mudarib fees and inter-entity balances amounting to BD 954,185 (2018: BD 1,061,076)

## 19 RELATED PARTIES

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

### Key management personnel compensation

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

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

The following are the transactions entered into with the related parties during the period ended 31 December 2019 and 31 December 2018.

	31 December 2019			31 December 2018		
	Key Management Personnel	Shareholders	Others	Key Management Personnel	Shareholders	Others
Gross contributions	693	149,531	-	1,222	165,957	-
Retakaful provider's share of gross contribution	-	54,376	-	-	39,574	-
Gross claims paid	-	303,474	-	-	106,011	-
Reinsurers' share of claims paid	-	4,443	-	-	3,309	-
Fee and commission income	-	8,209	-	-	5,594	-
Acquisition costs	-	31,097	-	-	27,173	-
Sale of Salmabad Land and Building	-	600,400	-	-	-	-
Corporate expenses	-	-	14,305	-	-	36,550

	Shareholders	
	31 December 2019	31 December 2018
Investments at fair value through equity	163,968	154,708
Takaful and retakaful balances receivable	286,798	197,940
Takaful and retakaful balances payable	31,919	9,144

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At 31 December 2019

(Expressed in Bahraini Dinars)

## 19 RELATED PARTIES (continued)

### Compensation of key management personnel

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

	31 December 2019	31 December 2018
Salaries and benefits	180,283	201,805
Directors' fee	76,281	69,616
Employees' end of service benefits	18,123	92,033
	<b>274,687</b>	<b>363,454</b>

## 20 EQUITY AND RESERVES

	31 December 2019	31 December 2018
<b>Authorised share capital:</b>		
<b>Ordinary shares</b>		
200,000,000 ordinary shares of 100 fils each (2018: 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 (2018: 85,000,000 ordinary shares of 100 fils each)	8,500,000	8,500,000

In the previous year, there was a capital raise of BD 2,250,000. The paid up capital of the company was increased from BHD 6,250,000 to BHD 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 2019 and 2018 respectively is as follows:

		31 December 2019	
Name of the shareholders	Nationality	Number of shares	Percentage of shareholding interest
Bahrain Kuwait Insurance Company	Bahraini	69,651,974	81.94%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	6.18%
		31 December 2018	
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%

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## 20 EQUITY AND RESERVES

ii) The Group 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 2019		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	195	6,195,820	7.29%
1% up to less than 5%	2	3,902,206	4.59%
5% up to less than 10%	1	5,250,000	6.18%
10% and above	1	69,651,974	81.94%
	199	85,000,000	100.00%

	31 December 2018		
	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%

### 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 2019, the Group transferred an amount of BD 69,044 (2018: BD 65,074) 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

There is no dividend payable to shareholders for the year ended 31 December 2019 [2018: Nil].

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## 21 OTHER LIABILITIES AND PROVISIONS

	31 December 2019				31 December 2018			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Due to garages, spare part suppliers and others	-	476,903	-	476,903	-	413,654	-	413,654
Provision for employees' leaving indemnity	238,213	-	-	238,213	231,473	-	-	231,473
Accrued expenses	288,984	84,316	-	373,300	241,016	85,448	-	326,464
Unclaimed dividends	102,950	-	-	102,950	104,570	-	-	104,570
VAT payables	778	245,004	-	245,782	259,069	-	-	259,069
Provision for leave pay	27,297	-	-	27,297	40,883	-	-	40,883
Payable To Shareholders fund	-	731,786	222,399	954,185	-	835,360	225,716	1,061,076
Other liabilities	68,337	129,097	2,067	199,501	1,333,224	114,570	2,030	1,449,824
	726,559	1,667,106	224,466	2,618,131	2,210,235	1,449,032	227,746	3,887,013

## 22 GROSS CONTRIBUTIONS

	31 December 2019			31 December 2018		
	General takaful BD	Family takaful BD	Total BD	General takaful BD	Family takaful BD	Total BD
Led by the company - net of refunds	19,826,855	1,383,454	21,210,309	19,973,524	1,444,551	21,418,075
Led by other insurance companies - Company's share	510,277	-	510,277	616,328	-	616,328
	20,337,132	1,383,454	21,720,586	20,589,852	1,444,551	22,034,403

## 23 GENERAL ADMINISTRATION AND CORPORATE EXPENSES

	31 December 2019	31 December 2018
Employee related costs	1,509,198	1,596,884
General administration expenses	797,551	738,854
Depreciation	136,558	171,920
Impairment on building	78,478	-
	2,521,785	2,507,658

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## 24 EMPLOYEES' TERMINAL BENEFITS

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organization in the Kingdom of Bahrain for the year ended 31 December 2019 amounted to BD 95,792 (2018: BD 103,740).

