

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

**FINANCIAL STATEMENTS**

**31 DECEMBER 2023**

## CONTENTS

	Page
General information	2
Directors and management	3
Shari'a Supervisory Board Report	4
Board of Directors Report	5-8
Independent auditors' report to the shareholders	9-15
<b>Financial statements</b>	
Statement of financial position	16
Statement of income	17
Statement of changes in shareholders' equity	18
Statement of changes in participants' funds	19
Statement of cash flows	20
Notes to the financial statements	21-91

## General information

### HEAD OFFICE

Building 680, Road 2811  
Seef District 428,  
Kingdom of Bahrain

P.O. Box : 3230  
Telephone : +973 17565656  
Telefax : +973 17582688  
E-mail : [takaful@gigtakaful.bh](mailto:takaful@gigtakaful.bh)  
Website : [www.gigtakaful.bh](http://www.gigtakaful.bh)

Commercial registration : 21100 obtained on 11 April 1989

### MUHARRAQ SEEF MALL CENTER

Muharrag Seef Mall, Gate A  
Shop 83, Road 44  
Muharrag 243  
Kingdom of Bahrain

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

### SANAD CENTER

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

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

### MOTOR MINOR ACCIDENTS CENTER

Dana Mall, Building 702  
Shop No.18  
Road 5115, Block 351  
Manama, Kingdom of Bahrain

P.O. Box : 2320  
Telephone : +973 17565246

### PRINCIPAL BANKERS

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

### SHARE REGISTRAR

Bahrain Clear  
Manama  
Kingdom of Bahrain

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

### AUDITORS

Ernst & Young - Middle East  
Manama  
Kingdom of Bahrain

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

### ACTUARY

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

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

## Takaful International Company B.S.C.

### Directors and management

---

#### BOARD OF DIRECTORS

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

#### EXECUTIVE COMMITTEE

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

#### AUDIT & CORPORATE GOVERNANCE COMMITTEE

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

#### NOMINATION & REMUNERATION COMMITTEE

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

#### RISK COMMITTEE

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

#### SHARI'A SUPERVISORY BOARD

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

#### EXECUTIVE MANAGEMENT

Essam M. Al Ansari	- Chief Executive Officer
Abdulaziz A. Al Othman	- Deputy Chief Executive Officer
Santosh Shreenivas Prabhu	- Chief Financial Officer
Jijan Abraham Stephen	- Chief Underwriting Officer - General Takaful (Resigned)
Reema Nowrooz	- Chief Underwriting Officer - Family Takaful & Healthcare
Lamia E. Hassan	- Chief Underwriting Officer - Motor Takaful
Fajer A.Aziz	- Chief Underwriting Officer - General Takaful
Tajudheen Pothiyil	- Manager - General Takaful (Resigned)
Sayed Jaffer K. Hussain	- Manager - Information Technology (Resigned)
Najat Al Wadi	- Manager - Governance, Risk Management, Compliance & Shari'a Control
Amal Al-Saei	- Manager - Information Technology
Sara Bucheeri	- Manager - Human Resources

In the name of Allah, The Merciful, The Compassionate

**Shari'a Supervisory Board's Report  
For the Financial Year Ended on 31.12.2023**

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 31.12.2023. The Board has reviewed and confirmed the implementation of the principles and guidelines governing the relationship between the participants and shareholders in order to identify the rights of each side. Discussions took place with the Company's officers with regard to its items and the attached Notes. The Board gave its Shari'a directives for Takaful transactions and answered the queries made by the management.

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

**In our opinion:**

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

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

**Assalam Alaikum Wa Rahmat Allah Wa Barakatuh**

**Rajab 27, 1445 corresponding to 8<sup>th</sup> February 2024.**

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

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



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 34th annual report of Takaful International Company for the financial year ended 31st December 2023.

In 2023, the Arab and Middle Eastern region, alongside the global community, bore witness to a series of unprecedented events spanning natural calamities, conflicts, and wars. Experts believe that the current war in the Middle East threatens the global economy, which is still weak as a result of the repercussions of the pandemic and the Russian-Ukrainian war, through its impact on growth and raising energy and food prices again. The fact that the Middle East region is a vital supplier of energy and the main pathway for shipping, which is reason to say the repercussions of that war will affect the increase in oil prices, inflation rate, and ultimately slowdown in economic growth rate.

On the local front, official reports indicate that the gross domestic product (GDP) at constant prices exhibiting a growth of 2.5 percent on an annual basis during the third quarter of 2023. This growth trajectory was underpinned by a robust expansion in the non-oil sector, which surged by 4.5 percent, while the oil sector witnessed a decline of 6.8 percent.

Estimations suggest a continuation of this growth, with the GDP projected to expand by 2.6% in 2023. This growth outlook is primarily bolstered by the anticipated resilience of the non-oil sector, which is forecasted to grow by 3.4%.

I am proud to mention that your company voluntarily adopted early the new accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) nos. 30, 42 and 43 from 1st January 2023 though these standards will come into effect from 1st January 2025. Thus, your company is the first to apply these standards in the Bahraini market and most likely in the Gulf market.

There is no doubt that in today's world, data and information have become essential in any strategy for development and growth must be based on data and artificial intelligence. Data is also useful in predictive analysis and futuristic projections. With this target, your company has successfully implemented the new information technology system that keeps pace with the latest developments in the insurance field that aims to improve its services and increase its customer base.

During the year, the company's credit rating was confirmed as A- (excellent) by AM Best. This rating reflects the financial strength of the company and its ability to meet its future obligations.

In order to develop the capabilities of Board members and provide them with the necessary knowledge, and in line with the requirements of the Central Bank of Bahrain, the company had organized in 2023 training programs for the members with topics related to financial and insurance activity.

As for the financial results of the year 2023, despite the intense competition witnessed by the insurance market in Bahrain and the increase in the loss ratio resulting from the increase in medical insurance claims in particular, your company achieved a total profit of BD 1,513m compared to BD 1,253m in 2022, an increase of approximately 21%. This increase is attributed to the significant improvement in net investment income.

Based on the achieved results, the Board of Directors recommends the distribution of cash dividends to shareholders at a rate of 7.5% of the paid-up capital (7.5 Fils per share). This distribution is subject to the approval of the regulatory authorities and the shareholders in the forthcoming Annual General Meeting.



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

**First: Board of directors' remuneration details:**

Name	Fixed Remunerations					Variable Remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board committees' meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1- Mr. Ebrahim Mohamed Sharif Alrayis Chairman	-	300	-	-	300	9,000	-	-	-	9,000	-	9,300	-
2-Abdulrahman Abdulla Mohamed Vice Chairman	-	1,200	-	-	1,200	9,000	-	-	-	9,000	-	10,200	-
3- Rashed Ali Abdulrahim Director	-	1,500	-	-	1,500	9,000	-	-	-	9,000	-	10,500	-
4- Dr. Osama Taqi Albaharna Director	-	2,400	-	-	2,400	9,000	-	-	-	9,000	-	11,400	-
5- Mr. Saleh Fahad Al Zouman Director	-	1,200	-	-	1,200	9,000	-	-	-	9,000	-	10,200	572
Second: Non-Executive Directors:													
None													
Third: Executive Directors:													
1- Khalid Saud Al Hasan Director	-	1,500	-	-	1,500	9,000	-	-	-	9,000	-	10,500	1,605
2- Ahmed Bucheeri Director	-	2,400	-	-	2,400	9,000	-	-	-	9,000	-	11,400	-
3- Mr. Abdulla Rabea Mohamed Rabea Director	-	1,200	-	-	1,200	9,000	-	-	-	9,000	-	10,200	2,197
4- Osama Kamel Kishk Director	-	2,100	-	-	2,100	9,000	-	-	-	9,000	-	11,100	1,800
5- Dr. Abdulla Saleh Sultan Director	-	1,500	-	-	1,500	9,000	-	-	-	9,000	-	10,500	-
Total	-	15,300	-	-	15,300	90,000	-	-	-	90,000	-	105,300	6,174

**Notes:**

- All amounts are stated in Bahraini Dinars.

- The Remuneration of the chairman and BOD is subject to the General Assembly's approval and the relevant regulatory authorities' approval, as appropriate.

**Other remunerations:**

\* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

\*\* It includes the board member's share of the profits - Granted shares (insert the value) (if any).



**Second: Executive management remuneration details:**

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	367,310	138,500	19,983	525,792

**Note:** All amounts are stated in Bahraini Dinars.

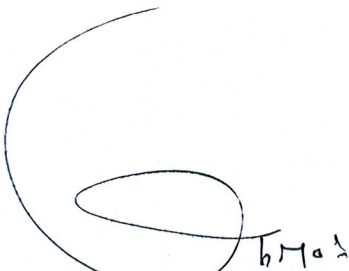
\* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).


\*\* The company's highest financial officer (CFO, Finance Director, ...etc)

On this occasion, I am pleased to extend my sincere thanks to our shareholders and esteemed clients for their continued support and trust. I also extend my thanks to the Sharia Supervisory Board for their vital role in ensuring and monitoring the application of Sharia standards in company's transactions. My thanks also go to the executive management of the company and all its employees for their dedication and sincerity and for achieving the targeted results.

I would also like to express my appreciation to the continued support we receive from official bodies, in particular the Central Bank of Bahrain and the Ministry of Industry and Commerce.

Finally, accept my sincere regards.

  
**Ebrahim Al Rayes**  
Chairman  
26 February 2024

  
**Abdulrahman Abdulla Mohamed**  
Vice Chairman  
26 February 2024

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

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

#### *Opinion*

We have audited the accompanying financial statements of Takaful International Company B.S.C. ("the Company"), which comprise the statement of financial position as of 31 December 2023, the related statements of income, changes in shareholders' equity, changes in participants' fund and cash flows for the year then ended and a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and the results of its operations, its cash flows, changes in participants' fund and changes in equity for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"] ("FAS as issued by AAOIFI").

In our opinion, the Company has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Company during the year ended 31 December 2023.

#### *Basis for opinion*

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

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

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

#### Key audit matters (continued)

Description of key audit matter	How the key audit matter was addressed in the audit
<p><u>Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk - takaful contract liabilities</u></p> <p>As at 31 December 2023, estimate of present value of cash flows and risk adjustment for non-financial risk included in liabilities for incurred claims amounting to BD 15,502 thousand (2022: BD 10,740 thousand), as reported in notes 9 and 10 to the financial statements.</p> <p>The estimation of the liability for incurred claims involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils takaful contracts. The present value of future cash flows are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs.</p> <p>Accordingly, this complexity arises from calculating the actuarial best estimate and the margin using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p>	<p>As part of our audit procedures, we have:</p> <p>Understood, evaluated and tested key controls around the claims handling and provision setting processes.</p> <p>Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience.</p> <p>Performed substantive tests, on sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.</p> <p>Assessed the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the present value of the future cash flows and the risk adjustment for non-financial risk by comparing it to the accounting and other records.</p> <p>Involved our internal actuarial specialists to assess the Company's methods and assumptions and evaluate the Company's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following:</p>



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

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

*Key audit matters (continued)*

Description of key audit matter	How the key audit matter was addressed in the audit
<p><u><i>Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk - takaful contract liabilities (continued)</i></u></p> <p>Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from takaful contracts, we have considered this as a key audit matter.</p> <p>Refer to notes 3 and 4 for the accounting policy and significant judgements, estimates and assumptions adopted by the Company, involved in the initial recognition and subsequent measurement of takaful contract liabilities. Also, refer to note 9 and 10 for the movement in takaful contract liabilities.</p>	<p>As part of our audit procedures, we have (continued):</p> <ul style="list-style-type: none"> <li>i. Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences.</li> <li>ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We tested these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and</li> <li>iii. Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.</li> </ul> <p>Further, we assessed the adequacy of the related disclosures given in notes 9 and 10 to the financial statements.</p>

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

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

#### Key audit matters (continued)

Description of key audit matter	How the key audit matter was addressed in the audit
<p><u>Adoption of FAS 42 – “Presentation and Disclosures in the Financial Statements of Takaful Institutions” and FAS 43 – “Accounting for Takaful: Recognition and Measurement”</u></p> <p>During the year the Company has early adopted FAS 42 and FAS 43. These standards establish principles for the recognition, measurement, presentation and disclosure of takaful contracts, retakaful contracts and investment contracts with direct participation features (“DPF”). The Company has applied the full retrospective approach to each group of takaful contracts.</p> <p>The adoption of these standards resulted in a transition adjustment to the Shareholder’s Equity and Participants’ Fund as at 1 January 2022 amounting to BD 433 thousand and BD 771 thousand respectively. The standards introduced new nomenclature for significant takaful-related balances as well as new measurement principles for takaful-related liabilities and takaful revenue recognition.</p> <p>Due to first year adoption, which resulted in fundamental changes to classification and measurement of the main transactions and balances of the Company along with significant changes to presentation and disclosures that were required in the financial statements for the year ended 31 December 2023, we have considered this as a key audit matter.</p> <p>Refer to notes 3 and 4 for accounting policy, transition and significant accounting judgements, estimates and assumptions adopted by the Company.</p>	<p>As part of our audit procedures, we have:</p> <p>Obtained an understanding of the Company’s implementation process for determining the impact of adoption of the standards, including understanding of the changes to the Company’s accounting policies, systems, processes and controls.</p> <p>Evaluated and assessed management’s process to identify takaful contracts, to determine the appropriate grouping for such contracts and to determine whether the use of the contribution allocation approach under FAS 43 was appropriate.</p> <p>Evaluated whether management’s allocation of expenses under FAS 43 was appropriate and tested, on a sample basis, such expenses.</p> <p>Evaluated the risk adjustment for non-financial risk under FAS 43 and tested, on a sample basis, the underlying data supporting the adjustment.</p> <p>Assessed the adequacy of the transition adjustments impact for FAS 43 on the opening retained earnings as at 1 January 2022.</p> <p>Assessed the appropriateness of the transition and accounting policies disclosures in relation to FAS 43 and FAS 42 made in the financial statements.</p> <p>Assessed the Company’s methods, assumptions and accounting policies adopted under FAS 43, with the assistance of our actuarial specialists.</p>

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

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

#### *Other information*

Other information consists of the information included in the General Information, Directors and Management, Shari'a Supervisory Board Report and Board of Directors Report. The Board of Directors is responsible for the other information.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law no. (64) of 2016, the CBB Rule Book (Volume 3) and provisions of Volume 6 and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

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



Partner's registration no. 115  
26 February 2024  
Manama, Kingdom of Bahrain

# Takaful International Company B.S.C.

## STATEMENT OF FINANCIAL POSITION

As At 31 December 2023 (Audited)

		31 December 2023	Restated 31 December 2022	Restated 1 January 2022
	Notes	BD	BD	BD
<b>ASSETS</b>				
Cash and balances with banks	6	9,327,273	21,867,048	22,073,266
Statutory deposit	5	125,000	125,000	125,000
Investments	7	22,890,394	8,632,293	8,242,584
Investment in an associate	8	235,668	190,145	184,856
Retakaful arrangement assets	9, 10	2,947,026	1,666,714	1,038,481
Other receivables, accrued income and prepayments	11	4,913,328	5,507,953	3,621,865
Property and equipment	12	115,030	61,565	85,814
Intangible assets	13	569,952	-	-
Right of use assets	14	465,735	452,743	519,960
<b>TOTAL ASSETS</b>		<b>41,589,406</b>	<b>38,503,461</b>	<b>35,891,826</b>
<b>LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Takaful arrangement liabilities	9, 10	24,434,419	21,260,984	19,142,149
Retakaful arrangement liabilities	9, 10	262,316	570,375	906,231
Payables and accrued liabilities	15	3,502,325	4,465,341	4,016,681
Ijarah liabilities	14	502,626	477,515	529,525
<b>TOTAL LIABILITIES</b>		<b>28,701,686</b>	<b>26,774,215</b>	<b>24,594,586</b>
<b>Participants' funds</b>				
Surplus / (deficit) in participants' funds		856,864	268,503	(126,495)
Investments fair value reserve		(55,517)	(86,733)	211,492
<b>TOTAL PARTICIPANTS' FUNDS</b>		<b>801,347</b>	<b>181,770</b>	<b>84,997</b>
<b>Shareholders' Equity</b>				
Share capital	16	8,500,000	8,500,000	8,500,000
Treasury shares	16	(2,087)	(2,087)	-
Statutory reserve	16	1,057,598	963,869	863,664
General reserve		200,000	200,000	200,000
Retained earnings		2,332,705	1,884,720	1,552,060
Investments fair value reserve		(1,843)	974	96,519
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>12,086,373</b>	<b>11,547,476</b>	<b>11,212,243</b>
<b>TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY</b>		<b>41,589,406</b>	<b>38,503,461</b>	<b>35,891,826</b>

Ebrahim Mohamed Sharif Alrayes  
Chairman

AbdulRahman Abdulla Mohammed  
Vice Chairman

Essam Mohamed Al Ansari  
Chief Executive Officer

The attached explanatory notes 1 to 41 form part of these financial statements.



Takaful International Company B.S.C.  
STATEMENT OF INCOME  
For the year ended 31 December 2023

	Note	Shareholders' 31 December		Participants' 31 December		Total 31 December	
		(Restated)		(Restated)		(Restated)	
		2023 BD	2022 BD	2023 BD	2022 BD	2023 BD	2022 BD
Recognised takaful contributions	17	-	-	24,362,995	23,993,546	24,362,995	23,993,546
Recognised takaful costs	18	-	-	(20,550,815)	(17,904,371)	(20,550,815)	(17,904,371)
Retakaful net results		-	-	(3,310,455)	(5,685,429)	(3,310,455)	(5,685,429)
<b>Takaful participants' gross margin</b>		-	-	<b>501,725</b>	<b>403,746</b>	<b>501,725</b>	<b>403,746</b>
Net participants' investment income	19	-	-	622,790	450,951	622,790	450,951
Amortisation of deferred cost (related to provision of takaful arrangements)		-	-	(694,648)	(396,629)	(694,648)	(396,629)
Amortisation of deferred income (related to retakaful arrangements held)		-	-	214,471	45,112	214,471	45,112
Other participants' expenses	20	-	-	(68,954)	(108,182)	(68,954)	(108,182)
<b>Net participant's surplus</b>		-	-	<b>575,384</b>	<b>394,998</b>	<b>575,384</b>	<b>394,998</b>
Wakala fee income	21	4,123,569	4,304,292	-	-	4,123,569	4,304,292
Net shareholders' investment income	19	594,521	210,362	-	-	594,521	210,362
Mudarib share	21	207,103	150,390	-	-	207,103	150,390
Income from associate	8	44,488	17,289	-	-	44,488	17,289
Other shareholders' income	22	21,979	19,862	-	-	21,979	19,862
<b>Total shareholders' income</b>		<b>4,991,660</b>	<b>4,702,195</b>	-	-	<b>4,991,660</b>	<b>4,702,195</b>
General and administrative expenses	23	(2,312,423)	(2,226,383)	-	-	(2,312,423)	(2,226,383)
Other fees, commission and related expenses	24	(1,359,999)	(1,315,473)	-	-	(1,359,999)	(1,315,473)
Other shareholders' expenses	25	(381,949)	(302,475)	-	-	(381,949)	(302,475)
<b>Total shareholders' expense</b>		<b>(4,054,371)</b>	<b>(3,844,331)</b>	-	-	<b>(4,054,371)</b>	<b>(3,844,331)</b>
<b>Net profit for the year</b>		<b>937,289</b>	<b>857,864</b>	<b>575,384</b>	<b>394,998</b>	<b>1,512,673</b>	<b>1,252,862</b>
<b>Earnings per share (fils)</b>	27	<b>11.03</b>	<b>10.09</b>				

Ebrahim Mohamed Sharif Alrayes  
Chairman

AbdulRahman Abdulla Mohammed  
Vice Chairman

Essam Mohamed A. Ansari  
Chief Executive Officer

The attached explanatory notes 1 to 41 form part of these financial statements.