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

	31 December 2019 BD	31 December 2018 BD
Opening balance	231,473	305,185
Accruals for the year	33,229	132,027
Payments during the year	(26,489)	(205,739)
Closing balance	238,213	231,473
<b>Total number of staff employed by the Group</b>	<b>87</b>	<b>86</b>

## 25 WAKALA FEE AND MUDARIB SHARE

The shareholders manage the general and family takaful operations for the participants' and charge 18% (2018: 17%) and 11% (2018: 17%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 25% (2018: 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% (2018: 35%) and 25% (2018: 25%) respectively.

## 26 INVESTMENT INCOME

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

	Year ended 31 December 2018			
	Shareholders BD	General takaful BD	Family takaful BD	Total BD
Deposit income	54,937	101,414	13,503	169,854
Profit on investment securities	56,474	35,346	73,639	165,459
Dividend income	79,074	11,216	30,348	120,638
Gain on sale of investment securities	57,043	16,385	7,678	81,106
Investment expenses	(163,187)	-	-	(163,187)
Impairment on investments	(135,846)	(22,799)	(17,323)	(175,968)
	(51,505)	141,562	107,845	197,902

# Notes To The Consolidated Financial Statements

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## 27 OTHER INCOME - NET

	Year ended 31 December 2019	Year ended 31 December 2018
<b>Other income</b>		
TPA fees and other income (subsidiary)	288,844	356,356
Rental income	23,100	27,500
Profit on sale of asset	6,161	14,163
Other income	1,024	8,267
	<b>319,129</b>	<b>406,286</b>

## 28 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 2019	Year ended 31 December 2018
Net profit	690,444	650,731
Weighted average number of ordinary shares issued	85,000,000	76,184,932
Earnings per share	8.12 fils	8.54 Fils

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

	31 December 2019	31 December 2018
<b>Other information</b>		
Proposed cash dividend per share	-	-
Net asset value per share	119 Fils	108 Fils
Share price per Bahrain Bourse at 31 December	90 Fils	85 Fils
Price to earning ratio at 31 December	11 Times	10 Times
Total market capitalisation at 31 December (BD - thousand)	7,650	7,225

## 29 SEGMENTAL UNDERWRITING RESULTS

### Business segments – primary reporting segment

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

<b>Fire and general takaful</b> offers insurance policies to cover various risks of fire, sabotage and terrorism, engineering and general accident	<b>Motor takaful</b> offers insurance policies to cover risks of motor third party, motor comprehensive and extended warranty	<b>Marine and aviation takaful</b> offers insurance policies to cover risks of marine cargo, marine hull and aviation.
<b>Medical takaful</b> offers insurance policies to cover risks of medical contingencies and expenses.	<b>Family takaful</b> offers insurance 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 Group's income and profit for the year.



# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 29 SEGMENTAL UNDERWRITING RESULTS (continued)

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

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

For the year ended 31 December 2019 (Audited)

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

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At 31 December 2019

(Expressed in Bahraini Dinars)

## 29 SEGMENTAL UNDERWRITING RESULTS (continued)

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

For the year ended 31 December 2018 (Audited)

	Fire & General	Medical	Motor	Marine & Aviation	Total General Takaful	Family Takaful	Total
Gross contributions	4,871,273	6,789,644	8,544,828	384,107	20,589,852	1,444,551	22,034,403
Retakaful provider's share of gross contributions	(4,244,490)	(270,538)	(527,654)	(316,663)	(5,359,345)	(938,439)	(6,297,784)
Retained contributions	626,783	6,519,106	8,017,174	67,444	15,230,507	506,112	15,736,619
Unearned Contribution adjustment - net	24,594	(539,510)	(822,235)	3,429	(1,333,722)	7,274	(1,326,448)
Net earned contributions	651,377	5,979,596	7,194,939	70,873	13,896,785	513,386	14,410,171
Fee and Commission Income	990,236	-	-	71,131	1,061,367	35	1,061,402
Segment Revenue	1,641,613	5,979,596	7,194,939	142,004	14,958,152	513,421	15,471,573
Net incurred claims	(172,228)	(4,536,217)	(5,458,925)	(5,054)	(10,172,424)	(432,383)	(10,604,807)
Other Takaful Expenses	(8,439)	(259,488)	(279,788)	-	(547,715)	(3,762)	(551,477)
Transfer to family takaful technical reserve	-	-	-	-	-	(430,427)	(430,427)
(Provision for) / reversal of impaired takaful receivables	(16,915)	(27,994)	(47,850)	-	(92,759)	5,808	(86,951)
Underwriting surplus before wakala fees	1,444,031	1,155,897	1,408,376	136,950	4,145,254	(347,343)	3,797,911
Wakala fees expense	(1,188,237)	(950,550)	(1,311,631)	(93,346)	(3,543,764)	(245,574)	(3,789,338)
Surplus / (Deficit) from takaful operations after wakala fees	255,794	205,347	96,745	43,604	601,490	(592,917)	8,573
Investment Income - net					141,562	107,845	249,407
Mudarib fees expense					(35,391)	(26,961)	(62,352)
Net surplus / (deficit)					707,661	(512,033)	195,628