Takaful International Company B.S.C.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2023

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Investments fair value reserve</i>	<i>Treasury shares</i>	<i>Total equity</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Balance at 1 January 2023	8,500,000	963,869	200,000	1,884,720	974	(2,087)	11,547,476
Impact of initial application of FAS 30	-	-	-	29,345	(34,848)	-	(5,503)
<b>Restated balance as at 1 January 2023</b>	<b>8,500,000</b>	<b>963,869</b>	<b>200,000</b>	<b>1,914,065</b>	<b>(33,874)</b>	<b>(2,087)</b>	<b>11,541,973</b>
Profit for the year	-	-	-	937,289	-	-	937,289
Fair value changes in FVTE investments	-	-	-	-	32,031	-	32,031
Dividend for the year 2022 (note 16)	-	-	-	(424,920)	-	-	(424,920)
Transfer to statutory reserve	-	93,729	-	(93,729)	-	-	-
<b>Balance as at 31 December 2023</b>	<b>8,500,000</b>	<b>1,057,598</b>	<b>200,000</b>	<b>2,332,705</b>	<b>(1,843)</b>	<b>(2,087)</b>	<b>12,086,373</b>
Balance at 1 January 2022	8,500,000	863,664	200,000	1,985,488	96,519	-	11,645,671
Impact of initial application of FAS 43	-	-	-	(433,428)	-	-	(433,428)
<b>Restated balance as at 1 January 2022</b>	<b>8,500,000</b>	<b>863,664</b>	<b>200,000</b>	<b>1,552,060</b>	<b>96,519</b>	<b>-</b>	<b>11,212,243</b>
Profit for the year	-	-	-	857,864	-	-	857,864
Fair value changes in FVTE investments	-	-	-	-	(95,545)	-	(95,545)
Dividend for the year 2021	-	-	-	(425,000)	-	-	(425,000)
Purchase of treasury shares	-	-	-	-	-	(2,087)	(2,087)
Transfer to statutory reserve	-	100,205	-	(100,205)	-	-	-
<b>Restated Balance as at 31 December 2022</b>	<b>8,500,000</b>	<b>963,869</b>	<b>200,000</b>	<b>1,884,720</b>	<b>974</b>	<b>(2,087)</b>	<b>11,547,476</b>

The attached explanatory notes 1 to 41 form part of these financial statements.

**Takaful International Company B.S.C.**  
**STATEMENT OF CHANGES IN PARTICIPANTS' FUND**  
Year ended 31 December 2023

	<i>Surplus in participants' fund</i>		<i>Investments fair value reserve</i>		<i>Total</i>
	<i>General</i>	<i>Family</i>	<i>General</i>	<i>Family</i>	
	<i>takaful</i>	<i>takaful</i>	<i>takaful</i>	<i>takaful</i>	
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Balance at 1 January 2023	284,051	(15,548)	(84,210)	(2,523)	181,770
Impact of initial application of FAS 30	12,118	859	(15,011)	(1,121)	(3,155)
<b>Restated balance as at 1 January 2023</b>	<b>296,169</b>	<b>(14,689)</b>	<b>(99,221)</b>	<b>(3,644)</b>	<b>178,615</b>
Realised fair value losses / (gains) on investments			17,471	920	18,391
Unrealised fair value losses	-	-	35,463	(6,506)	28,957
Surplus for the year	379,894	195,490	-	-	575,384
<b>Balance as at 31 December 2023</b>	<b>676,063</b>	<b>180,801</b>	<b>(46,287)</b>	<b>(9,230)</b>	<b>801,347</b>
Balance at 1 January 2022	564,910	79,990	98,499	112,993	856,392
Impact of initial application of FAS 43	(513,693)	(257,702)	-	-	(771,395)
<b>Restated balance as at 1 January 2022</b>	<b>51,217</b>	<b>(177,712)</b>	<b>98,499</b>	<b>112,993</b>	<b>84,997</b>
Realised fair value losses / (gains) on investments	-	-	28,394	(83,675)	(55,281)
Unrealised fair value losses	-	-	(211,103)	(31,841)	(242,944)
Surplus for the year	232,834	162,164	-	-	394,998
<b>Restated balance as at 31 December 2022</b>	<b>284,051</b>	<b>(15,548)</b>	<b>(84,210)</b>	<b>(2,523)</b>	<b>181,770</b>

The attached explanatory notes 1 to 41 form part of these financial statements.



**STATEMENT OF CASH FLOWS**

Year ended 31 December 2023

	<i>Twelve months ended</i>	
	<i>31 December</i>	
	<b>2023</b>	<b>2022</b>
	<b>BD</b>	<b>BD</b>
		<i>(Restated)</i>
<b>OPERATING ACTIVITIES</b>		
Net shareholders' profit for the year	<b>937,289</b>	857,864
Surplus from participants' operations	<b>575,384</b>	394,998
<i>Adjustments for:</i>		
Share of profit from associate	<b>(44,488)</b>	(17,289)
Net Investment Income	<b>(1,459,199)</b>	(1,001,026)
Fair value losses / (gains) on investments	<b>21,464</b>	(73,831)
Amortisation of deferred cost & profit (related to takaful & retakaful contracts)	<b>480,177</b>	351,517
Amortisation of right-of-use assets	<b>69,725</b>	62,425
Depreciation and amortisation	<b>85,196</b>	81,347
Ijarah cost	<b>41,177</b>	41,895
<b>Operating profit before changes in operating assets and liabilities</b>	<b>706,725</b>	697,900
<b>Changes in operating assets and liabilities:</b>		
Retakaful arrangement assets	<b>(1,280,312)</b>	(628,233)
Other receivables, accrued income and prepayments	<b>594,625</b>	(1,886,088)
Takaful arrangement liabilities	<b>3,173,435</b>	3,336,857
Retakaful arrangement liabilities	<b>(308,059)</b>	(335,856)
Other liabilities and provisions	<b>(963,016)</b>	(909,963)
<b>Net cash from operating activities</b>	<b>1,923,398</b>	274,617
<b>INVESTING ACTIVITIES</b>		
Investment income	<b>1,420,815</b>	1,062,857
Purchase of investments	<b>(17,454,536)</b>	(2,322,058)
Proceeds from the sale of investments	<b>2,801,564</b>	1,351,573
Additions on investment in an associate	<b>(17,955)</b>	-
Dividends received from an associate	<b>16,920</b>	12,000
Purchase of property and equipment	<b>(100,480)</b>	(25,085)
Purchase of intangible assets	<b>(608,135)</b>	-
Proceeds from sale of property and equipment	<b>-</b>	(40,516)
Bank deposits with original maturities of more than three months	<b>7,880,000</b>	(9,038,000)
<b>Net cash used in investing activities</b>	<b>(6,061,807)</b>	(8,999,229)
<b>FINANCING ACTIVITIES</b>		
Cash dividend paid	<b>(424,920)</b>	(425,000)
Payment of Ijarah liabilities	<b>(96,446)</b>	(92,519)
Purchase of Treasury shares	<b>-</b>	(2,087)
<b>Net cash used in financing activities</b>	<b>(521,366)</b>	(519,606)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,659,775)</b>	(9,244,218)
Cash and cash equivalents at the beginning of the year	<b>8,087,048</b>	17,331,266
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>3,427,273</b>	8,087,048
<b>COMPRISING:</b>		
<b>CASH AND BALANCES WITH BANKS</b>		
Cash and balance in current accounts	<b>3,427,273</b>	3,912,048
Bank deposits with original maturities of three months or less	<b>-</b>	4,175,000
<b>CASH AND CASH EQUIVALENTS</b>	<b>3,427,273</b>	8,087,048
Bank deposits with original maturities of more than three months	<b>5,900,000</b>	13,780,000
<b>Cash and balances with banks as per statement of financial position</b>	<b>9,327,273</b>	21,867,048

The attached explanatory notes 1 to 41 form part of these financial statements.

## 1 INCORPORATION AND ACTIVITIES

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

The activities of the Company are organized on the principles of Shari'a. The principal activity of the Company is to manage the General and Family takaful activities and investments by adopting wakala and Mudarabah models respectively, on behalf of the participants in accordance with the Islamic Shari'a principles. The retakaful activities are organized 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 Company is licensed by the Central Bank of Bahrain (the "CBB") to carry out the following principal activities:

- Developing and providing protection covers for property, engineering, general accident, liability, marine cargo, marine hull, aviation, medical, group life, motor, level term assurance and decreasing term assurance; and
- Management of general takaful and family takaful funds in accordance with the Islamic Shari'a principles on behalf of the participants of the fund.

The Company's general takaful funds comprise of all protection covers except decreasing term assurance, level term assurance and savings takaful which are part of family takaful fund.

The registered office of the Company is in the Kingdom of Bahrain. The full address and contact details is stated on page no. 2.

The financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors dated 26 February 2024.

## 2 BASIS OF PREPARATION

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

### Accounting convention

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

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

### Functional currency

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

### New and amended standards and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022, except for the early adoption of following new and amended standards and interpretations issued and effective for annual periods beginning on or after 1 January 2025.

## 2 BASIS OF PREPARATION (continued)

### New and amended standards and interpretations (continued)

#### **FAS 43 "Accounting for Takaful: Recognition and Measurement"**

The standard shall be applicable to the Takaful institutions and their managed participants' Takaful fund (PTF) and managed participants' investment fund (PIF) in respect of Takaful arrangements, re-Takaful arrangements, investment contracts with participants with or without discretionary features and ancillary transactions.

#### **FAS 30 "Impairment, Credit losses and Onerous Commitments"**

This standard aims at setting out the accounting rules and principles for impairment and credit losses, covering current and expected losses, in line with global best practices, taking into account the ever-changing requirements and the genuine requirements of the Islamic finance industry across the globe. It also sets out classification of assets and exposures in view of the credit risk and other risks involved.

#### **FAS 42 "Presentation and Disclosures in the Financial Statements of Takaful Institutions"**

The standard shall be applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations. It is also applicable to the Takaful institutions while presenting consolidated financial statements, as well as, stand-alone or separate financial statements.

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

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

#### **FAS 40 "Financial Reporting for Islamic Finance Windows" (effective 1 January 2024)**

The standard improves upon and supersedes FAS 18 "Islamic Financial Services offered by Conventional Financial Institutions" and defines the financial reporting requirements applicable to conventional financial institutions offering financial services. This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted.

#### **FAS 1 General Presentation and Disclosures in the Financial Statement**

The standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted.

#### **FAS 45 Quasi - Equity (Including Investment Accounts)**

AAOIFI issued FAS 45 "Quasi - Equity (Including Investment Accounts)" in 2023. The objective of this standard is to establish the principles of financial reporting related to instruments classified as Quasi - Equity, such as investment accounts and similar instruments invested with Islamic financial institutions. Quasi - Equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted.

#### **FAS 46 Off - Balance - Sheet Assets Under Management**

AAOIFI issued FAS 46 "Off - Balance - Sheet Assets Under Management" in 2023. The objective of this standard is to establish the principles of financial reporting related off - balance - sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted.

#### **FAS 47 Transfer of Assets between Investment Pools**

AAOIFI issued FAS 47 "Transfer of Assets between Investment Pools" in 2023. The objective of this standard is to establish the principles that apply in respect of transfer of assets between various investment pools of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted.

## 2 BASIS OF PREPARATION (continued)

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

#### FAS 47 Transfer of Assets between Investment Pools (continued)

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

### FAS 43 "Accounting for Takaful: Recognition and Measurement"

This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari'ah principles and rules. The requirements of this standard are duly aligned with the international best practices of financial reporting for the takaful business.

The Company has early adopted FAS 43 "Accounting for Takaful: Recognition and Measurement" with a date of initial application of 1 January 2023. The new standard brings fundamental changes to the accounting for takaful assets and takaful liabilities. The effective date of the standard from AAOIFI is financial reporting period, beginning on or after 1 January 2025. This standard applies to the Takaful Institution (including, in their capacity of being Takaful operator) and their managed participants' Takaful fund (PTF) in respect of:

- Takaful arrangements, including re-Takaful arrangements issued;
- Re-Takaful arrangements held;
- Investment contracts, with or without discretionary features that are issued along with, and being part of, the Takaful arrangements; and
- Ancillary transactions related to Takaful operations.

### Accounting for Takaful arrangements - under general / variable fee approach

#### *Combining and separating components of Takaful arrangements*

#### *Unbundling of non-Takaful components*

A Takaful arrangement may contain one or more non-Takaful components, such as an investment or service component (generally in the form of a separate contract) or a promise to provide a good or service. The Company separates (unbundles) the components when they are distinct and measurable.

Where different components are unbundled, the Takaful institution ensures appropriate attribution to the Participants Takaful Fund, the Participant Investment Fund and the front-end fee, if any, charged to the participant. Such unbundling of non-Takaful components are performed before the Takaful component is recognised in the books of PTF.

The accounting treatment of non-Takaful components is made inline with the relevant AAOIFI FASs, as applicable.

### Accounting for related Takaful arrangements

The Takaful institution may elect to present a set or series of Takaful arrangements, especially with the same or related participant(s), as one whole arrangement after determining that the rights, obligations, risks and rewards, as well as eligibility for surplus distribution are similar in nature. This election is made immediately after the Takaful institution has made an assessment that combining the Takaful arrangements will faithfully represent the accounting treatments and the overall commercial effect after ensuring that the combination is not in conflict with Shari'ah principles and rules.



### **3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **New and amended standards and interpretations (continued)**

##### **Accounting for related Takaful arrangements (continued)**

###### *Level of aggregation of Takaful arrangements*

The Takaful institution aggregates the Takaful arrangements into distinct portfolios that are subject to similar risks and are managed together. Arrangements within a product line are expected to be in the same portfolio if they are managed together, whereas arrangements in different product lines are expected not to have similar risks even when managed together.

The Takaful institution divides a portfolio of issued Takaful arrangements into groups (at the minimum) of:

- arrangements that are onerous at initial recognition; and
- arrangements that have no significant possibility of subsequently turning into becoming onerous from inception; and
- the remaining arrangements in the portfolio.

A set of arrangements is determined to be onerous or have no significant possibility of subsequently turning into / becoming onerous when the Takaful institution makes an assessment of the set of arrangements based on reasonable and supportable information. If reasonable and supportable information is not available for a set of arrangements (elected to be assessed together) for the determination of the group to which such Takaful arrangements belong, then the same is based on the assessment of the individual arrangements.

Where the general approach is applied, the Takaful Institution makes an assessment as to whether arrangements are not onerous at initial recognition or have no significant possibility of subsequently turning into / becoming onerous. The assessment is based on the following:

- the likelihood that any change in assumptions, which, if occurred, would result in the Takaful arrangement turning into / becoming onerous; and
- the estimates provided by the Takaful institution's internal reporting system.

When the Takaful institution is making an assessment as to whether the Takaful arrangements are not onerous at initial recognition but have a significant possibility of subsequently turning onerous, the information collected by the Takaful institution's internal reporting system is considered, and the Takaful institution is not required to gather any additional Information.

###### *Subdivision of groups*

The Takaful institution may subdivide the groups based on different levels of profitability or the different possibilities of arrangements turning onerous after initial recognition.

Takaful arrangements are included in a different group if issued more than one year apart.

##### **Initial recognition**

###### *Timing of initial recognition*

The Takaful institution recognises a Takaful arrangement it issues, in the books of PTF. at the earlier of:

- The date when a participant becomes a member of the PTF (and accordingly becomes entitled to the Takaful benefits in the form of sharing of risks), which may be evidenced through either the payment of contribution or issuance of Takaful arrangement documents or
- The date when the Takaful arrangement, being part of a group or an unavoidable commitment to the Takaful arrangement, becomes onerous (even if it happens before the date applicable).

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Initial recognition (continued)

###### *Measurement of the provision for a Takaful arrangement at initial recognition*

At initial recognition, the provision for a Takaful arrangement is measured at the total of the following estimates:

- Takaful fulfilment cashflows, pertaining to PTF, comprising of:
  - an estimate of gross future cashflows (including, and distinguishing, the cashflows related to Wakala fee;
  - deferred cost being the difference between gross future cashflows and their respective fair value of future cashflows;
  - risk adjustment for the non-financial risks; and
- the Takaful residual margin

The Takaful institution includes all future cashflows within the boundary of a Takaful arrangement. Such a measurement:

- objectively incorporates all reasonable and supportable information available, without undue cost or effort, about the amount and timing by using a probability-weighted means of the full range of expected outcomes;
- is reflective of the institution's assessments of the market variables and is consistent with the observable market prices for those variables;
- reflects the current conditions at the measurement date; and
- distinguishes the adjustments to non-financial risk from other estimates and estimate cash flows disregarding adjustments for financial risks unless the most appropriate measurement technique implicitly includes financial risks and the effect is inseparable.

The cashflows arising from substantive rights and obligations existing at the reporting date are considered within the boundary period. This boundary period is the period in which the Takaful institution can compel the participant to pay the contribution or in which the PTF has a substantive obligation to provide benefits to the participants.

A substantive right to provide benefits ends when the Takaful institution is able to reassess the risks of the particular participants, or for a Takaful arrangement as a whole, and can set or reset the price or the level of benefits according to the reassessment if so allowed under Shari'ah principles and rules.

A liability or an asset is not be recognised relating to an expected contribution or expected claim for benefits that is outside the boundary of the Takaful arrangement. Such amounts relate to future Takaful arrangements.

The Takaful institution adjusts the estimate of the future cashflows and their fair values to reflect the effect of risk adjustment for non-financial risk for the PTF for bearing the uncertainty about the amount and timing of the cashflows.

Mudarib's share or Wakala fee (Including incentives, if any) for investment management for PTF's investments (excluding Participant Investment Fund's investments) are considered part of Takaful fulfilment cashflows and are adequately disclosed.

Surplus distribution, if any, and waiver of Qard Hasan, if any, are not part of the fulfilment cashflows.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Initial recognition (continued)

###### *Initial recognition of Takaful residual margin*

The Takaful residual margin is measured as the difference of:

- the amount of Takaful fulfilment cashflows (including all its components) that was initially recognised;
- any cashflows arising from the Takaful arrangement at that date; and
- the derecognition of any asset for Takaful acquisition cashflows and any other asset or liability previously recognised relating to the cashflows of the arrangement at the date of initial recognition.

###### *Initial recognition of onerous arrangements*

A Takaful arrangement is onerous at the date of initial recognition, if the Takaful fulfilment cash flows, any previously recognised Takaful acquisition cashflows and any cash flows arising from the Takaful arrangement at the date of initial recognition, in total are a net outflow. Such a Takaful arrangement is separately classified from the Takaful arrangements that are not onerous.

A loss in the statement of income as activities of the managed PTF for the net outflow for onerous arrangements is recognised, resulting in the carrying amount of the provision for Takaful arrangement being equal to the Takaful fulfilment cashflows and the Takaful residual margin being zero.

A significant number of onerous arrangements, depending on the business realities, may imply an act of potential negligence by the Takaful institution in its capacity as an agent of the PTF. This may particularly be more relevant where the Wakala fee is excessive. In rare circumstances, in line with the relevant Shari'ah principles and rules or regulatory requirements, such negligence situations may require the recognition of a receivable from the agent. Such receivables form part of the Takaful fulfilment cashflows.

The Takaful institution identifies a group of onerous arrangements as a set instead of individual arrangements.

##### Subsequent measurement

###### *Subsequent measurement of the provision for a Takaful arrangement*

The carrying amount of the provision for a Takaful arrangement at the end of each reporting period is the sum of:

- the provision for the remaining entitlement period comprising of:
  - the Takaful fulfilment cash flows related to future benefits allocated to the Takaful arrangement at that date;
  - the Takaful residual margin of the Takaful arrangement at that date; and
- the liability for incurred claims, comprising of Takaful fulfilment cash flows related to the past benefits allocated to the Takaful arrangement at that date.

The income and expenses are recognised in the statement of income as activities of the managed PTF for the following changes in the carrying amount of the provision for remaining entitlement period:

- recognise contribution (as an income) representing the reduction in the provision for the remaining entitlement period because of benefits provided during the period;
- expenses representing losses (and any reversal of losses) on onerous arrangements; and
- amortisation (or adjustment) of deferred cost (including any experience adjustment and financial risk elements).

Recognised contribution (as an income) are recognised when benefits are provided for a period, with a simultaneous reduction in the provision for the remaining entitlement period. Such a reduction (or change) in provision for the remaining entitlement period (that does not relate to the benefits attributable to the current period) does not include the following:

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Subsequent measurement (continued)

###### *Subsequent measurement of the provision for a Takaful arrangement (continued)*

- cash inflows from contribution received;
- transaction-based taxes collected on behalf of third parties;
- takaful acquisition cash flows;
- derecognition of liabilities transferred to third parties; and
- changes that relate to benefits attributable but for which compensation is not expected, i.e., increases and decreases in the loss component of the provision for the remaining entitlement period.

The income and expenses are recognised in the statement of income as activities of the managed PTF for the following changes in the carrying amount of the liability for incurred claims for benefits:

- expenses representing the increase in liability because of claims for benefit and expenses incurred in the period;
- expenses representing subsequent changes in Takaful fulfilment cash flows relating to incurred claims and expenses; and
- amortisation (or adjustment) of deferred cost (including any experience adjustment and financial risk elements) as applicable on amounts excluding established payables (debts). Established payables are not be subject to fair value measurement, in accordance with Shari'ah principles and rules.

Subsequent measurement does not take into account any experience adjustments, if any, that may arise:

- in respect of the receipts of contribution (and any related cash flows such as Takaful acquisition cash flows and directly related taxes) — being the difference between the estimate at the beginning of the period of the amounts expected for the period and the actual cash flows during the period; or
- in respect of the Takaful acquisition cash flows - being the difference between the estimate at the beginning of the period of the amounts expected for the period and the actual costs incurred during the period.

###### *Subsequent measurement of Takaful residual margin*

The Takaful residual margin at the end of the reporting period represents the surplus in the Takaful arrangements that have not yet been recognised in the statement of income as activities of the managed PTF because it relates to the future benefits to be provided under the Takaful arrangement.

The carrying amount of the Takaful residual margin of a Takaful arrangement at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:

- the effect of any new arrangements added, in case of accounting being performed collectively for a group;
- the amortisation of deferred Takaful residual margin over the entitlement period - through a systematic method reflecting the pattern of utilisation of entitlement for benefits;
- the changes in Takaful fulfilment cash flows relating to future benefits, except:
  - the increases in the Takaful fulfilment cash flows that exceed the carrying amount of the Takaful residual margin, giving rise to a loss; or
  - the decreases in the Takaful fulfilment cash flows that are allocated to the loss component of the provision for the remaining entitlement period.
- the effect of any currency exchange differences on the Takaful residual margin; and
- the contribution recognised as income in the statement of income as activities of the managed PTF because of the provision of benefits in the period, determined by the allocation of the Takaful residual margin remaining at the end of the reporting period (before any allocation) over the current and remaining entitlement period.



### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Subsequent measurement (continued)

###### *Subsequent measurement of Takaful residual margin (continued)*

Certain changes in the Takaful residual margin offset changes in the Takaful fulfilment cash flows for the provision for the remaining entitlement period, resulting in no change in the total carrying amount of the provision for the remaining entitlement period. To the extent that changes in the Takaful residual margin do not offset changes in the Takaful fulfilment cash flows for the provision for the remaining entitlement period, the income and expenses for the changes are recognised in the statement of income as activities of the managed PTF.

The Takaful residual margin recognised during the period is taken to the statement of income as activities of the managed PTF.

The Takaful institution may decide to follow the variable fee approach (VFA) instead of the general approach, in the case of Takaful arrangements having a direct investment component in form of a PIF. In such case, the institution has an accounting policy in respect of the subsequent changes in the Takaful residual margin, to the extent that these relate to the financial risks (including the changes in the investment returns in PIF), in a manner that such proportion of provision for Takaful residual margin that relates to the future entitlement periods may not be immediately recognised and apportioned over the remaining entitlement periods.

###### *Subsequent changes in onerous arrangements*

A Takaful arrangement becomes onerous (or more onerous) on subsequent measurement, if the carrying amount (unamortised) of the Takaful residual margin is less than the unfavorable changes in the Takaful fulfilment cash flows allocated to the Takaful arrangement relating to future benefits.

After the recognition of a loss on an onerous arrangement, the subsequent changes in the estimates of Takaful fulfilment cash flows for the remaining entitlement period are allocated on a systematic basis between:

- the loss component of the provision for remaining entitlement period; and
- the provision for the remaining entitlement period, excluding the loss component.

Any subsequent decrease in Takaful fulfilment cash flows arising from changes in estimates of future cash flows relating to future benefits and any subsequent increases in the PTF's share in the fair value of the underlying assets is allocated solely to the loss component until that component is reduced to zero. The Takaful institution adjusted the Takaful residual margin only once the loss component has been reduced to zero.

The loss component is the amount equivalent to the total amount recognised in the statement of income as activities of the managed PTF to date, on initial recognition or subsequent measurement of the Takaful arrangement as onerous (net of any already recognised reversals).

The subsequent changes in the Takaful fulfilment cash flows for the remaining entitlement period to be allocated includes:

- estimates of the fair value of the future cash flows for claims and expenses released (i.e., the difference between the opening estimate against the closing estimate) from the provision for the remaining entitlement period because of incurred Takaful benefit costs;
- changes in the risk adjustment for non-financial risk recognised in the statement of income as activities of the managed PTF because of the release of risk; and
- amortisation of deferred cost - through a systemic method reflecting the pattern of utilisation of entitlement for benefits, as applicable.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Subsequent measurement (continued)

###### *Derecognition*

The Takaful institution derecognises a Takaful arrangement when, and only when:

- it is extinguished, i.e., when the obligations specified in the arrangement are expired, discharged or cancelled; or
- the terms of the arrangement are modified by mutual agreement or by a change in regulations, and the Takaful institution recognises the modified arrangement as a new arrangement.

###### *Recognition and presentation in the statement of income as activities of the managed PTF*

- The carrying amount of the following is presented separately in the statement of income as position of the managed PTF:
  - Takaful arrangements issued that are assets;
  - Takaful arrangements issued that are liabilities;
  - re-Takaful arrangements issued that are assets; and
  - re-Takaful arrangements issued that are liabilities.

The PTF presents income or expenses from re-Takaful arrangements held separately from the expenses or income from the Takaful arrangements.

The Takaful expenses include incurred benefits, other expenses, changes related to past benefits and changes to future benefits (including losses on onerous arrangements and reversal thereof).

The income or expenses from a group of re-Takaful arrangements held may either be presented as a single amount or presented separately as the amounts recovered from the re-Takaful and an allocation of the contribution paid that together result in a net amount equal to that single amount.

#### Accounting for Takaful arrangements - under contribution allocation approach

##### *Application criteria for the contribution allocation approach*

A simplified approach, namely the contribution allocation approach, is used to recognise, measure and report a Takaful arrangement if at the inception of the Takaful arrangement, either of the following condition is met:

- it is a reasonable expectation that such simplification would produce a measurement of the provision of the remaining entitlement period for the Takaful arrangement would not differ materially from the one produced by applying the requirements of "Accounting for Takaful arrangements - under the general approach / variable fee approach"; or
- the entitlement period of each Takaful arrangement (including the entitlement for benefits arising in respect of all contributions) is one year or less.

If at the inception of the Takaful arrangement, the Takaful institution expects significant variability in the Takaful fulfilment cash flows that would affect the measurement of the provision for the remaining entitlement period. Variability in the Takaful fulfilment cash flows increases with the following:

- the extent of future cash flows relating to the Takaful arrangement; and
- the length of the entitlement period of the Takaful arrangements.

Any general requirements contained in "Accounting for Takaful arrangements - under general approach / variable fee approach", may also apply to the contribution allocation approach unless contradicting with any specific requirements of "Accounting for Takaful arrangements - under contribution allocation approach".

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Initial recognition

###### *Assessment for onerous or potentially (in future) onerous arrangements*

Where the contribution allocation approach is applied, the Takaful institution generally considers the whole portfolio at the time of initial recognition as not being onerous. However, if it is apparent (or there exists a significant risk) based on the facts and circumstances, then the Takaful institution shall perform an assessment in respect of:

- such arrangement(s) in the portfolio that are onerous in nature; and / or
- such arrangement(s) in the portfolio has a significant possibility of subsequently turning onerous.

On initial recognition, the provision for the remaining entitlement period is measured under the contribution allocation approach as follows:

- the contribution, if any, received (or receivable) at initial recognition;
- less: Wakala fee;
- less: any Takaful acquisition cash flows at that date unless these are recognised as expenses; and
- add or less: the amount arising from the derecognition at the date of the asset or liability recognised for Takaful acquisition cash flows.

In applying the contribution allocation approach, the Takaful institution:

- may choose to recognise any Takaful acquisition cash flows as expenses when it incurs those costs, provided that the entitlement period of each Takaful arrangement at initial recognition is not more than one year; and
- measures the liability for incurred claims for the Takaful arrangements and the Takaful fulfilment cash flows relating to incurred claims. However, the Takaful institution is not required to adjust future cash flows for the difference between the total cash flows and the fair value of those cash flows if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

In case the cash outflows are spread over a period of more than one year, and the difference between the total expected cash outflows and their fair value is material, the Takaful institution adjusts the carrying amount of the provision for remaining entitlement period to its fair value and records such difference initially as deferred cost.

##### Subsequent measurement

At the end of each subsequent reporting period, the carrying amount of the provision for the remaining entitlement period is:

- the carrying amount at the beginning of the reporting period;
- add : the contributions received during the period;
- less: Takaful acquisition cash flows, unless they are recognised as an expense;
- add: amortisation of Takaful acquisition cash flows recognised as expense (if applicable);
- less: amortisation of any deferred Takaful acquisition cash flows, if such deferred Takaful acquisition cash flows are recognised in line with the requirements of the standard;
- add: the amount recognised as earned Takaful contributions against the entitlement for benefits attributable to that period; and
- less: any investment component (from PIF) paid or transferred to the liability for incurred claims.

When the contribution allocation approach is applied, the amount of recognised contribution for the period is the amount of expected contributions allocated to the period. The expected contributions are allocated to each period:

- on the basis of the passage of time; but
- if the expected pattern of release of risk during the entitlement period differs significantly from the passage of time basis, then on the basis of the expected timing of incurred Takaful benefits.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Onerous arrangements

If at any time during the entitlement period, facts and circumstances indicate that a Takaful arrangement is onerous, the Takaful institution performs a computation of excess / shortfall of the following:

- the carrying amount of the provision for remaining entitlement period; and
- the Takaful fulfilment cash flows that relate to the remaining entitlement period of the Takaful arrangement.

In case of a shortfall of the carrying amount of the provision for the remaining entitlement period against Takaful fulfilment cash flows relating to the remaining entitlement period of the Takaful arrangement, the Takaful institution recognises a loss in the statement of income as activities of the managed PTF and increase the provision for remaining entitlement period by such amount of shortfall.

#### Accounting for re-Takaful arrangements held by the PTF

##### General approach for re-Takaful arrangements held

The Takaful institution divides portfolios of re-Takaful arrangements held by applying the requirements of "Accounting for Takaful arrangements - under general approach / variable fee approach" except that the references to onerous arrangements therein are replaced by a reference to arrangements on which there is a net gain on initial recognition. Such gain compensates for losses arising in PTF on account of the onerous arrangements.

Any general requirements contained in "Accounting for Takaful arrangements - under general approach / variable fee approach", also applies to the accounting for re-Takaful arrangements held unless contradicting with any specific requirements of "Accounting for re-Takaful arrangements held by the PTF".

##### *Initial recognition*

The PTF recognises an asset (or provision, as the case may be) for re-Takaful arrangements held:

- if the re-Takaful arrangements held provide a proportionate entitlement period - at the beginning of the entitlement period of the re-Takaful arrangement held or at the initial recognition of any underlying Takaful arrangement (whereby in case of underlying onerous arrangement, the corresponding effect is immediately recognised), whichever is the later; and
- in all other cases — from the beginning of the entitlement period of the re-Takaful arrangement held.

A re-Takaful arrangement held that provides proportionate benefits against underlying Takaful arrangements are not be initially recognised until the date that any underlying Takaful arrangement(s) is initially recognised if that date is later than the beginning of the entitlement period of such re-Takaful arrangement.

If the net cost of acquisition of re-Takaful arrangements has entitlement for benefits relating to events that have already occurred, such cost is immediately recognised in the statement of income as activities of the managed PTF.

In case a loss is recognised on initial recognition of an onerous underlying Takaful arrangement (or on the addition of an onerous underlying Takaful arrangement to a group), the Takaful residual margin of a related re-Takaful arrangement held (to such extent) is immediately recognised in the statement of managed financial activities of the managed PTF.

When such losses are recovered in a subsequent period, a loss-recovery component of an asset for the remaining entitlement period is correspondingly reversed.



### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

#### Accounting for re-Takaful arrangements held by the PTF (continued)

#### General approach for re-Takaful arrangements held (continued)

##### *Subsequent measurement*

In applying the measurement requirements to re-Takaful arrangements held, the PTF applies consistent assumptions to measure the estimates of the fair value of the future cash flows for such re-Takaful arrangements held and the estimates of the fair value of the future cash flows for the underlying Takaful arrangements.

In respect of the re-Takaful arrangements held, the PTF also includes the risk of non-performance by the re-Takaful provider (including effects of collateral and losses from disputes) in the estimate of the future cash flows, as well as, their fair value.

The PTF determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred by the holder of the re-Takaful arrangements to the issuer of those re-Takaful arrangements.

Takaful residual margin on initial recognition, in respect of re-Takaful arrangements held, is subject to the following modifications:

- the PTF recognises any net cost or net gain (instead of unearned margin) on the acquisition of the re-Takaful arrangements held as a Takaful residual margin measured at an amount equal to the sum of the Takaful fulfilment cash flows, the amount derecognised at that date of any asset or liability previously recognised for cash flows related to the re-Takaful arrangements held and any cash flows arising at that date; unless
- the net cost of acquiring re-Takaful entitlement relates to events that occurred before the acquisition of the re-Takaful arrangements, in which case, such a cost is immediately be recognised in the statement of income as activities of the managed PTF as an expense.

The Takaful residual margin at the end of the reporting period in respect of re-Takaful arrangements held is computed as the carrying amount determined at the start of the reporting period, adjusted for:

- the effect of any new arrangements;
- amortisation of deferred cost added back to the carrying amount of the Takaful residual margin;
- changes in the Takaful fulfilment cash flows to the extent that the change:
  - relates to the future benefits entitlement; unless
  - it results from a change in the Takaful fulfilment cash flows allocated to the underlying Takaful arrangement that does not adjust the Takaful residual margin for the underlying Takaful arrangement;
- the effect of any currency exchange differences arising on the Takaful residual margin; and
- the amount recognised in the statement of income as activities of the managed PTF because of benefits received in the period, determined by the allocation of the Takaful residual margin remaining at the end of the reporting period of the re-Takaful arrangements held.

Changes in the Takaful fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a re-Takaful contract held do not relate to future benefits and is not adjust the Takaful residual margin.

A re-Takaful arrangement held cannot be onerous under the requirements of this standard.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Accounting for re-Takaful arrangements held by the PTF (continued)

##### Contribution allocation approach for re-Takaful arrangements held

The Takaful institution may use the contribution allocation approach (adapted to reflect the features of re-Takaful arrangements held that differ from Takaful arrangements issued, for example, the generation of expenses or reduction in expenses rather than revenue) to simplify the measurement of re-Takaful contracts held, if at the inception of the Takaful arrangement:

- the Takaful institution reasonably expects the resulting measurement would not differ materially from the result of applying the requirements of other available approaches; or
- the entitlement period of each of the re-Takaful arrangements held (including an entitlement for benefits from all contributions within the Takaful arrangement boundary is one year or less.

If at the inception of the Takaful arrangement, the Company expects significant variability in the Takaful fulfilment cash flows that would affect the measurement of the asset for remaining entitlement for benefits during the period before a claim is incurred. Variability in the Takaful fulfilment cash flows increases with, for example:

- the extent of future cash flows relating to the Takaful arrangement; and
- the length of the entitlement period of the re-Takaful arrangements held.