The following table presents disclosure of segment assets and liabilities:

	Fire & General	Medical	Motor	Marine & Aviation	Family Takaful	Total	Unallocated assets / Liabilities	Total
Identifiable assets and liabilities as on 31 December 2019 (Reviewed)								
Identifiable assets	4,464,649	299,357	1,703,515	113,398	931,080	7,511,999	30,775,734	38,287,733
Identifiable liabilities	5,315,694	3,591,577	8,736,586	160,284	3,177,258	20,981,399	7,518,059	28,499,458
Identifiable assets and liabilities as on 31 December 2018 - (Audited)								
Identifiable assets	7,200,436	402,195	1,382,251	100,322	795,531	9,880,735	29,911,605	39,792,340
Identifiable liabilities	8,196,359	3,752,575	7,475,831	138,747	3,048,363	22,611,875	8,705,928	31,317,803

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

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At 31 December 2019

(Expressed in Bahraini Dinars)

## 29 SEGMENTAL UNDERWRITING RESULTS (continued)

### Geographical segments – secondary reporting segment

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

The Group'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 Group as at 31 December 2019 and 2018 is as follows:

	Gross contributions by location		Non-current assets by location of assets	
	2019	2018	2019	2018
Kingdom of Bahrain	21,720,586	22,034,403	1,160,550	1,949,641

## 30 RISK MANAGEMENT

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

Financial assets and liabilities carried on the consolidated statement of financial position include statutory deposits, cash and bank balances, investments at fair value through equity, 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 Group'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 Group'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 Group's competitiveness and flexibility.

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

### Takaful risk

The risk under a takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a takaful contract, this risk is random and therefore unpredictable. The principal risks that the Group faces under such contracts is the occurrence of the insured event and the severity of the reported claim. The Group'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.

The Group 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.

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 30 RISK MANAGEMENT (continued)

### Takaful risk (continued)

The primary risk control measure in respect of insurance 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 Group is not dependent on a single retakaful operator or a single retakaful contract.

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

The Group 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 Group to multiple takaful risks. The Group has adequately reinsured 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 (2018: 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 Group has retakaful arrangements, this does not, however, discharge the Group's liability as primary insurer. Thus a credit risk remains with respect to retakaful ceded if any retakaful Group is unable to meet its obligations to the Group under such retakaful arrangements as the Group remains liabilities for the gross claim. The Group 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 Group is exposed to market risk with respect to its Islamic investments. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international investment markets. In addition, the Group actively monitors the key factors that affect stock market movements, including analysis of the operational and financial performance of investments. The Group's other assets and liabilities, in the opinion of the management, are not sensitive to profit rate risk.

# Notes To The Consolidated Financial Statements

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(Expressed in Bahraini Dinars)

## 30 RISK MANAGEMENT (continued)

### Currency risk

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

ASSETS	31 December 2019				
	Bahraini Dinar BD	US Dollars BD	Qatari Riyals BD	Others BD	Total BD
Cash and bank balances	11,103,071	442,779	7,483	180	11,553,513
Statutory deposit	125,000	-	-	-	125,000
Takaful and retakaful balances receivable	8,180,537	1,892,775	-	-	10,073,312
Retakaful share of outstanding claims					
- Reported claims	2,196,074	1,031,719	-	-	3,227,793
Investments at fair value through equity	1,597,010	3,516,946	-	946,312	6,060,268
	23,201,692	6,884,219	7,483	946,492	31,039,886
<b>LIABILITIES</b>					
Takaful liabilities - outstanding claims					
- Reported claims	5,844,809	-	116,448	-	5,961,257
Unearned commissions	218,627	119,183	-	-	337,810
Payables and accrued liabilities :					
Takaful and retakaful companies	2,409,221	1,009,084	-	-	3,418,305
Participants'	1,481,623	-	-	-	1,481,623
Others	2,593,777	24,354	-	-	2,618,131
	12,548,057	1,152,621	116,448	-	13,817,126
Net Exposure	10,653,635	5,731,598	(108,965)	946,492	17,222,760