The Company has not disclosed the transition impact upon adoption of FAS 43 because the cost of providing this disclosure, which would include the running of parallel systems, would exceed the benefits, particularly because previous standards permitted an entity to use a wide range of practices.

##### Separation of accounting records

The assets, liabilities and owners' equity, as well as, income and expenditure, gains and losses of the Takaful operator shall be recorded and reported separately and distinctly from the assets, liabilities and surplus / deficit and related income and expenditure, gains and losses of the managed PTF or the managed PIF.

##### *In the books of the Takaful operator*

The Takaful operator shall recognise in its books the initial seed money as an expense at the earlier of:

- payment of seed money to the PTF; or
- making an irrevocable commitment for such payment.

##### *In the books of the PTF*

The PTF shall recognise the initial seed money received / receivable from the Takaful operator as PTF equity at the earlier of:

- payment of seed money to the PTF; or
- making an irrevocable commitment for such payment.

##### Transfer of assets between various funds

At times, there is a need to transfer assets (including cash, investments or other assets) between the Takaful operator and the PTF or PIF managed by the Takaful operator for routine business operations.

There is a rebuttable presumption that such assets, in line with the Shari'ah principles and rules, are transferred between the Takaful operator and any of the managed funds or between two of the managed funds at fair value (considering these are arms' length transactions).

A Takaful institution shall apply, in respect of all such transfers of assets, the disclosure requirements with the respective AAOIFI FAS 7. In addition, if the basis of valuation applied for the transfer of such assets is other than the fair value of such assets as of the date of transfer, the Takaful institution shall disclose the difference in the value applied with the fair value, as well as, the reasons for applying the value other than the fair value.

### **3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **New and amended standards and interpretations (continued)**

#### **Accounting for re-Takaful arrangements held by the PTF (continued)**

#### **Surplus / deficit determination and surplus distribution**

##### *Surplus / deficit determination*

Takaful surplus or Takaful deficit shall be determined as the net surplus or deficit for the reporting period appearing in the statement of income as activities of the managed PTF, in line with the requirements of this standard read with the requirements of FAS 42 "Presentation and Disclosures in the Financial Statements of Takaful Institutions", after due transfers from / to the technical reserves.

In case a Takaful institution determines surplus / deficit in respect of a PTF in a manner different from the requirements of the standard, the basis of determination of the same, along with the rationale for the same, shall be disclosed.

In case of deficit, the Takaful operator generally provides a Qard Hasan to the PTF.

A Takaful institution shall disclose the accumulated amounts of deficit in the PTF and its projections (at least for five years) with regard to the probable surplus in future periods to compensate for such deficits.

#### **Qard Hasan—recognition and measurement in the books of the PTF**

In case of a deficit (or liquidity shortfall), the Takaful operator may decide (or may be required by virtue of the relevant regulations) to give a Qard Hasan to the PTF. This Qard Hasan has the nature of a temporary, profit-free loan that shall be payable when the PTF accrues a surplus (and / or generates sufficient liquidity).

##### *Initial Recognition*

The PTF shall recognise the Qard Hasan received from the Takaful operator as a liability at the par value of the amount received.

##### *Subsequent Measurement*

The PTF shall subsequently measure the liability for Qard Hasan at par value, accounting for any payments / repayments / adjustments during the period.

##### *Waiver of Qard Hasan*

Where the Takaful operator waives off its right to receive the Qard Hasan from the PTF, according to regulatory requirements or otherwise, the PTF shall immediately derecognise the liability and record the amount as its income for the period.

#### **Qard Hasan—recognition and measurement in the books of the Takaful operator**

In case of a deficit (or liquidity shortfall), the Takaful operator may decide (or may be required by virtue of the relevant regulations) to give a Qard Hasan to the PTF. This Qard Hasan has the nature of a temporary, profit-free loan that shall be payable when the PTF accrues a surplus (and / or generates sufficient liquidity).

##### *Initial Recognition*

The Takaful operator shall recognise the Qard Hasan extended to the PTF as a receivable at the par value of the amount paid since it is receivable on demand.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

#### Accounting for re-Takaful arrangements held by the PTF (continued)

#### Qard Hasan—recognition and measurement in the books of the Takaful operator (continued)

##### *Subsequent Measurement and expected credit losses*

The Takaful operator shall subsequently measure the receivable against Qard Hasan at par value, accounting for any payments / repayments / adjustments during the period.

Qard Hasan receivable from the PTF shall be subject to periodic testing for expected credit losses in line with the requirements of the relevant AAOIFI FAS 11, whereby an allowance for expected credit losses if any, shall be maintained against such receivable. The Takaful operator shall consider, in particular, the deficit in the PTF and the PTF's projections (at least for five years) with regard to the probable surplus in future periods to compensate for such deficits (or liquidity shortfalls) in line with the requirements of the standard.

##### *Waiver of Qard Hasan*

When the Takaful operator waives the Qard Hasan, the receivable shall be derecognised, and a corresponding expense shall be recorded in the books of the Takaful operator.

#### Recognition of Wakala fee earned from PTF in the books of the Takaful operator

The Takaful operator earns revenue in the form of Wakala (management) fee in different forms and under various contracts. This fee may be fixed or variable in nature.

The Wakala fee charged by the Takaful operator to the PTF is generally against performance obligations for various services / costs(excluding the investment management function) to be classified, and the relevant revenue recognition shall be commensurate with the relevant services as follows:

- a. services initially or already delivered – hence, the related proportion of Wakala fee to be recognised immediately – including marketing services for Takaful products, initial administrative services (both before and at the time of issuance of a Takaful arrangement) and Takaful acquisition service costs including commissions and incentives etc.;
- b. services delivered over time—hence, the related proportion of Wakala fee to be recognised over such time in a systematic manner—including support services during the Takaful entitlement period such as accounting and book-keeping services, administrative services related to benefits ascertainment and payment and administrative services related to re-Takaful acquisition and benefits management etc.; and
- c. probable refund of Wakala fee against cancelled or discontinued Takaful arrangements (if so provided for in the Wakala contract between the Takaful institution and the PTF) – hence, the estimated effect to be recorded as a provision for Wakala fee refund and shown as a deduction from the total Wakala fee.

The Takaful institution shall adopt accounting policies for the Takaful operator in line with relevant AAOIFI FASs to separate the different components of the Wakala fee in line with the approach provided in standard, applying an appropriate methodology for ascertaining and assessing the same. The accounting policies shall also include the bases for recognition of each component of the Wakala fee and the corresponding costs.



### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Accounting for re-Takaful arrangements held by the PTF (continued)

##### **Takaful acquisition service cost – In the books of the Takaful operator**

The Takaful acquisition service costs (or gain), including the allocation charges related to a Takaful arrangement that is received (or receivable) and paid (or payable) before the Takaful arrangement is recognised, shall be recorded as either:

- a. an asset or liability in the books of the Takaful operator to be amortized over a period commensurate with the corresponding flow of economic benefits—provided that:
  - i. any such asset shall be subject to testing for impairment on a periodic basis; and
  - ii. in case of cancellation of the respective Takaful arrangement, the liability may be extinguished, and asset may be fully impaired immediately; or
- b. as an expense or income in the books of the Takaful institution immediately.

##### **Takaful operator's investment management fee / share of investment income from PIF and PDF**

##### *Mudarib's share*

The Takaful operator shall recognise the Mudarib's share arising out of investment profits from the PTF and PIF after adjusting for any risk reserves, as per contractual arrangements in line with the Shari'ah principles and rules, as its revenue, at the end of each reporting period.

##### **Wakala fee: fixed, variable and performance incentive**

The Takaful operator shall recognise the fixed Wakala fee, as well as, any variable Wakala fee which is not in form of a performance incentive, as its revenue in line with the contractual arrangements as it establishes right on such revenue and the same may be measurable with reasonable certainty.

The Takaful operator shall recognise the variable element of the Wakala fee, which is in form of a performance incentive, at the end of each reporting period. However, if such an incentive is contractually determined at a later stage, the same shall be recognised once it is determined.

##### *Corresponding recognition by the PTF and PIF*

The PTF and PIF shall recognise corresponding costs for the items provided in the standard at the same time as the Takaful operator recognises its revenue.

##### *Allocation charges*

The Takaful operator shall recognise the allocation charges (including, Wakala fee / front-end fee etc., by whatever name called) recovered / recoverable from the participants in respect of the investment made in PIF as a part of net Takaful acquisition service cost (or gain) in line with the requirements of the standard.

The Takaful operator shall recognise the allocation charges (including, Wakala fee charges / front-end fee etc., by whatever name called) charged to the participants in respect of the investment made in PIF as a part of net Takaful acquisition service cost (or gain) in line with the requirements of the standard.

The allocation charges shall be disclosed by the Takaful operator separately from other Wakala fees.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Accounting for re-Takaful arrangements held by the PTF (continued)

##### Transitional provisions

A Takaful institution, at the time of the first time adoption of this standard, shall follow one of the following approaches:

- a. a full retrospective approach – whereby the effects of transition shall be incorporated from the beginning of the earliest period presented in the financial statements; however, the disclosure of the effect of such adoption in respect of each line item and to the basic and diluted earnings per share shall not be mandatory; or
- b. a modified retrospective approach – whereby the effects of transition shall be taken to the retained earnings of the Takaful institution, as well as, accumulated surplus / deficit in the respective Takaful funds at the beginning of the current financial period; or
- c. a fair value approach – whereby the Takaful residual margin or loss component of the provision for the remaining entitlement period, at the transition date (beginning of the current period) shall be determined as the difference between the fair value of the Takaful arrangements at that date and the fair value of the fulfilment cash flows measured at that date, and the corresponding effects shall be adjusted in the retained earnings of the Takaful institution, as well as, accumulated surplus / deficit in the respective Takaful funds.

##### FAS 30 Impairment, credit losses and onerous commitments

FAS 30 was issued in November 2017. The requirements relating to impairment and credit losses of FAS 30 represent a significant change from FAS 11 "Provisions and Reserves". As permitted by FAS 30, the standard will be modified retrospective approach and accordingly the comparative amounts will not be restated. FAS 30 replaces the 'incurred loss' model in FAS 11 with Expected Credit Loss (ECL) model. The new impairment model also applies to certain financing commitments and financial guarantee contracts but not to equity investments.

FAS 30 was introduced in order to overcome the delay in recognition of impairment and thus moves from an incurred loss model to an expected loss model. This model accounts for increasing credit risk to assess and compute loss allowances. The amount of expected credit loss (ECL) recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.

Under the general approach, there are two measurement basis:

- 12-month ECLs (Stage 1), which applies to all exposures (from initial recognition) as long as there is no significant deterioration in credit quality; and
- Lifetime ECLs (Stage 2 and Stage 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

12-month ECLs will be calculated for all Stage 1 exposures and lifetime ECLs will be calculated for all Stage 2 and Stage 3 exposures.

An alternative to this approach is the simplified approach, which is required for receivables that do not contain a significant financing component. For trade and other receivables, it is an accounting policy choice to follow the simplified approach. Under the simplified approach, loss is calculated on lifetime ECLs rather than the two-stage process under the general approach. Tracking of credit risk is not required; instead the approach requires a loss allowance based on lifetime ECL at each reporting date, right from origination.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

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

An alternative to this approach is the simplified approach, which is required for receivables that do not contain a significant financing component. For trade and other receivables, it is an accounting policy choice to follow the simplified approach. Under the simplified approach, loss is calculated on lifetime ECLs rather than the two-stage process under the general approach. Tracking of credit risk is not required; instead the approach requires a loss allowance based on lifetime ECL at each reporting date, right from origination.

The Company's portfolio is made up of the following asset classes:

- Cash and balances with banks
- Investments - Debt type
- Other receivables

The general approach to ECL calculation applies to the cash and balances with banks and investments - debt type. The simplified approach to ECL calculation applies to other receivables.

To reflect the differences between FAS 30 and FAS 11, the Company has disclosed the transition impact in statement of changes in shareholders' equity and participants' funds.

##### Transition disclosures - FAS 30

Changes in accounting policies resulting from the adoption of FAS 30 have been applied retrospectively, except comparative periods which have not been restated.

To reflect the differences between FAS 30 and FAS 11, the Company has disclosed the transition impact in statement of changes in shareholders' equity and participants' funds.

##### FAS 35 "Risk reserves"

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.

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

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

This standard supersedes FAS 25 "Investment in Sukuk". For the purpose of this standard, each investment is to be categorized as one of the below investment categories depending on its nature:

- Monetary Debt-type instrument;
- Non-monetary Debt-type instrument;
- Equity-type instrument; and
- Other investment instruments.

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 December 2023

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New and amended standards and interpretations (continued)**

**FAS 30 Financial Instruments (continued)**

**Transition disclosures – FAS 30 (continued)**

A reconciliation between the carrying amounts under FAS 11 and the balances reported under FAS 30 as of initial application date 1 January 2023 is, as follows:

		1 January 2023					
		FAS 11 measurement	Remeasurement			FAS 30	
Financial assets	Category	Amount	Re-classification	ECL	Other	Amount	Category
						BD	
Cash and balances with banks		21,869,373	-	(2,325)	-	21,867,048	
		21,869,373	-	(2,325)	-	21,867,048	
Financial investments							
Classified from:							
Equity	E-FVTE*	2,356,461	(2,356,461)	-	-	-	
Debt	AC**	5,036,709	(5,036,709)	-	-	-	
Funds	E-FVTE*	237,002	(237,002)	-	-	-	
Debt	D-FVTE***	1,002,121	(1,002,121)	-	-	-	
Classified To:							
Equity		-	1,561,079	-	-	1,561,079	FVTI (a)
Debt		-	294,830	-	-	294,830	FVTI (a)
Funds		-	237,002	-	-	237,002	FVTI (a)
Equity		-	795,382	-	-	795,382	FVTE (b)
Debt		-	5,349,353	-	-	5,349,353	FVTE (b)
Debt		-	394,647	(10)	10	394,647	AC**
		8,632,293	-	(10)	10	8,632,293	
<b>Total assets</b>		<b>30,501,666</b>	<b>-</b>	<b>(2,335)</b>	<b>10</b>	<b>30,499,341</b>	

\*Equity type at fair value through equity

\*\*Debt type at Amortised cost

\*\*\*Debt type at fair value through equity

(a) Fair value through income

(b) Fair value through equity

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 December 2023

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New and amended standards and interpretations (continued)**

***FAS 30 Financial Instruments (continued)***

**Transition disclosures – FAS 30 (continued)**

The impact of transition to FAS 30 on reserves and retained earnings is, as follows:

	<b><i>BD</i></b>
<b>Fair value reserve</b>	
Closing balance under FAS 11 (31 December 2022)	(85,759)
Reclassification of debt instruments from available-for-sale to amortised cost	(62,657)
Reclassification of instruments from available-for-sale to FVTI	-
Adjustment for recognition of ECL under FAS 30 for debt financial assets at FVTE	11,677
	<b>(136,739)</b>
<b>Opening balance under FAS 30 (1 January 2023)</b>	
<b>Retained earnings</b>	
Closing balance under FAS 11 (31 December 2022)	2,153,223
Recognition of FAS 30 ECLs for debt instruments measured at amortised cost and at FVTE	(17,732)
Recognition of FAS 30 ECLs for Cash and other assets	(2,325)
Recognition of FV change instruments for FVTI Investments	62,379
	<b>2,195,545</b>
<b>Opening balance under FAS 30 and FAS 43 (1 January 2023)</b>	
<b>Total change in equity (after tax) due to the application of new standards</b>	
Fair value reserve	(50,980)
Retained earnings	42,322
	<b>(8,658)</b>



### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Classification

Unless the irrevocable initial recognition choices provided below are exercised, the Company classifies investments subject to this standard as subsequently measured at either (i) amortized cost, (ii) fair value through equity or (iii) fair value through statement of income, on the basis of both the Company's business model for managing investments and the expected cash flow characteristics of the investment.

Investment in a monetary debt-type instrument, as it reflects a debt at the back-end, shall be classified and measured at cost, till the time the transaction at the back-end is executed, and at amortized cost thereafter.

Investment in a non-monetary debt-type instrument or other investment instrument, may be classified under any of the three categories depending on the Company's business model.

Investment in equity-type instrument is classified as investment at fair value through statement of income unless the Company makes an irrevocable classification choice at initial recognition to classify this as investment at fair value through equity.

An investment held for trading purposes shall always fall in fair value through statement of income classification.

##### Recognition and Initial measurement

All investment shall be initially recognised at their value plus transaction costs except for investments at fair value through statement of income. Transaction costs relating to investments at fair value through statement of income are charged to the statement of income when incurred. A regular way purchase of investments shall be recognised upon the transfer of control to investor.

##### Subsequent measurement

###### *Investments at amortized cost*

Investments carried at amortized cost shall be re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognised in the statement of income. Investment carried at amortized cost shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

###### *Investments at fair value through statement of income*

Investment carried at fair value through statement of income shall be re-measured at fair value at end of each reporting period. The resultant remeasurement gain or loss, if any being the difference between the carrying amount and the fair value shall be recognised in the statement of income.

###### *Investments at fair value through equity*

Investment carried at fair value through equity shall be re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value shall be directly recognised in equity under "investments fair value reserve". Investment carried at fair value through equity shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

##### Reclassification

When, and only when, the Company changes its business model for managing investments, it shall reclassify all affected financial assets prospectively from the reclassification date. In case of reclassification, the Company shall not restate any previously recognised gains, losses (including impairment gains or losses) or returns/ profits.

The Board of Directors decided to early adopt the standard with effect from the current year.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Reclassification (continued)

The management of the Company assessed the implementation of FAS 33 and concluded the following:

With regards to the Company's Equity-type investments held at fair value through equity, the adoption of the standard had an impact with regards to classification of investments amounting to BD 2,030 thousands classified as equity type as fair value through equity were reclassified to equity type at fair value through profit and loss. Further, the debt type investments classified as fair value through equity and amortized cost continued to be classified respectively.

##### FAS 39 Financial reporting for Zakah

The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution (the institution). This standard shall apply to an institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be generally applicable individually to each institution (or entity) within a group, this standard shall be applicable on all consolidated and separate / stand-alone financial statements of an institution. The standard does not have any impact on the financial statements of the Company.

##### 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.

##### 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 capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

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

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

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

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

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

##### Foreign currency transactions

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Foreign currency transactions (continued)

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

##### Dividends on share capital

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

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

##### Share capital

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

##### Revenue recognition

###### *Investment income*

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

###### *Rental income*

Rental income is recognised on an accruals basis.

###### *Dividends*

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

###### *Wakala fee*

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

###### *Mudarib share*

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

##### Employees' terminal benefits

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### Provisions

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

##### Payables and accruals

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

##### Earnings prohibited by Shari'a

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

### 4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

#### *The ultimate liability arising from claims made under takaful arrangements*

The estimation of the ultimate liability for incurred claims and liability for remaining coverage made under takaful arrangements is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The takaful arrangement liabilities is an estimation of claims which are expected to be reported subsequent to the statement of income as position date, for which the covered event has occurred prior to the statement of income as position date.