ASSETS	31 December 2018				
	Bahraini Dinar BD	US Dollars BD	Qatari Riyals BD	Others BD	Total BD
Cash and bank balances	6,759,009	2,470,749	30,336	190	9,260,284
Statutory deposit	125,000	-	-	-	125,000
Takaful and retakaful balances receivable	8,118,909	1,878,516	-	-	9,997,425
Retakaful share of outstanding claims					
- Reported claims	3,947,258	2,069,906	-	-	6,017,164
Investments at fair value through equity	1,554,974	3,147,791	-	1,579,830	6,282,595
	20,505,150	9,566,962	30,336	1,580,020	31,682,468
<b>LIABILITIES</b>					
Takaful liabilities - outstanding claims					
- Reported claims	8,243,017	-	170,914	-	8,413,931
Unearned commissions	194,456	119,183	-	-	313,639
Payables and accrued liabilities :					
Takaful and retakaful companies	2,307,424	966,446	-	-	3,273,870
Participants'	1,545,043	-	-	-	1,545,043
Others	3,862,929	24,084	-	-	3,887,013
	16,152,869	1,109,713	170,914	-	17,433,496
Net Exposure	4,352,281	8,457,249	(140,578)	1,580,020	14,248,972

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 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 Group is exposed to price risk with respect to its investments at fair value through equity (quoted and unquoted shares, sukuks and managed funds).

The Group is exposed to market risk with respect to its investments at fair value through equity in equities, managed funds and sukuks. The impact on investment fair value reserve and equity of a 1% increase/decrease in prices would be +/- of BD 60,603/- (2018: +/- of BD 62,826).

The management has set up an investment policy to manage its investment portfolio. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international equity and bond markets. In addition, the Group 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 Group's investments at fair value through equity is:

	31 December 2019	31 December 2018
Kingdom of Bahrain	3,429,739	2,258,084
Other GCC countries	2,211,429	3,449,087
Asia	212,872	403,877
Other countries	206,228	171,546
	6,060,268	6,282,594

### 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 Group 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 Group, other than those related to retakaful contracts as described in takaful risk above, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated statement of financial position.

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

	At 31 December 2019		At 31 December 2018	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
Financial assets				
Cash and bank balances	11,553,513	11,553,513	9,260,284	9,260,284
Takaful and retakaful balances receivable	10,073,312	10,073,312	9,997,425	9,997,425
Retakaful share of outstanding claims	4,189,199	4,189,199	6,978,571	6,978,571
Other receivables and prepayments	642,267	642,267	1,235,585	1,235,585
Statutory deposit	125,000	125,000	125,000	125,000
Total financial assets	26,583,291	26,583,291	27,596,865	27,596,865

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

# Notes To The Consolidated 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 Group based on remaining undiscounted contractual obligations. As the Group does not have any interest bearing liabilities, the totals in the table match the consolidated statement of financial position.

ASSETS	31 December 2019			
	One year or less	More than one year	No term	Total
Cash and bank balances	11,553,513	-	125,000	11,678,513
Investments at fair value through equity	1,789,746	4,270,522	-	6,060,268
Takaful and retakaful balances receivable	7,378,949	2,694,363	-	10,073,312
Retakaful share of outstanding claims	4,189,199	-	-	4,189,199
Deferred retakaful contribution	2,178,745	-	-	2,178,745
Deferred acquisition costs	573,803	-	-	573,803
Retakaful share of family takaful technical reserves	570,251	-	-	570,251
Property and equipment	-	-	1,160,550	1,160,550
Other receivables and prepayments	642,267	-	-	642,267
Receivable from takaful funds	954,185	-	-	954,185
Investment in an associate	-	-	206,640	206,640
	29,830,658	6,964,885	1,492,190	38,287,733