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

#### *Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The Company is also complied with Capital Adequacy & Solvency margin requirements established by the Central Bank of Bahrain, refer note 32. Therefore, the financial statements continue to be prepared on the going concern basis.

#### *Family takaful reserves*

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

### 5 STATUTORY DEPOSITS

Statutory deposits are maintained under the regulations of the Central Bank of Bahrain and Financial Institutions Law, 2006. Such deposits, which depend on the nature of the takaful business and the number of branches, cannot be withdrawn except with the approval of the Central Bank of Bahrain. A sum of BD 125,000 (2022: BD 125,000) has been deposited with Bahrain Islamic Bank B.S.C. in the name of the Company and for the order of Central Bank of Bahrain.

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

At 31 December 2023 (Audited)

**6 CASH AND BALANCES WITH BANKS**

	<b>31 December 2023</b>			<b>Total BD</b>
	<b>Shareholders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	
Cash in hand	600	600	-	1,200
Balances with banks	644,012	1,962,938	819,530	3,426,480
	<b>644,612</b>	<b>1,963,538</b>	<b>819,530</b>	<b>3,427,680</b>
Bank deposits with original maturities of more than three months	2,500,000	1,900,000	1,500,000	5,900,000
	<b>3,144,612</b>	<b>3,863,538</b>	<b>2,319,530</b>	<b>9,327,680</b>
Expected credit loss (note 26)	(5)	(209)	(193)	(407)
<b>Cash and balances with banks</b>	<b>3,144,607</b>	<b>3,863,329</b>	<b>2,319,337</b>	<b>9,327,273</b>

	<b>31 December 2022</b>			<b>Total BD</b>
	<b>Shareholders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	
Cash in hand	600	600	-	1,200
Balances with banks	100,930	3,633,850	176,068	3,910,848
Bank deposits with original maturities of three months or less	1,000,000	2,100,000	1,075,000	4,175,000
	<b>1,101,530</b>	<b>5,734,450</b>	<b>1,251,068</b>	<b>8,087,048</b>
Bank deposits with original maturities of more than three months	6,000,000	5,980,000	1,800,000	13,780,000
<b>Cash and balances with banks</b>	<b>7,101,530</b>	<b>11,714,450</b>	<b>3,051,068</b>	<b>21,867,048</b>

Call account balance earn effective profit rates averaging 2.72% per annum (2022: 2.50% per annum).

The savings account balances with banks earn effective profit rates ranging between 0.46% and 0.61% per annum (2022: between 0.31% and 0.52% per annum).

All balances were classified under stage 1 and 2 as of 31 December 2023 and 31 December 2022 and carry an ECL provision of BD 407 (2022: BD Nil)

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



Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**7 INVESTMENTS**

	<b>31 December 2023</b>				<b>31 December 2022</b>			
	<b>Shareholders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>	<b>Shareholders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
Investments held at FVTE	7,609,144	10,982,136	1,185,981	19,777,261	2,666,181	3,081,634	396,920	6,144,735
Investments held at FVTI	1,581,424	281,418	445,771	2,308,613	1,498,406	117,514	476,990	2,092,910
Investments held at amortised cost	122,227	682,293	-	804,520	122,226	272,422	-	394,648
	<b>9,312,795</b>	<b>11,945,847</b>	<b>1,631,752</b>	<b>22,890,394</b>	<b>4,286,813</b>	<b>3,471,570</b>	<b>873,910</b>	<b>8,632,293</b>

**7.1 Financial investments measured at fair value through equity**

The breakdown of financial investments measured at FVTE is, as follows:

	<b>31 December 2023</b>				<b>31 December 2022</b>			
	<b>Shareholders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>	<b>Shareholders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
<b>FVTE</b>								
<b>Listed Securities:</b>								
- Non monetary debt type instruments	6,828,694	10,982,136	1,185,981	18,996,811	1,870,799	3,081,634	396,920	5,349,353
- Equity type instruments	780,450	-	-	780,450	795,382	-	-	795,382
<b>Total equity type and non monetary debt type instruments at FVTE</b>	<b>7,609,144</b>	<b>10,982,136</b>	<b>1,185,981</b>	<b>19,777,261</b>	<b>2,666,181</b>	<b>3,081,634</b>	<b>396,920</b>	<b>6,144,735</b>

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

At 31 December 2023 (Audited)

**7 INVESTMENTS (continued)**

**7.2 Equity and debt instruments measured at fair value through profit or loss**

The breakdown of financial assets measured at FVTI is, as follows:

	<b>31 December 2023</b>				<b>31 December 2022</b>			
	<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>	<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>
	<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>	<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>
		<b>BD</b>	<b>BD</b>			<b>BD</b>	<b>BD</b>	
<b><u>FVTI</u></b>								
<b><u>Listed Securities:</u></b>								
- Non monetary debt type instruments	-	-	287,371	287,371	-	-	294,830	294,830
- Equity type instruments	1,399,759	225,509	158,400	1,783,668	1,317,177	61,741	182,160	1,561,078
- Other managed funds	181,665	55,909	-	237,574	181,229	55,773	-	237,002
<b>Total equity and debt instruments at FVTI</b>	<b>1,581,424</b>	<b>281,418</b>	<b>445,771</b>	<b>2,308,613</b>	<b>1,498,406</b>	<b>117,514</b>	<b>476,990</b>	<b>2,092,910</b>

**7.3 Equity and debt instruments measured at amortised cost**

The breakdown of financial assets measured at amortised cost is, as follows:

	<b>31 December 2023</b>				<b>31 December 2022</b>			
	<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>	<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>
	<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>	<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>
		<b>BD</b>	<b>BD</b>			<b>BD</b>	<b>BD</b>	
<b><u>Amortised Cost</u></b>								
- Non monetary debt type instruments	122,227	682,293	-	804,520	122,226	272,422	-	394,648
<b>Total debt instruments at amortised cost</b>	<b>122,227</b>	<b>682,293</b>	<b>-</b>	<b>804,520</b>	<b>122,226</b>	<b>272,422</b>	<b>-</b>	<b>394,648</b>

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

At 31 December 2023 (Audited)

**7 INVESTMENTS (continued)**

**7.4 Debt instruments measured at fair value through equity**

	<b>31 December 2023</b>				<b>31 December 2022</b>			
	<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>	<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>
	<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>	<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>
		<b>BD</b>	<b>BD</b>	<b>BD</b>		<b>BD</b>	<b>BD</b>	<b>BD</b>
<b>Debt instruments measured at FVTE</b>								
Government debt instruments	<b>2,778,980</b>	<b>6,277,080</b>	<b>397,180</b>	<b>9,453,240</b>	1,526,970	2,073,563	396,922	3,997,455
Non monetary debt type instruments	<b>4,049,714</b>	<b>4,705,056</b>	<b>788,801</b>	<b>9,543,571</b>	343,827	1,008,072	-	1,351,899
	<b>6,828,694</b>	<b>10,982,136</b>	<b>1,185,981</b>	<b>18,996,811</b>	1,870,797	3,081,635	396,922	5,349,354
Expected credit loss (note 26)	<b>(8,493)</b>	<b>(25,547)</b>	<b>(724)</b>	<b>(34,764)</b>	-	-	-	-

**7.5 Debt instruments measured at amortised cost**

	<b>31 December 2023</b>				<b>31 December 2022</b>			
	<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>	<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>
	<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>	<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>
		<b>BD</b>	<b>BD</b>	<b>BD</b>		<b>BD</b>	<b>BD</b>	<b>BD</b>
<b>Debt instruments at amortised cost</b>								
Other non monetary debt type instruments	<b>122,227</b>	<b>682,293</b>	-	<b>804,520</b>	122,226	272,422	-	394,648
Expected credit loss (note 26)	<b>(1)</b>	<b>(10)</b>	-	<b>(11)</b>	-	-	-	-

# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023 (Audited)

### 8 INVESTMENT IN AN ASSOCIATE

The Company has a 22.22% (2022: 20%) interest in Health 360 Ancillary Services W.L.L which is engaged in the services of processing claims in connection with health takaful coverage offered or provided by takaful firms.

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

	<b>2023</b> <b>31 December</b> <b>BD</b>	<b>2022</b> <b>31 December</b> <b>BD</b>	<b>2022</b> <b>1 January</b> <b>BD</b>
At 1 January	<b>190,145</b>	184,856	260,776
Additional capital contributions	<b>17,955</b>	-	-
Sale of share in an associate	-	-	(82,535)
Dividend received for the financial year	<b>(16,920)</b>	(12,000)	-
Share of results in an associate	<b>44,488</b>	17,289	6,615
At 31 December	<b>235,668</b>	190,145	184,856

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

*Summarised financial position of the associate:*

	<b>2023</b> <b>31 December</b> <b>BD</b>	<b>2022</b> <b>31 December</b> <b>BD</b>	<b>2022</b> <b>1 January</b> <b>BD</b>
Current assets	<b>2,680,910</b>	2,021,337	1,620,296
Non-current assets	<b>689,214</b>	308,343	297,974
Current liabilities	<b>(2,205,251)</b>	(1,282,886)	(898,010)
Non-current liabilities	<b>(104,117)</b>	(96,067)	(95,979)
Equity (100%)	<b>1,060,756</b>	950,727	924,281
Proportion of the Company's ownership %	<b>22.217%</b>	20%	20%
Carrying amount of investments in an associate	<b>235,668</b>	190,145	184,856
Company's share of an associate's results	<b>44,488</b>	17,289	6,615

## 9 TAKAFUL AND RETAKAFUL CONTRACTS

The breakdown of groups of takaful and retakaful contracts issued, and retakaful contracts held, that are in an asset position and those in a liability position is set out in the table below:

	<b>31 December 2023</b>			<b>31 December 2022 (Restated)</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
<b>Takaful arrangements assets and liabilities</b>						
Marine and General	-	7,270,980	7,270,980	-	5,697,453	5,697,453
Motor	-	9,836,348	9,836,348	-	8,700,926	8,700,926
Medical	-	4,135,199	4,135,199	-	3,268,149	3,268,149
<b>Total takaful arrangements assets and liabilities</b>	<b>-</b>	<b>21,242,527</b>	<b>21,242,527</b>	<b>-</b>	<b>17,666,528</b>	<b>17,666,528</b>
<b>Re-takaful arrangements assets and liabilities</b>						
Marine and General	2,888,761	(68,525)	2,820,236	1,264,677	-	1,264,677
Motor	21,536	-	21,536	5,954	-	5,954
Medical	29,740	-	29,740	14,909	-	14,909
<b>Total re-takaful arrangements assets and liabilities</b>	<b>2,940,037</b>	<b>(68,525)</b>	<b>2,871,512</b>	<b>1,285,540</b>	<b>-</b>	<b>1,285,540</b>

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**9 TAKAFUL AND RETAKAFUL CONTRACTS (continued)**

**9.1 Analysis of takaful contract assets and liabilities for contracts measured under PAA**

	31 December 2023					31 December 2022 (Restated)				
	<i>Liabilities for remaining coverage</i>		<i>Liabilities for incurred claims</i>			<i>Liabilities for remaining coverage</i>		<i>Liabilities for incurred claims</i>		
	<i>Excluding loss component</i>	<i>Loss Component</i>	<i>Estimates of the present value of future cash flows</i>	<i>Risk adjustment</i>	<i>Total</i>	<i>Excluding loss component</i>	<i>Loss Component</i>	<i>Estimates of the present value of future cash flows</i>	<i>Risk adjustment</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Takaful arrangements liabilities as at 1 January	7,124,391	-	10,040,015	502,122	17,666,528	7,182,804	-	8,330,187	418,625	15,931,616
<b>Recognised takaful contributions</b>	<b>(23,982,920)</b>	-	-	-	<b>(23,982,920)</b>	(23,670,491)	-	-	-	(23,670,491)
Incurring claims & other directly attributable expenses	-	-	21,728,603	588,720	22,317,323	-	-	19,298,254	394,586	19,692,840
Changes that relate to past service-Changes in FCF relating to LIC	-	-	(3,530,467)	(405,434)	(3,935,901)	-	-	(3,330,578)	(333,619)	(3,664,197)
Takaful acquisition cash flows amortisations	1,835,541	-	-	-	1,835,541	1,595,967	-	-	-	1,595,967
<b>Takaful service expenses</b>	<b>1,835,541</b>	-	<b>18,198,136</b>	<b>183,286</b>	<b>20,216,963</b>	<b>1,595,967</b>	-	<b>15,967,676</b>	<b>60,967</b>	<b>17,624,610</b>
<b>Net finance income from takaful contracts</b>	-	-	<b>696,607</b>	<b>55,856</b>	<b>752,463</b>	-	-	<b>225,320</b>	<b>22,530</b>	<b>247,850</b>
<b>Cash flows</b>										
Contributions received	22,294,239	-	-	-	22,294,239	23,733,822	-	-	-	23,733,822
Claims and other directly attributable expenses paid	-	-	(14,313,699)	-	(14,313,699)	-	-	(14,483,168)	-	(14,483,168)
Takaful acquisition cash flows	(1,391,047)	-	-	-	(1,391,047)	(1,717,711)	-	-	-	(1,717,711)
<b>Total cash flows</b>	<b>20,903,192</b>	-	<b>(14,313,699)</b>	-	<b>6,589,493</b>	<b>22,016,111</b>	-	<b>(14,483,168)</b>	-	<b>7,532,943</b>
<b>Takaful arrangements liabilities as at 31 December</b>	<b>5,880,204</b>	-	<b>14,621,059</b>	<b>741,264</b>	<b>21,242,527</b>	<b>7,124,391</b>	-	<b>10,040,015</b>	<b>502,122</b>	<b>17,666,528</b>



Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**9 TAKAFUL AND RETAKAFUL CONTRACTS (continued)**

**9.2 Analysis of retakaful contract assets and liabilities for contracts measured under PAA**

	31 December 2023					31 December 2022 (Restated)				
	Assets for remaining coverage		Assets for amounts recoverable on incurred claims			Assets for remaining coverage		Assets for amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	Total
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Retakaful arrangements liabilities as at 1 January	-	-	-	-	-	-	-	-	-	-
Retakaful arrangements assets as at 1 January	(1,737,899)	-	2,875,624	147,815	1,285,540	(1,597,710)	-	2,262,348	108,883	773,521
<b>Retakaful arrangements (liabilities) / assets as at 1 January</b>	<b>(1,737,899)</b>	<b>-</b>	<b>2,875,624</b>	<b>147,815</b>	<b>1,285,540</b>	<b>(1,597,710)</b>	<b>-</b>	<b>2,262,348</b>	<b>108,883</b>	<b>773,521</b>
<b>Allocation of retakaful contribution expenses</b>	<b>(5,269,038)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,269,038)</b>	<b>(6,275,916)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,275,916)</b>
Incurring claims recovery	-	-	2,180,226	137,318	2,317,544	-	-	1,174,916	73,123	1,248,039
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	-	(157,945)	(38,947)	(196,892)	-	-	(628,821)	(40,201)	(669,022)
Effect of changes in risk of non-performance by issuer of retakaful contracts held	-	-	(35,667)	-	(35,667)	-	-	9,482	-	9,482
<b>Net expense from retakaful contracts held</b>	<b>-</b>	<b>-</b>	<b>1,986,614</b>	<b>98,371</b>	<b>2,084,985</b>	<b>-</b>	<b>-</b>	<b>555,577</b>	<b>32,922</b>	<b>588,499</b>
<b>Net finance income from retakaful arrangements</b>	<b>-</b>	<b>-</b>	<b>161,497</b>	<b>16,200</b>	<b>177,697</b>	<b>-</b>	<b>-</b>	<b>45,332</b>	<b>6,010</b>	<b>51,342</b>
<b>Cash flows</b>										
Contributions paid net of ceding commissions and other directly attributable expenses	4,786,931	-	-	-	4,786,931	6,135,727	-	-	-	6,135,727
Recoveries from retakaful providers	-	-	(194,603)	-	(194,603)	-	-	12,367	-	12,367
<b>Total cash flows</b>	<b>4,786,931</b>	<b>-</b>	<b>(194,603)</b>	<b>-</b>	<b>4,592,328</b>	<b>6,135,727</b>	<b>-</b>	<b>12,367</b>	<b>-</b>	<b>6,148,094</b>
<b>Retakaful arrangements held (liability) / asset as at 31 December</b>	<b>(2,220,006)</b>	<b>-</b>	<b>4,829,132</b>	<b>262,386</b>	<b>2,871,512</b>	<b>(1,737,899)</b>	<b>-</b>	<b>2,875,624</b>	<b>147,815</b>	<b>1,285,540</b>
Closing retakaful arrangements liabilities	(538,231)	-	446,348	23,358	(68,525)	-	-	-	-	-
Closing retakaful arrangements assets	(1,681,775)	-	4,382,784	239,028	2,940,037	(1,737,899)	-	2,875,624	147,815	1,285,540
<b>Retakaful arrangements held (liability) / asset as at 31 December</b>	<b>(2,220,006)</b>	<b>-</b>	<b>4,829,132</b>	<b>262,386</b>	<b>2,871,512</b>	<b>(1,737,899)</b>	<b>-</b>	<b>2,875,624</b>	<b>147,815</b>	<b>1,285,540</b>

## 10 TAKAFUL & RETAKAFUL CONTRACTS

The breakdown of groups of family takaful and retakaful contracts issued, and retakaful contracts held, that are in an asset position and those in a liability position is set out in the table below:

	<b>31 December 2023</b>			<b>31 December 2022 (Restated)</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
<b>Takaful arrangements assets and liabilities</b>	-	<b>3,191,892</b>	<b>3,191,892</b>	-	3,594,456	3,594,456
<b>Re-takaful arrangements assets and liabilities</b>	<b>6,989</b>	<b>(193,791)</b>	<b>(186,802)</b>	381,174	(570,375)	(189,201)