LIABILITIES	31 December 2019			
	One year or less	More than one year	No term	Total
Gross outstanding claims	8,576,253	-	-	8,576,253
Unearned contributions	9,327,351	-	-	9,327,351
Unearned retakaful commissions	337,810	-	-	337,810
Family takaful technical reserves	2,739,985	-	-	2,739,985
Payables and accrued liabilities	4,899,928	-	-	4,899,928
Other liabilities and provisions	1,425,733	-	-	1,425,733
Employees' terminal benefits	-	238,213	-	238,213
Payable to shareholders	954,185	-	-	954,185
	28,261,245	238,213	-	28,499,458

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(Expressed in Bahraini Dinars)

## 30 RISK MANAGEMENT (continued)

### Liquidity risk (continued)

	31 December 2018			
	One year or less	More than one year	No term	Total
<b>ASSETS</b>				
Cash and bank balances	9,260,284	-	125,000	9,385,284
Investments at fair value through equity	2,356,096	3,926,498	-	6,282,594
Takaful and retakaful balances receivable	7,374,873	2,622,552	-	9,997,425
Retakaful share of outstanding claims	6,978,571	-	-	6,978,571
Deferred retakaful contribution	1,990,708	-	-	1,990,708
Deferred policy acquisition costs	600,206	-	-	600,206
Retakaful share of family takaful technical reserves	311,250	-	-	311,250
Property and equipment	-	-	1,949,641	1,949,641
Other receivables and prepayments	1,235,585	-	-	1,235,585
Receivable from takaful funds	1,061,076	-	-	1,061,076
	<b>31,168,649</b>	<b>6,549,050</b>	<b>2,074,641</b>	<b>39,792,340</b>

	31 December 2018			
	One year or less	More than one year	No term	Total
<b>LIABILITES</b>				
Gross outstanding claims	10,520,927	-	-	10,520,927
Unearned contributions	9,355,822	-	-	9,355,822
Unearned retakaful commissions	313,639	-	-	313,639
Family takaful technical reserves	2,421,489	-	-	2,421,489
Payables and accrued liabilities	4,818,913	-	-	4,818,913
Other liabilities and provisions	2,594,464	-	-	2,594,464
Employees' terminal benefits	-	231,473	-	231,473
Payable to shareholders	1,061,076	-	-	1,061,076
	<b>31,086,330</b>	<b>231,473</b>	<b>-</b>	<b>31,317,803</b>



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At 31 December 2019

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

	31 December 2019	31 December 2018
Total available shareholders' capital to cover required solvency margin	4,879,000	4,439,000
Total Margin required for General & Family Takaful funds'	4,014,000	3,986,000
Excess Capital	865,000	453,000

## 32 SHARI'A SUPERVISORY BOARD

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

## 33 ZAKAH

Zakah of BD 225,401 at 2.65 fils per share (2018: BD 187,249 at 2.20 fils per share) is to be directly borne by the shareholders and, accordingly, the consolidated 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 (2018: Nil) from transactions which are not permitted under Shari'a.

## 35 CONTINGENT LIABILITIES

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

## 36 COMMITMENTS

### a) Operating lease commitments

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

	31 December 2019	31 December 2018
Not later than 1 year	18,000	36,032

### b) Other commitments

The are no other commitments as at 31 December 2019.

# Notes To The Consolidated Financial Statements

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## 37 QARD AL HASSAN

In accordance with the capital adequacy requirements of the Central Bank of Bahrain' Insurance Rulebook, there is no Qard apportionment made through the Insurance Firm Return for the year ended 31 December 2019.

## 38 TOTAL COMPREHENSIVE INCOME

	For the year ended 31 December 2019				For the year ended 31 December 2018			
	Shareholders	General takaful	Family takaful	Total	Shareholders	General takaful	Family takaful	Total
<b>Net profit and surplus / (deficit) for the year</b>	690,765	316,119	24,041	1,030,925	651,194	707,661	(512,033)	846,822
<b>Other comprehensive income / (loss) to be reclassified to statement of profit or loss in subsequent periods:</b>								
<i>Investments at fair value through equity:</i>								
Fair value changes arising during the year	182,335	54,352	45,078	281,765	(229,652)	(16,009)	(55,810)	(301,471)
Recycled to consolidated statement of profit or loss on disposal/impairment	28,204	52,020	22,425	102,649	130,036	18,338	17,510	165,884
<b>Other comprehensive income / (loss) for the year to be reclassified to consolidated statement of profit or loss in subsequent periods</b>	210,539	106,372	67,503	384,414	(99,616)	2,329	(38,300)	(135,587)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>	901,304	422,491	91,544	1,415,339	551,578	709,990	(550,333)	711,235
Attributable to:								
Parent Shareholders	900,983	422,491	91,544	1,415,018	551,115	709,990	(550,333)	710,772
Non-controlling interests	321	-	-	321	463	-	-	463
	901,304	422,491	91,544	1,415,339	551,578	709,990	(550,333)	711,235