### 10.1 Analysis of takaful arrangement liabilities for contracts not measured under PAA

	<b>31 December 2023</b>					<b>31 December 2022 (Restated)</b>				
	<b>Liabilities for remaining coverage</b>		<b>Liabilities for incurred claims</b>			<b>Liabilities for remaining coverage</b>		<b>Liabilities for incurred claims</b>		
	<b>Excluding loss component</b>	<b>Loss Component</b>	<b>Estimates of the present value of future cash flows</b>	<b>Risk adjustment</b>	<b>Total</b>	<b>Excluding loss component</b>	<b>Loss Component</b>	<b>Estimates of the present value of future cash flows</b>	<b>Risk adjustment</b>	<b>Total</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
Takaful arrangements liabilities as at 1 January	3,277,166	119,670	197,620	-	3,594,456	2,924,036	142,005	144,493	-	3,210,534
<b>Recognised takaful contributions</b>	<b>(380,075)</b>	-	-	-	<b>(380,075)</b>	(323,055)	-	-	-	(323,055)
Incurring claims & other directly attributable expenses	-	-	200,953	-	200,953	-	(12,779)	308,033	-	295,254
Changes that relate to past service-Changes in FCF relating to LIC	-	-	134,244	-	134,244	-	-	-	-	-
Losses on onerous arrangements and reversal of those losses	-	(1,345)	-	-	(1,345)	-	(15,493)	-	-	(15,493)
Takaful acquisition cash flows assets impairment	-	-	-	-	-	(109,245)	-	109,245	-	-
<b>Takaful service (expenses) / income</b>	-	(1,345)	335,197	-	<b>333,852</b>	(109,245)	(28,272)	417,278	-	<b>279,761</b>
<b>Net finance (expense) / income from takaful contracts</b>	<b>(62,624)</b>	<b>4,982</b>	<b>(173)</b>	-	<b>(57,815)</b>	142,842	5,937	-	-	<b>148,779</b>
<b>Cash flows</b>										
Contributions received	94,428	-	-	-	94,428	642,588	-	-	-	642,588
Claims and other directly attributable expenses paid	-	-	(392,955)	-	(392,955)	-	-	(364,151)	-	(364,151)
<b>Total cash flows</b>	<b>94,428</b>	-	<b>(392,955)</b>	-	<b>(298,527)</b>	642,588	-	(364,151)	-	<b>278,437</b>
<b>Net takaful arrangements liabilities as at 31 December</b>	<b>2,928,895</b>	<b>123,307</b>	<b>139,689</b>	-	<b>3,191,891</b>	3,277,166	119,670	197,620	-	<b>3,594,456</b>

Takaful International Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023 (Audited)

10 TAKAFUL & RETAKAFUL CONTRACTS (continued)

10.2 Reconciliation of family takaful contract liabilities for contracts not measured under PAA

	31 December 2023				31 December 2022 (Restated)			
	Present Value of Future Cash Flows	Risk adjustment for non- financial risk	CSM	Total	Present Value of Future Cash Flows	Risk adjustment for non-financial risk	CSM	Total
<b>Takaful contracts liabilities at beginning of year</b>	2,860,100	157,535	576,821	3,594,456	2,623,276	148,392	438,866	3,210,534
<b>Changes that relate to current service</b>								
CSM recognised for the services provided	-	-	(89,515)	(89,515)	-	-	(74,376)	(74,376)
Changes in the risk adjustment for non-financial risk for the risk expired	-	(17,207)	-	(17,207)	-	(16,741)	-	(16,741)
Experience adjustments-relating to takaful service expenses	106,148	-	-	106,148	12,291	-	-	12,291
	106,148	(17,207)	(89,515)	(574)	12,291	(16,741)	(74,376)	(78,826)
<b>Changes that relate to future service</b>								
Changes in estimates that adjust the CSM	(50,650)	(55,745)	133,317	26,922	(100,351)	(2,957)	54,579	(48,729)
Changes in estimate that results in onerous contract losses or reversal of such losses	17,992	(14,669)	-	3,323	-	-	-	-
Contracts initially recognised in the period	(67,261)	11,973	58,441	3,153	(86,892)	23,508	100,318	36,934
Experience adjustments-arising from premiums received in the period that relate to future service	3,308	-	(26,921)	(23,613)	(37,661)	-	33,962	(3,699)
	(96,611)	(58,441)	164,837	9,785	(224,904)	20,551	188,859	(15,494)
<b>Changes that relate to past service</b>								
Changes that relate to past service- changes in the FCF relating to the LIC	(55,435)	-	-	(55,435)	50,803	-	-	50,803
Finance expenses from takaful arrangements issued	(95,141)	5,863	31,464	(57,814)	119,974	5,333	23,472	148,779
<b>Cash Flows</b>								
Contributions received	142,694	-	-	142,694	642,812	-	-	642,812
Claims and other directly attributable expenses paid	(441,221)	-	-	(441,221)	(364,152)	-	-	(364,152)
<b>Total cash flows</b>	(298,527)	-	-	(298,527)	278,660	-	-	278,660
<b>Takaful contracts liabilities at end of year</b>	2,420,534	87,750	683,607	3,191,891	2,860,100	157,535	576,821	3,594,456

**10 TAKAFUL & RETAKAFUL CONTRACTS****10.3 Analysis of family retakaful contract assets and liabilities for contracts not measured under PAA**

	31 December 2023					31 December 2022 (Restated)				
	Assets for remaining coverage		Assets for amounts recoverable on incurred claims			Assets for remaining coverage		Assets for amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss-recovery component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Retakaful arrangements liabilities as at 1 January	(602,447)	32,072	-	-	(570,375)	(906,230)	-	-	-	(906,230)
Retakaful arrangements assets as at 1 January	171,561	119,955	89,658	-	381,174	-	122,618	142,342	-	264,960
<b>Net retakaful arrangements (liabilities) / assets as at 1 January</b>	<b>(430,886)</b>	<b>152,027</b>	<b>89,658</b>	<b>-</b>	<b>(189,201)</b>	<b>(906,230)</b>	<b>122,618</b>	<b>142,342</b>	<b>-</b>	<b>(641,270)</b>
<b>Allocation of retakaful contribution expenses</b>	<b>(178,691)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(178,691)</b>	<b>(170,190)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(170,190)</b>
Incurring claims recovery	-	-	58,923	-	58,923	-	(5,382)	148,152	-	142,770
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	-	(6,782)	-	(6,782)	-	-	-	-	-
Income on initial recognition of onerous underlying contracts	-	(5,293)	-	-	(5,293)	203	-	-	-	203
Reversal of a loss recovery component other than changes in FCF for RI contracts held	-	5,441	-	-	5,441	-	7,120	-	-	7,120
Changes in the FCF of retakaful contracts held from onerous underlying contracts	-	-	-	-	-	(3,787)	25,872	-	-	22,085
Effect of changes in risk of non-performance by issuer of retakaful contracts held	-	-	-	-	-	-	-	-	-	-
<b>Net expense from retakaful contracts held</b>	<b>-</b>	<b>148</b>	<b>52,141</b>	<b>-</b>	<b>52,289</b>	<b>(3,584)</b>	<b>27,610</b>	<b>148,152</b>	<b>-</b>	<b>172,178</b>
<b>Net finance income / (expense) from retakaful arrangements</b>	<b>34,808</b>	<b>1,977</b>	<b>(11)</b>	<b>-</b>	<b>36,774</b>	<b>4,431</b>	<b>1,799</b>	<b>-</b>	<b>-</b>	<b>6,230</b>
<b>Cash flows</b>										
Contributions paid net of ceding commissions and other directly attributable expenses	149,064	-	-	-	149,064	644,687	-	-	-	644,687
Recoveries from retakaful providers	-	-	(57,037)	-	(57,037)	-	-	(200,836)	-	(200,836)
<b>Total cash flows</b>	<b>149,064</b>	<b>-</b>	<b>(57,037)</b>	<b>-</b>	<b>92,027</b>	<b>644,687</b>	<b>-</b>	<b>(200,836)</b>	<b>-</b>	<b>443,851</b>
<b>Retakaful arrangements held (liabilities) / asset as at 31 December</b>	<b>(425,705)</b>	<b>154,152</b>	<b>84,751</b>	<b>-</b>	<b>(186,802)</b>	<b>(430,886)</b>	<b>152,027</b>	<b>89,658</b>	<b>-</b>	<b>(189,201)</b>
Closing retakaful arrangements liabilities	(432,694)	154,152	84,751	-	(193,791)	(602,447)	32,072	-	-	(570,375)
Closing retakaful arrangements assets	6,989	-	-	-	6,989	171,561	119,955	89,658	-	381,174
<b>Retakaful arrangements held (liabilities) / asset as at 31 December</b>	<b>(425,705)</b>	<b>154,152</b>	<b>84,751</b>	<b>-</b>	<b>(186,802)</b>	<b>(430,886)</b>	<b>152,027</b>	<b>89,658</b>	<b>-</b>	<b>(189,201)</b>

**10 TAKAFUL & RETAKAFUL CONTRACTS****10.4 Reconciliation of family retakaful contract assets and liabilities for contracts not measured under PAA**

	<b>31 December 2023</b>				<b>31 December 2022 (Restated)</b>			
	<b>Present Value of Future Cash Flows</b>	<b>Risk adjustment for non- financial risk</b>	<b>CSM</b>	<b>Total</b>	<b>Present Value of Future Cash Flows</b>	<b>Risk adjustment for non-financial risk</b>	<b>CSM</b>	<b>Total</b>
Retakaful arrangements held that are liabilities as at 1 January	(438,090)	34,405	(166,690)	<b>(570,375)</b>	(906,230)	-	-	(906,230)
Retakaful arrangements held that are assets as at 1 January	(12,445)	32,265	361,354	<b>381,174</b>	-	63,593	201,367	264,960
<b>Retakaful arrangements held (liabilities) / asset as at 1 January</b>	<b>(450,535)</b>	<b>66,670</b>	<b>194,664</b>	<b>(189,201)</b>	(906,230)	63,593	201,367	(641,270)
<b>Changes that relate to current service</b>								
CSM recognised for the services received	-	-	(31,570)	<b>(31,570)</b>	-	-	(23,781)	(23,781)
Changes in the risk adjustment for non-financial risk for the risk expired	-	-	-	-	-	-	-	-
Experience adjustments-relating to incurred claims and other directly attributable expenses recovery	(83,408)	(8,189)	-	<b>(91,597)</b>	(53,318)	(8,329)	-	(61,647)
	<b>(83,408)</b>	<b>(8,189)</b>	<b>(31,570)</b>	<b>(123,167)</b>	(53,318)	(8,329)	(23,781)	(85,428)
<b>Changes that relate to future service</b>								
Changes in estimates that adjust CSM	(40,346)	(13,742)	50,916	<b>(3,172)</b>	(11,724)	(3,991)	(2,542)	(18,257)
Contracts initially recognised in period	(23,668)	4,692	22,148	<b>3,172</b>	38,071	12,223	96,162	146,456
CSM adjustment for income on initial recognition of onerous underlying arrangements	-	-	3,172	<b>3,172</b>	-	-	-	-
Changes in the FCF of retakaful contracts held from onerous underlying arrangements	334	1,936	-	<b>2,270</b>	10	193	-	203
Experience adjustments – arising from ceded contributions paid in the period that relate to future service	-	-	-	-	3,650	-	-	3,650
	<b>(63,680)</b>	<b>(7,114)</b>	<b>76,236</b>	<b>5,442</b>	30,007	8,425	93,620	132,052
<b>Changes that relate to past service</b>								
Changes that relate to past service –changes in the FCF relating to incurred claims recovery	<b>(8,676)</b>	-	-	<b>(8,676)</b>	(44,637)	-	-	(44,637)
<b>Net finance income / (expenses) from retakaful arrangements held</b>	<b>22,061</b>	<b>3,163</b>	<b>11,548</b>	<b>36,772</b>	(5,220)	(235)	(777)	(6,232)
<b>Cash Flow</b>								
Contributions paid net of ceding commissions and other directly attributable expenses paid	149,065	-	-	<b>149,065</b>	614,235	3,216	(75,765)	541,686
Incurred claims recovered and other takaful service expenses recovered	(57,037)	-	-	<b>(57,037)</b>	(85,372)	-	-	(85,372)
<b>Total cash flows</b>	<b>92,028</b>	<b>-</b>	<b>-</b>	<b>92,028</b>	<b>528,863</b>	<b>3,216</b>	<b>(75,765)</b>	<b>456,314</b>
<b>Retakaful contracts held (liabilities) / assets as at 31 December</b>	<b>(492,210)</b>	<b>54,530</b>	<b>250,878</b>	<b>(186,802)</b>	(450,535)	66,670	194,664	(189,201)
Retakaful arrangements liabilities as at 31 December	(493,265)	54,239	245,235	(193,791)	(438,090)	34,405	(166,690)	(570,375)
Retakaful arrangements assets as at 31 December	1,055	291	5,643	6,989	(12,445)	32,265	361,354	381,174
<b>Retakaful contracts held (liabilities) / assets as at 31 December</b>	<b>(492,210)</b>	<b>54,530</b>	<b>250,878</b>	<b>(186,802)</b>	(450,535)	66,670	194,664	(189,201)

# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023 (Audited)

### 11 OTHER RECEIVABLES, ACCRUED INCOME AND PREPAYMENTS

<b>31 December 2023</b>			
<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>
<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>
Staff related receivables	10,455	-	10,455
Accrued incomes	120,100	159,772	360,428
Prepaid expenses	26,247	-	26,247
Tender deposit	-	162,787	162,787
Other receivables	274,829	4,274,665	4,648,254
Receivables from Participants	693,709	-	693,709
	<b>1,125,340</b>	<b>4,597,224</b>	<b>5,901,880</b>
Expected credit loss (note 26)	-	(930,927)	(988,552)
	<b>1,125,340</b>	<b>3,666,297</b>	<b>4,913,328</b>
<b>31 December 2022 (Restated)</b>			
<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>
<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>
Staff related receivables	11,800	-	11,800
Accrued income	66,033	105,790	227,325
Prepaid expenses	20,638	-	20,638
Tender deposit	-	154,670	154,670
Other receivables	707,532	3,922,595	4,754,993
Receivables from Participants'	1,258,125	-	1,258,125
At 31 December	2,064,128	4,183,055	6,427,551
Expected credit loss (note 26)	-	(794,729)	(919,598)
	<b>2,064,128</b>	<b>3,388,326</b>	<b>5,507,953</b>
<b>1 January 2022 (Restated)</b>			
<b>Shareholders</b>	<b>General</b>	<b>Family</b>	<b>Total</b>
<b>BD</b>	<b>takaful</b>	<b>takaful</b>	<b>BD</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>
Staff related receivables	633	-	633
Accrued income	70,618	98,864	194,339
Prepaid expenses	11,289	-	11,289
Tender deposit	-	146,848	146,848
Other receivables	84,888	2,326,598	2,872,638
Receivables from Participants'	1,207,530	-	1,207,530
At 31 December	1,374,958	2,572,310	4,433,277
Expected credit loss (note 26)	-	(623,891)	(811,412)
	<b>1,374,958</b>	<b>1,948,419</b>	<b>3,621,865</b>



Takaful International Company B.S.C.

---

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023 (Audited)

**12 PROPERTY AND EQUIPMENT**

	<i>Furniture and fixtures BD</i>	<i>Office equipment BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
<b>Cost</b>				
At 1 January 2022	615,861	415,460	33,097	1,064,418
Additions	749	24,336	-	25,085
Transfers	-	(8,500)	-	(8,500)
Disposals	(67,397)	(249,343)	-	(316,740)
At 1 January 2023	549,213	181,953	33,097	764,263
Additions	4,128	96,350	-	100,478
<b>At 31 December 2023</b>	<b>553,341</b>	<b>278,303</b>	<b>33,097</b>	<b>864,741</b>
<b>Accumulated depreciation</b>				
At 1 January 2022	589,246	356,261	33,097	978,604
Charge for the year	5,364	75,983	-	81,347
Disposals for the year	(65,392)	(291,861)	-	(357,253)
At 1 January 2023	529,218	140,383	33,097	702,698
Charge for the year	4,591	42,422	-	47,013
<b>At 31 December 2023</b>	<b>533,809</b>	<b>182,805</b>	<b>33,097</b>	<b>749,711</b>
<b>Net book amount</b>				
<b>At 31 December 2023</b>	<b>19,532</b>	<b>95,498</b>	<b>-</b>	<b>115,030</b>
At 31 December 2022	19,995	41,570	-	61,565
At 1 January 2022	26,615	59,199	-	85,814

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**13 INTANGIBLE ASSETS**

	<b>31 December 2023 BD</b>
<i>Cost:</i>	
At 1 January	-
Additions during the year	<b>608,135</b>
	<b>608,135</b>
<i>Accumulated amortisation</i>	
At 1 January	-
Amortisation charge during the year	<b>38,183</b>
	<b>38,183</b>
<i>Net book value</i>	<b>569,952</b>
<b>Estimated useful live</b>	<b>12 years</b>

**14 IJARAH**

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

*14.1 Right of use asset*

	<b>31 December 2023 BD</b>	<i>31 December 2022 BD</i>	<i>1 January 2022 BD</i>
At 1 January	<b>452,743</b>	519,960	599,840
Addition of lease	<b>82,717</b>	-	-
Termination of lease	-	-	(6,859)
Depreciation for the year	<b>(69,725)</b>	(67,217)	(73,021)
At 31 December	<b>465,735</b>	452,743	519,960

*14.2 Ijarah liabilities*

	<b>31 December 2023 BD</b>	<i>31 December 2022 BD</i>	<i>1 January 2022 BD</i>
At 1 January	<b>477,515</b>	529,525	588,501
Addition of lease	<b>80,380</b>	-	-
Termination of lease	-	-	(5,815)
Accretion of profit expense	<b>41,177</b>	41,396	46,174
Lease payments	<b>(96,446)</b>	(93,406)	(99,335)
	<b>502,626</b>	477,515	529,525

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**15 PAYABLES AND ACCRUED LIABILITIES**

<b>31 December 2023</b>			
<b>Share- holders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
Provision for employees' leaving indemnity	393,281	-	393,281
Accrued expenses	686,416	-	686,416
Provision for leave pay	19,227	-	19,227
Other liabilities and provisions	1,406,204	292,064	1,709,692
Payable to shareholders fund	-	511,091	693,709
<b>2,505,128</b>	<b>474,682</b>	<b>522,515</b>	<b>3,502,325</b>
<b>31 December 2022 (Restated)</b>			
<b>Share- holders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
Provision for employees' leaving indemnity	390,930	-	390,930
	-	-	-
Accrued expenses	668,078	-	668,078
Provision for leave pay	17,544	-	17,544
Other liabilities and provisions	1,180,381	946,908	2,130,664
Payable to shareholders fund	-	211,516	1,258,125
<b>2,256,933</b>	<b>1,993,517</b>	<b>214,891</b>	<b>4,465,341</b>
<b>1 January 2022 (Restated)</b>			
<b>Share- holders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
Provision for employees' leaving indemnity	342,761	-	342,761
Accrued expenses	548,948	-	548,948
Provision for leave pay	37,291	-	37,291
Other liabilities and provisions	945,301	2,146	1,880,151
Payable to shareholders fund	-	595,805	1,207,530
<b>1,874,301</b>	<b>1,544,429</b>	<b>597,951</b>	<b>4,016,681</b>

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**16 EQUITY AND RESERVES**

	<b>31 December 2023 BD</b>	<i>Restated</i> 31 December 2022 BD	<i>Restated</i> 1 January 2022 BD
<b>Authorised share capital:</b>			
<b>Ordinary shares</b>			
200,000,000 ordinary shares of 100 fils each (2022: 200,000,000 ordinary shares of 100 fils each)	<b>20,000,000</b>	20,000,000	20,000,000
<b>Issued and fully paid-up</b>			
<b>Ordinary shares</b>			
85,000,000 ordinary shares of 100 fils each (2022: 85,000,000 ordinary shares of 100 fils each)	<b>8,500,000</b>	8,500,000	8,500,000

**Additional information on shareholding pattern**

i) The names and nationalities and number of shares held by the major shareholders individually holding 5% and more of the issued and fully paid-up share capital as at 31 December 2023, 31 December 2022 and 1 January 2022 respectively is as follows:

<b>Name of the shareholders</b>	<b>Nationality</b>	<b>31 December 2023</b>	
		<b>Number of shares</b>	<b>Percentage of shareholding interest</b>
Bahrain Kuwait Insurance Company	Bahraini	<b>69,651,974</b>	<b>81.94%</b>
Al Amana Alama State of Kuwait	Kuwaiti	<b>5,250,000</b>	<b>6.18%</b>
<b>Name of the shareholders</b>	<b>Nationality</b>	<b>31 December 2022</b>	
		<b>Number of shares</b>	<b>Percentage of shareholding interest</b>
Bahrain Kuwait Insurance Company	Bahraini	69,651,974	81.94%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	6.18%
<b>Name of the shareholders</b>	<b>Nationality</b>	<b>1 January 2022</b>	
		<b>Number of shares</b>	<b>Percentage of shareholding interest</b>
Bahrain Kuwait Insurance Company	Bahraini	69,651,974	81.94%
Al Amana Alama State of Kuwait	Kuwaiti	5,250,000	6.18%

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**16 EQUITY AND RESERVES (continued)**

**Additional information on shareholding pattern (continued)**

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

	31 December 2023		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	188	6,195,820	7.29%
1% up to less than 5%	2	3,902,206	4.59%
5% up to less than 10%	1	5,250,000	6.18%
10% up to less than 50%	1	69,651,974	81.94%
	192	85,000,000	100.00%

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

	31 December 2022 (Restated)		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	188	6,195,820	7.29%
1% up to less than 5%	2	3,902,206	4.59%
5% up to less than 10%	1	5,250,000	6.18%
10% up to less than 82%	1	69,651,974	81.94%
	192	85,000,000	100.00%

	1 January 2022 (Restated)		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	197	6,195,820	7.29%
1% up to less than 5%	2	3,902,206	4.59%
5% up to less than 10%	1	5,250,000	6.18%
10% up to less than 82%	1	69,651,974	81.94%
	201	85,000,000	100.00%

**Statutory reserve**

As required by the Bahrain Commercial Companies Law and the Insurance Regulations contained in Volume 3 of the Central Bank of Bahrain Rulebook, 10% of the profit for the year is to be transferred to a statutory reserve until such time as the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following approval of the Central Bank of Bahrain. During the year ended 31 December 2023, the company transferred an amount of BD 93,729 (2022: BD 100,205) to the statutory reserve.

**16 EQUITY AND RESERVES (continued)**

**Additional information on shareholding pattern (continued)**

***General reserve***

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

***Dividends***

The Board of Directors, at a meeting held on 26 February 2024, recommended cash dividend of 7.5 fils per share amounting to BD 637,500 (2022: BD 424,920), which are subject to approval of the shareholders at the Annual General Meeting to be held on 26 March 2024. Dividend of BD 424,920 for the financial year 2022 was paid during the year 2023.

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**17 RECOGNISED TAKAFUL CONTRIBUTIONS**

17	RECOGNISED TAKAFUL CONTRIBUTIONS	2023				
		Marine and General BD	Motor BD	Medical BD	Family Takaful BD	Total BD
Arrangements not measured under the PAA						
Amounts relating to the changes in the LRC						
	Expected incurred claims and other expenses after loss component allocation	-	-	-	273,949	273,949
	Changes in the risk adjustment for non-financial risk for the risk expired after loss component allocation	-	-	-	16,610	16,610
	CSM recognised in profit or loss for the services provided	-	-	-	89,516	89,516
Recognised takaful contributions from contracts not measured under the PAA						
		-	-	-	380,075	380,075
Recognised takaful contributions from contracts measured under the PAA						
		7,350,948	7,881,296	8,750,676	-	23,982,920
Total recognised takaful contributions						
		7,350,948	7,881,296	8,750,676	380,075	24,362,995
2022 (Restated)						
		Marine and General BD	Motor BD	Medical BD	Family Takaful BD	Total BD
Arrangements not measured under the PAA						
Amounts relating to the changes in the LRC						
	Expected incurred claims and other expenses after loss component allocation	-	-	-	232,642	232,642
	Changes in the risk adjustment for non-financial risk for the risk expired after loss component allocation	-	-	-	16,037	16,037
	CSM recognised in profit or loss for the services provided	-	-	-	74,376	74,376
Recognised takaful contributions from contracts not measured under the PAA						
		-	-	-	323,055	323,055
Recognised takaful contributions from contracts measured under the PAA						
		7,652,778	8,013,865	8,003,848	-	23,670,491
Total recognised takaful contributions						
		7,652,778	8,013,865	8,003,848	323,055	23,993,546



## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023 (Audited)

## 18 RECOGNISED TAKAFUL COSTS

	2023				
	<i>Marine and General BD</i>	<i>Motor BD</i>	<i>Medical BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
Incurred claims and other expenses	3,138,260	10,720,068	8,458,994	335,197	22,652,519
Amortisation of takaful acquisition cash flows	608,142	691,909	535,490	-	1,835,541
Losses on onerous arrangements and reversal of those losses	-	-	-	9,785	9,785
Changes to liabilities for incurred claims	(219,861)	(3,927,512)	211,473	(11,130)	(3,947,030)
<b>Total</b>	<b>3,526,541</b>	<b>7,484,465</b>	<b>9,205,957</b>	<b>333,852</b>	<b>20,550,815</b>
	2022 (Restated)				
	<i>Marine and General BD</i>	<i>Motor BD</i>	<i>Medical BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
Incurred claims and other expenses	2,835,105	8,853,154	8,004,581	308,034	20,000,874
Amortisation of takaful acquisition cash flows	554,992	567,334	473,642	-	1,595,968
Losses on onerous arrangements and reversal of those losses	-	-	-	(15,494)	(15,494)
Changes to liabilities for incurred claims	(718,649)	(2,618,128)	(327,421)	(12,779)	(3,676,977)
<b>Total</b>	<b>2,671,448</b>	<b>6,802,360</b>	<b>8,150,802</b>	<b>279,761</b>	<b>17,904,371</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023 (Audited)

## 19 NET PARTICIPANTS' AND SHAREHOLDERS INVESTMENT INCOME

<b>31 December 2023</b>				
	<b>Share- holders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
Deposit income	182,089	342,122	99,133	623,344
Coupon / profit on investment securities	555,193	357,101	42,343	954,637
Dividend income	113,499	11,244	11,220	135,963
Gain /loss on sale of investment securities	94,510	(6,995)	-	87,515
Investment expenses	(342,270)	-	-	(342,270)
ECL on investments	(8,500)	(25,357)	(918)	(34,775)
Mudarib fees expense	-	(169,158)	(37,945)	(207,103)
	<b>594,521</b>	<b>508,957</b>	<b>113,833</b>	<b>1,217,311</b>
<b>31 December 2022 (Restated)</b>				
	<b>Share- holders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
Deposit income	203,049	202,482	102,318	507,849
Coupon / profit on investment securities	82,073	138,874	44,716	265,663
Dividend income	114,111	3,034	19,867	137,012
Gain on sale of investment securities	117,666	6,419	122,654	246,739
Investment expenses	(156,449)	-	-	(156,449)
ECL on investments	(150,088)	(28,463)	(10,560)	(189,111)
Mudarib fees expense	-	(80,641)	(69,749)	(150,390)
	<b>210,362</b>	<b>241,705</b>	<b>209,246</b>	<b>661,313</b>

## 20 OTHER PARTICIPANTS' EXPENSES

<b>31 December 2023</b>				
	<b>Share- holders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
ECL on receivables from intermediaries	-	136,200	(67,246)	68,954
	<b>-</b>	<b>136,200</b>	<b>(67,246)</b>	<b>68,954</b>
<b>31 December 2022 (Restated)</b>				
	<b>Share- holders BD</b>	<b>General takaful BD</b>	<b>Family takaful BD</b>	<b>Total BD</b>
ECL on receivables from intermediaries	-	170,830	(62,648)	108,182
	<b>-</b>	<b>170,830</b>	<b>(62,648)</b>	<b>108,182</b>

**21 WAKALA FEE AND MUDARIB SHARE**

The shareholders manage the general and family takaful operations for the participants' and charged 18.1% (2022: 17.5%) and 10% (2022: 12%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants' investment funds as a mudarib and charge 25% (2022: 25%) of the general takaful and family takaful investment income earned by the participants' investment funds, respectively. The maximum chargeable wakala fee and mudarib share, as approved by the Shari'a Supervisory Board, are 30% (2022: 30%) and 25% (2022: 25%) respectively.

**22 OTHER SHAREHOLDERS' INCOME**

	<i>Restated</i>
<b>31 December</b>	<b>31 December</b>
<b>2023</b>	<b>2022</b>
<b>BD</b>	<b>BD</b>
Tamkeen - Government subsidy	19,862
<b>21,979</b>	<b>19,862</b>
<b>21,979</b>	<b>19,862</b>

**23 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Restated</i>
<b>31 December</b>	<b>31 December</b>
<b>2023</b>	<b>2022</b>
<b>BD</b>	<b>BD</b>
Employee related costs	1,547,596
General administration expenses	573,715
Depreciation	105,072
<b>1,551,586</b>	<b>1,547,596</b>
<b>610,261</b>	<b>573,715</b>
<b>150,576</b>	<b>105,072</b>
<b>2,312,423</b>	<b>2,226,383</b>

**24 OTHER FEES, COMMISSION AND RELATED EXPENSES**

	<i>Restated</i>
<b>31 December</b>	<b>31 December</b>
<b>2023</b>	<b>2022</b>
<b>BD</b>	<b>BD</b>
Commission expenses	1,315,473
<b>1,359,999</b>	<b>1,315,473</b>
<b>1,359,999</b>	<b>1,315,473</b>

**25 OTHER SHAREHOLDERS' EXPENSES**

	<i>Restated</i>
<b>31 December</b>	<b>31 December</b>
<b>2023</b>	<b>2022</b>
<b>BD</b>	<b>BD</b>
Corporate expenses	302,475
<b>381,949</b>	<b>302,475</b>
<b>381,949</b>	<b>302,475</b>

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**26 EXPECTED CREDIT LOSS (CHARGE) / REVERSAL ON FINANCIAL ASSETS**

	<b>2023</b>		
	<i>At 1 January BD</i>	<i>ECL charged during the year BD</i>	<i>At 31 December BD</i>
Cash and balances with banks	81	326	407
Debt securities at FVTE	216	34,548	34,764
Debt securities at amortised cost	15	(4)	11
Other receivables, accrued income and prepayments	919,598	68,954	988,552
	<b>919,910</b>	<b>103,824</b>	<b>1,023,734</b>

	<b>2022 (Restated)</b>		
	<i>At 1 January BD</i>	<i>ECL charged during the year BD</i>	<i>At 31 December BD</i>
Other receivables, accrued income and prepayments	811,412	108,186	919,598
	<b>811,412</b>	<b>108,186</b>	<b>919,598</b>

**27 EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued by the Company. Treasury shares represent 16,252 (2022: 16,252) shares which were purchased by the Company during the year ended 31 December 2022.

	<b>31 December 2023 BD</b>	<i>Restated 31 December 2022 BD</i>
Net profit	<b>937,289</b>	857,864
Weighted average number of ordinary shares issued	<b>84,983,748</b>	84,992,342
Earnings per share	<b>11.03 Fils</b>	10.09 Fils

<b>Other information</b>	<b>31 December 2023</b>	<i>31 December 2022</i>
Net asset value per share	<b>142 Fils</b>	136 Fils
Share price per Bahrain Bourse at 31 December	<b>128 Fils</b>	128 Fils
Price to earning ratio at 31 December	<b>12 Times</b>	13 Times
Total market capitalisation at 31 December (BD - thousand)	<b>10,880</b>	10,880

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2023 (Audited)

**28 EMPLOYEES' TERMINAL BENEFITS**

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organization in the Kingdom of Bahrain for the year ended 31 December 2023 amounted to BD 133,634 (2022: BD 105,710).

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

	<b>31 December 2023 BD</b>	<i>Restated</i> 31 December 2022 BD
Opening balance	<b>390,930</b>	342,761
Accruals for the year	<b>69,677</b>	93,732
Payments during the year	<b>(67,326)</b>	(45,563)
Closing balance	<b>393,281</b>	390,930
<b>Total number of staff employed by the Company</b>	<b>105</b>	97

**29 RELATED PARTIES**

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

Transactions with related parties included in the statement of profit or loss are as follows:

	<b>31 December 2023</b>	
	<b>Shareholders</b>	<b>Others</b>
	<b>BD</b>	<b>BD</b>
Recognised takaful contributions	<b>151,868</b>	<b>28,257</b>
Recognised takaful costs	<b>65,310</b>	<b>82,842</b>
Takaful expenses for Retakaful arrangements held	<b>133,717</b>	<b>38,267</b>
Takaful service income for Retakaful arrangements held	<b>71,643</b>	<b>53,431</b>
Share of result of an associate	<b>-</b>	<b>44,488</b>
	<b>31 December 2022</b>	
	<b>(Restated)</b>	
	<b>Shareholders</b>	<b>Others</b>
	<b>BD</b>	<b>BD</b>
Recognised takaful contributions	225,666	24,295
Recognised takaful costs	148,487	24,914
Takaful expenses for Retakaful arrangements held	384,749	125,208
Takaful service income for Retakaful arrangements held	30,709	56,432
Share of result of an associate	-	17,289

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

Year ended 31 December 2023

**29 RELATED PARTIES (continued)**

Balances with related parties included in the condensed statement of financial position are as follows:

	<b>31 December 2023</b>	
	<b>Shareholders</b>	<b>Others</b>
	<b>BD</b>	<b>BD</b>
Takaful arrangement liabilities	216,865	25,339
Retakaful arrangement liabilities	258,791	38,267
Payables and accrued liabilities	192,570	-
Investment in an associate	44,488	-
Right of use assets	394,101	-
Ijara liability	431,417	-
	<b>31 December 2022</b>	
	<b>(Restated)</b>	
	<b>Shareholders</b>	<b>Others</b>
	<b>BD</b>	<b>BD</b>
Takaful arrangement liabilities	10,133	41,845
Retakaful arrangement liabilities		
Payables and accrued liabilities	13,455	10,872
Investment in an associate	-	190,145
Other receivables, accrued income and prepayments	-	2,766
Right of use assets	465,325	-
Ijara liability	485,972	-
	<b>1 January 2022</b>	
	<b>(Restated)</b>	
	<b>BD</b>	<b>Others</b>
	<b>BD</b>	<b>BD</b>
Takaful arrangement liabilities	106,678	16,546
Retakaful arrangement liabilities		
Payables and accrued liabilities	31,175	10,854
Investment in an associate	-	184,856
Other receivables, accrued income and prepayments	-	2,258
Right of use assets	465,325	-
Ijara liability	485,972	-

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

Year ended 31 December 2023

**29 RELATED PARTIES (continued)**

***Compensation of directors and key management personnel***

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

	<i>31 December</i>	
	<b>2023</b>	<i>2022</i>
	<b>BD</b>	<i>BD</i>
Directors' remuneration	<b>80,000</b>	60,000
Directors' attendance fees	<b>21,474</b>	22,152
	<b>101,474</b>	82,152
	<i>31 December</i>	
	<b>2023</b>	<i>2022</i>
	<b>BD</b>	<i>BD</i>
Salaries and other benefits	<b>495,182</b>	506,522
End of service benefits	<b>30,610</b>	31,900
	<b>525,792</b>	538,422

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



# Takaful International Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

### 30 SEGMENTAL INFORMATION

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

- **Marine and general** offers takaful policies to cover various risks of marine & aviation, property, engineering, group life takaful and general accident;
- **Motor** offers takaful policies to cover risks of motor third party and motor comprehensive;
- **Medical** offers takaful policies to cover risks of group and health takaful; and
- **Family** offers takaful policies to cover risks of individual life and unit linked savings.

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents disclosure of segment revenues, measurement of segment profit for the year and their reconciliation to the Company's income and profit for the year.