# Notes To The Consolidated Financial Statements

At 31 December 2019

(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 2019 and 31 December 2018:

	31 December 2019		
	Investments at fair value through equity	Financial assets at amortised cost	Total
Statutory deposit	-	125,000	125,000
Cash and bank balances	-	11,553,513	11,553,513
Investments at fair value through equity	6,060,268	-	6,060,268
Takaful and retakaful balances receivable	-	10,073,312	10,073,312
Retakaful share of Takaful Liabilities			
- Outstanding claims - Reported claims		3,227,793	3,227,793
Other receivables	-	492,614	492,614
	6,060,268	25,472,232	31,532,500

	Financial Liabilities
Takaful Liabilities	
- Outstanding Claims - Reported claims	5,961,257
Takaful and retakaful payables	4,899,928
Other liabilities and provisions	1,733,539
	12,594,724

	31 December 2018		
	Investments at fair value through equity	Financial assets at amortised cost	Total
Statutory deposit	-	125,000	125,000
Cash and bank balances	-	9,260,284	9,260,284
Investments at fair value through equity	6,282,594	-	6,282,594
Takaful and retakaful balances receivable	-	9,997,425	9,997,425
Retakaful share of Takaful Liabilities			
- Outstanding claims - Reported claims	-	6,017,164	6,017,164
Other receivables	-	1,046,973	1,046,973
	6,282,594	26,446,846	32,729,440

	Financial Liabilities
Takaful Liabilities	
- Outstanding Claims - Reported claims	8,413,931
Takaful and retakaful payables	4,818,913
Other liabilities and provisions	3,029,124
	16,261,968

# Notes To The Consolidated Financial Statements

At 31 December 2019

(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 2019			Total
	Level 1	Level 2	Level 3	
<b>Available-for-sale investments</b>				
Quoted equities				
Banking	1,341,691	-	-	1,341,691
Government	1,752,124	-	-	1,752,124
Infrastructure	925,146	-	-	925,146
Consumer Service	232,445	-	-	232,445
Others	530,582	-	-	530,582
Unquoted equity investments				
Infrastructure	-	-	377,500	377,500
Consumer Service	-	331,857	-	331,857
Insurance	-	-	80,268	80,268
Other managed funds				
Consumer Service	-	187,353	-	187,353
Infrastructure	-	162,811	11,326	174,137
Others	-	54,270	72,895	127,165
	4,781,988	736,291	541,989	6,060,268

# Notes To The Consolidated Financial Statements

At 31 December 2019

(Expressed in Bahraini Dinars)

## 39 FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

	31 December 2018			Total
	Level 1	Level 2	Level 3	
<b>Available-for-sale investments</b>				
Quoted equities				
Banking	1,952,129	-	-	1,952,129
Government	1,172,894	-	-	1,172,894
Infrastructure	854,246	-	-	854,246
Consumer Service	210,826	-	-	210,826
Others	650,976	-	-	650,976
Unquoted equity investments				
Infrastructure	-	-	377,500	377,500
Consumer Service	-	299,017	-	299,017
Insurance	-	-	200,268	200,268
Other managed funds				
Consumer Service	-	195,370	-	195,370
Infrastructure	-	156,035	11,326	167,361
Others	-	122,347	79,660	202,007
	4,841,071	772,769	668,754	6,282,594

Date of valuation was 31 December 2019 for the current period and 31 December 2018 for the comparative period respectively.

In case of investments at fair value through equity, the impairment charge in the consolidated statement of income would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through consolidated statement of other comprehensive income - note 38) and, would not have an impact on the consolidated statement of income.

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

During the year ended 31 December 2019, 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 (2018 : No transfer)

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

The management assessed that the fair values of cash and bank balances, insurance receivables, reinsurers' share of insurance liabilities - reported claims, insurance liabilities - reported claims, payables to insurance and reinsurance companies, policyholders and other payables, 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 period amounts have been regrouped to conform to the current period's presentation. Such regrouping did not effect previously reported profit for the period or equity.