#### For the year ended 31 December 2023

	<i>Marine and general BD</i>	<i>Motor BD</i>	<i>Medical BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
Recognised takaful contributions	7,350,948	7,881,296	8,750,676	380,075	24,362,995
Recognised takaful costs	(3,526,541)	(7,484,465)	(9,205,957)	(333,852)	(20,550,815)
Retakaful net results	(3,137,450)	(46,603)	-	(126,402)	(3,310,455)
<b>Takaful gross margin</b>	<b>686,957</b>	<b>350,228</b>	<b>(455,281)</b>	<b>(80,179)</b>	<b>501,725</b>
Net Investment income	45,277	214,712	248,967	113,834	622,790
Amortisation of deferred cost (related to provision of takaful arrangements)	(241,514)	(456,090)	(54,859)	57,815	(694,648)
Amortisation of deferred profit (related to provision of retakaful arrangements held)	177,592	105	-	36,774	214,471
Other expenses	(114,979)	(21,221)	-	67,246	(68,954)
<b>Profit / (loss) for the period</b>	<b>553,333</b>	<b>87,734</b>	<b>(261,173)</b>	<b>195,490</b>	<b>575,384</b>

#### For the year ended 31 December 2022 (Restated)

	<i>Marine and general BD</i>	<i>Motor BD</i>	<i>Medical BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
Recognised takaful contributions	7,652,778	8,013,865	8,003,848	323,055	23,993,546
Recognised takaful costs	(2,671,448)	(6,802,359)	(8,150,802)	(279,762)	(17,904,371)
Retakaful net results	(5,409,353)	(131,148)	(146,915)	1,987	(5,685,429)
<b>Takaful gross margin</b>	<b>(428,023)</b>	<b>1,080,358</b>	<b>(293,869)</b>	<b>45,280</b>	<b>403,746</b>
Net Investment income	208,167	28,521	5,017	209,246	450,951
Amortisation of deferred cost (related to provision of takaful arrangements)	(75,362)	(142,887)	(29,600)	(148,780)	(396,629)
Amortisation of deferred profit (related to provision of retakaful arrangements held)	50,388	148	807	(6,231)	45,112
Other expenses	(15,738)	(134,048)	(21,044)	62,648	(108,182)
<b>(Loss) / profit for the period</b>	<b>(260,568)</b>	<b>832,091</b>	<b>(338,689)</b>	<b>162,163</b>	<b>394,998</b>

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 December 2023

**30 SEGMENTAL INFORMATION (continued)**

The following tables presents the disclosure of segment assets and liabilities of the statement of financial position segregated between Shareholders and the Takaful Funds as at 31 December 2023 and 31 December 2022 and 1 January 2022:

	<b>31 December 2023</b>				<b>31 December 2022 (Restated)</b>			
	<i>Shareholders BD</i>	<i>General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>	<i>Shareholders BD</i>	<i>General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
<b>ASSETS</b>								
Cash and balances with banks	3,144,607	3,863,329	2,319,337	9,327,273	7,101,530	11,714,450	3,051,068	21,867,048
Statutory deposit	125,000	-	-	125,000	125,000	-	-	125,000
Investments	9,312,795	11,945,847	1,631,752	22,890,394	4,286,813	3,471,570	873,910	8,632,293
Investment in an associate	235,668	-	-	235,668	190,145	-	-	190,145
Retakaful arrangement assets	-	2,940,037	6,989	2,947,026	-	1,285,540	381,174	1,666,714
Other receivables, accrued income and prepayments	1,125,340	3,666,297	121,691	4,913,328	2,064,128	3,388,326	55,499	5,507,953
Property and equipment	115,030	-	-	115,030	61,565	-	-	61,565
Intangible Assets	569,952	-	-	569,952	-	-	-	-
Right of use assets	465,735	-	-	465,735	452,743	-	-	452,743
<b>TOTAL ASSETS</b>	<b>15,094,127</b>	<b>22,415,510</b>	<b>4,079,769</b>	<b>41,589,406</b>	<b>14,281,924</b>	<b>19,859,886</b>	<b>4,361,651</b>	<b>38,503,461</b>
	<b>31 December 2023</b>				<b>31 December 2022 (Restated)</b>			
	<i>Shareholders BD</i>	<i>General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>	<i>Shareholders BD</i>	<i>General Takaful BD</i>	<i>Family Takaful BD</i>	<i>Total BD</i>
<b>LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY</b>								
<b>Liabilities</b>								
Takaful arrangement liabilities	-	21,242,527	3,191,892	24,434,419	-	17,666,528	3,594,456	21,260,984
Retakaful arrangement liabilities	-	68,525	193,791	262,316	-	-	570,375	570,375
Payables and accrued liabilities	2,505,128	474,682	522,515	3,502,325	2,256,933	1,993,517	214,891	4,465,341
Ijara liabilities	502,626	-	-	502,626	477,515	-	-	477,515
<b>Total liabilities</b>	<b>3,007,754</b>	<b>21,785,734</b>	<b>3,908,198</b>	<b>28,701,686</b>	<b>2,734,448</b>	<b>19,660,045</b>	<b>4,379,722</b>	<b>26,774,215</b>
<b>Participants' fund</b>								
Surplus in participants' fund	-	676,063	180,801	856,864	-	284,051	(15,548)	268,503
Investments fair value reserve	-	(46,287)	(9,230)	(55,517)	-	(84,210)	(2,523)	(86,733)
<b>Shareholders' Equity</b>								
Share capital	8,500,000	-	-	8,500,000	8,500,000	-	-	8,500,000
Treasury shares	(2,087)	-	-	(2,087)	(2,087)	-	-	(2,087)
Statutory reserve	1,057,598	-	-	1,057,598	963,869	-	-	963,869
General reserve	200,000	-	-	200,000	200,000	-	-	200,000
Retained earnings	2,332,705	-	-	2,332,705	1,884,720	-	-	1,884,720
Investments fair value reserve	(1,843)	-	-	(1,843)	974	-	-	974
<b>Total shareholders' equity</b>	<b>12,086,373</b>	<b>-</b>	<b>-</b>	<b>12,086,373</b>	<b>11,547,476</b>	<b>-</b>	<b>-</b>	<b>11,547,476</b>
<b>TOTAL LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY</b>	<b>15,094,127</b>	<b>22,415,510</b>	<b>4,079,769</b>	<b>41,589,406</b>	<b>14,281,924</b>	<b>19,859,886</b>	<b>4,361,651</b>	<b>38,503,461</b>

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

For the year ended 31 December 2023

**30 SEGMENTAL INFORMATION (continued)**

	1 January 2022 (Restated)			
	Shareholders BD	General Takaful BD	Family Takaful BD	Total BD
<b>ASSETS</b>				
Statutory deposit	125,000	-	-	125,000
Cash and balances with banks	7,806,996	11,359,413	2,906,857	22,073,266
Investments	3,518,485	3,544,404	1,179,695	8,242,584
Investment in an associate	184,856	-	-	184,856
Retakaful arrangement assets	-	773,521	264,960	1,038,481
Other receivables, accrued income and prepayments	1,374,958	1,948,419	298,488	3,621,865
Property and equipment	85,814	-	-	85,814
Right of use assets	519,960	-	-	519,960
<b>TOTAL ASSETS</b>	<b>13,616,069</b>	<b>17,625,757</b>	<b>4,650,000</b>	<b>35,891,826</b>
	1 January 2022 (Restated)			
	Shareholders BD	General Takaful BD	Family Takaful BD	Total BD
<b>LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Takaful arrangement liabilities	-	15,931,615	3,210,534	19,142,149
Retakaful arrangement liabilities	-	-	906,231	906,231
Payables and accrued liabilities	1,874,301	1,544,429	597,951	4,016,681
Ijara liabilities	529,525	-	-	529,525
<b>Total liabilities</b>	<b>2,403,826</b>	<b>17,476,044</b>	<b>4,714,716</b>	<b>24,594,586</b>
<b>Participants' fund</b>				
Surplus / (deficit) in participants' fund	-	51,217	(177,712)	(126,495)
Investments fair value reserve	-	98,496	112,996	211,492
<b>Shareholders' Equity</b>				
Share capital	8,500,000	-	-	8,500,000
Statutory reserve	863,664	-	-	863,664
General reserve	200,000	-	-	200,000
Retained earnings	1,552,060	-	-	1,552,060
Investments fair value reserve	96,519	-	-	96,519
<b>Total shareholders' equity</b>	<b>11,212,243</b>	<b>-</b>	<b>-</b>	<b>11,212,243</b>
<b>TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY</b>	<b>13,616,069</b>	<b>17,625,757</b>	<b>4,650,000</b>	<b>35,891,826</b>

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023

**31 RISK MANAGEMENT**

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

**a) Takaful risk**

*Takaful arrangements and Retakaful arrangements*

The Company principally issues the following types of takaful arrangements: marine and general, motor, medical and family takaful, as well as retakaful arrangements.

The main risks that the Company is exposed to are, as follows:

- Mortality risk – risk of loss arising due to the incidence of policyholder death being different than expected.
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with the takaful and retakaful contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of takaful contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of outwards retakaful arrangements.

The Company purchases retakaful as part of its risk mitigation programme. Retakaful held (outward retakaful) is placed on a proportional basis. The majority of proportional retakaful is quota-share retakaful which is taken out to reduce the overall exposure of the Company to certain classes of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying takaful contract liabilities and in accordance with the retakaful arrangements. Although the Company has retakaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded takaful, to the extent that any reinsurer is unable to meet its obligations assumed under such retakaful agreements. The Company's placement of retakaful is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single retakaful contract.

There is no single counterparty exposure that exceeds 7% of total retakaful assets at the reporting date.

The following tables show the concentration of net takaful & retakaful contract liabilities by type of arrangements:

	<b>31 December 2023</b>			<b>31 December 2022 (Restated)</b>			<b>1 January 2022 (Restated)</b>		
	<i>Takaful</i>	<i>Retakaful held</i>	<i>Net</i>	<i>Takaful</i>	<i>Retakaful held</i>	<i>Net</i>	<i>Takaful</i>	<i>Retakaful held</i>	<i>Net</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Marine and general	7,270,980	(68,525)	7,202,455	5,697,453	-	5,697,453	4,975,815	-	4,975,815
Motor	9,836,348	-	9,836,348	8,700,926	-	8,700,926	8,176,349	-	8,176,349
Medical	4,135,199	-	4,135,199	3,268,149	-	3,268,149	2,779,451	-	2,779,451
Family	3,191,892	(193,791)	2,998,101	3,594,456	(570,375)	3,024,081	3,210,534	(906,231)	2,304,303
Total net takaful arrangements	24,434,419	(262,316)	24,172,103	21,260,984	(570,375)	20,690,609	19,142,149	(906,231)	18,235,918

The geographical concentration of the Company's takaful and retakaful arrangements issued (both before and after retakaful held) is in Bahrain only and is based on the carrying amounts of takaful contract liabilities and retakaful arrangements held disaggregated to countries where the business is written.

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**a) Takaful risk (continued)**

*Sensitivities*

Sensitivity information will vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options. When options exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

<b>SENSITIVITY</b>	<b>CSM IN FORCE</b>	<b>IFRS 17 PROFIT</b>	<b>CHANGE CSM IN FORCE</b>	<b>CHANGE IFRS 17 PROFIT</b>
BASE	432,728	48,843		
MORTALITY LOADED BY 15%	473,746	(129,635)	41,018	(178,478)
MORTALITY REDUCED BY 20%	478,157	187,260	45,429	138,417
DISABILITY LOADED BY 35% IN YEAR 1, 25% IN YEAR 2 & REDUCED BY 20% YEAR 3 ONWARDS	432,757	49,118	29	275
EXPENSE LOADED BY 10% AND INFLATION + 1%	432,728	48,843	-	(0)
LAPSE LOADED BY 50%	432,617	48,855	(111)	11
LAPSE REDUCED BY 50%	432,840	48,832	112	(11)
MASS LAPSE OF 40%	387,630	(15,151)	(45,098)	(63,995)
MORTALITY + 0.15% IN YEAR 1	572,323	(271,048)	139,595	(319,891)
YC + 1%	456,370	195,527	23,641	146,683
YC - 1%	406,516	(114,836)	(26,212)	(163,680)
RA LOADED BY 10%	433,715	44,535	986	(4,308)
RA LOADED BY 10%	431,742	53,152	(986)	4,308

Takaful International Company B.S.C.  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**a) Takaful risk (continued)**

*Claims development table*

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

**Gross claims development**

	2018 BD	2019 BD	2020 BD	2021 BD	2022 BD	2023 BD	Total BD
<b>Estimate of ultimate claim cost (net of retakaful, undiscounted)</b>							
At end of accident year	8,488,691	6,848,499	10,182,371	11,817,056	14,940,254	<b>16,009,562</b>	16,009,562
One year later	8,129,555	7,262,874	9,579,111	10,728,359	14,188,456	-	14,188,456
Two years later	8,941,172	7,396,036	9,391,685	11,138,641	-	-	11,138,641
Three years later	8,976,878	7,260,416	9,243,421	-	-	-	9,243,421
Four years later	8,847,684	7,244,765	-	-	-	-	7,244,765
Five years later	8,852,081	-	-	-	-	-	8,852,081
Cumulative gross estimates of the undiscounted amounts of the claims	8,852,081	7,244,765	9,243,421	11,138,641	14,188,456	<b>16,009,562</b>	66,676,926
Cumulative gross claims payments to date	(8,421,437)	(7,124,286)	(8,744,999)	(9,744,725)	(11,561,164)	<b>(6,715,742)</b>	(52,312,353)
<b>Cumulative gross undiscounted claim liabilities for accident years 2018 to 2023</b>	430,644	120,479	498,422	1,393,916	2,627,292	<b>9,293,820</b>	14,364,572
Gross cumulative claims liabilities - prior accident years							630,747
Effect of discounting							(374,260)
<b>Gross discounted liabilities for incurred claims</b>							14,621,059
Effect of the risk adjustment margin for non-financial risk							741,264
<b>Gross LIC for takaful arrangements originated (note 9)</b>							<b>15,362,323</b>

Takaful International Company B.S.C.  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**a) Takaful risk (continued)**

*Claims development table*

Net undiscounted liabilities for incurred claims

**Net claims development**

	<i>Accident year</i>						<i>Total</i>
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
<b>Estimate of ultimate claim cost (net of retakaful, undiscounted)</b>							
At the end of accident year	5,195,697	5,755,022	9,332,644	11,239,772	13,545,734	<b>14,382,821</b>	14,382,821
One year later	5,122,875	6,640,665	8,909,936	10,237,242	12,577,089	-	12,577,089
Two years later	5,696,259	6,820,092	8,727,882	10,162,986	-	-	10,162,986
Three years later	6,004,506	6,706,279	8,664,797	-	-	-	8,664,797
Four years later	5,920,923	6,691,974	-	-	-	-	6,691,974
Five years later	6,124,620	-	-	-	-	-	6,124,620
Cumulative net estimates of the undiscounted amounts of the claims	6,124,620	6,691,974	8,664,797	10,162,986	12,577,089	<b>14,382,821</b>	<b>58,604,286</b>
Cumulative net claims payments to date	(5,707,530)	(6,613,357)	(8,370,126)	(9,578,599)	(11,344,264)	<b>(7,305,233)</b>	(48,919,109)
<b>Cumulative net undiscounted claim liabilities for accident years 2018 to 2023</b>	417,091	78,617	294,671	584,386	1,232,825	<b>7,077,588</b>	9,685,178
Net cumulative claims liabilities - prior accident years							399,488
Effect of discounting							(292,739)
<b>Net discounted liabilities for incurred claims</b>							9,791,927
Effect of the risk adjustment margin for non-financial risk							478,878
<b>Net LIC for takaful arrangements originated (note 9)</b>							<b>10,270,805</b>



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

For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise. The Company has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

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

	31 December 2023			
	One year or less BD	More than one year BD	No term BD	Total BD
<b>ASSETS</b>				
Statutory deposit	-	-	125,000	125,000
Cash and balances with banks	9,327,273	-	-	9,327,273
Investments	1,739,658	21,150,736	-	22,890,394
Investment in an associate	-	-	235,668	235,668
Retakaful arrangement assets	2,940,037	6,989	-	2,947,026
Other receivables and prepayments	4,913,328	-	-	4,913,328
Property and equipments	-	115,030	-	115,030
Intangible assets	-	569,952	-	569,952
Right of use assets	-	465,735	-	465,735
	<b>18,920,296</b>	<b>22,308,442</b>	<b>360,668</b>	<b>41,589,406</b>
<b>LIABILITIES</b>				
Takaful arrangement liabilities	13,242,527	11,191,892	-	24,434,419
Retakaful arrangement liabilities	68,525	193,791	-	262,316
Payables and accrued liabilities	3,502,325	-	-	3,502,325
Ijarah liabilities	-	502,626	-	502,626
	<b>16,813,377</b>	<b>11,888,309</b>	<b>-</b>	<b>28,701,686</b>

Takaful International Company B.S.C.  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**b) Liquidity risk (continued)**

	<i>31 December 2022 (Restated)</i>			
	<i>One year or less BD</i>	<i>More than one year BD</i>	<i>No term BD</i>	<i>Total BD</i>
ASSETS				
Statutory deposit	-	-	125,000	125,000
Cash and balances with banks	15,067,048	6,800,000	-	21,867,048
Investments	500,047	8,132,246	-	8,632,293
Investment in an associate	-	-	190,145	190,145
Retakaful arrangement assets	1,285,540	381,174	-	1,666,714
Other receivables and prepayments	5,507,953	-	-	5,507,953
Property and equipments	-	61,565	-	61,565
Right of use assets	-	452,743	-	452,743
	<u>22,360,588</u>	<u>15,827,728</u>	<u>315,145</u>	<u>38,503,461</u>
LIABILITIES				
Takaful arrangement liabilities	12,666,528	8,594,456	-	21,260,984
Retakaful arrangement liabilities	320,634	249,741	-	570,375
Payables and accrued liabilities	4,465,341	-	-	4,465,341
Ijarah liabilities	-	477,515	-	477,515
	<u>17,452,503</u>	<u>9,321,712</u>	<u>-</u>	<u>26,774,215</u>

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**b) Liquidity risk (continued)**

	<i>1 January 2022 (Restated)</i>			
	<i>One year or less BD</i>	<i>More than one year BD</i>	<i>No term BD</i>	<i>Total BD</i>
<b>ASSETS</b>				
Statutory deposit	-	-	125,000	125,000
Cash and balances with banks	17,331,266	4,742,000	-	22,073,266
Investments	206,065	8,036,519	-	8,242,584
Investment in an associate	-	-	184,856	184,856
Retakaful arrangement assets	773,521	264,960	-	1,038,481
Other receivables and prepayments	3,621,865	-	-	3,621,865
Property and equipments	-	85,814	-	85,814
Right of use assets	-	519,960	-	519,960
	<u>21,932,716</u>	<u>13,649,254</u>	<u>309,856</u>	<u>35,891,826</u>
<b>LIABILITIES</b>				
Takaful arrangement liabilities	11,931,615	7,210,534	-	19,142,149
Retakaful arrangement liabilities	-	906,231	-	906,231
Payables and accrued liabilities	4,016,681	-	-	4,016,681
Ijarah liabilities	-	529,525	-	529,525
	<u>15,948,296</u>	<u>8,646,290</u>	<u>-</u>	<u>24,594,586</u>

**c) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument, takaful contract issued or retakaful contract held will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, profit rate risk and price risk.

**i) Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument, takaful contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Bahraini Dinars and its exposure to foreign exchange risk arises primarily. The table below summarises the Company's exposure to foreign currency exchange rate risk at the statement of financial position date by categorising monetary assets and liabilities by major currencies.

	31 December 2023					
	Kuwaiti Dinars	Indian Rupee	Qatari Riyal	UAE Dirham	Saudi Riyal	Total
	BD	BD	BD	BD	BD	BD
ASSETS						
Cash and balances with banks	-	155	14,937	-	-	15,092
Investments	284,501	-	356,740	905,857	521,329	2,068,426
	284,501	155	371,677	905,857	521,329	2,083,518

Takaful International Company B.S.C.  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**c) Market Risk (continued)**

**ii) Profit rate risk**

profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments or takaful contract or retakaful contract. Investments in bonds consist of both fixed rate instruments and have maturities ranging from 1 year to 10 years.

The Company's exposure to profit rate risk sensitive takaful and retakaful arrangements and debt instruments are, as follows:

	<b>31 December 2023 BD</b>	<i>(Restated)</i> 31 December 2022 BD	<i>(Restated)</i> 1 January 2022 BD
<b>Retakaful arrangement assets</b>	<b>2,947,026</b>	1,666,714	1,038,481
<b>Takaful contract liabilities</b>			
Marine and General	<b>7,270,980</b>	5,697,453	4,975,815
Motor	<b>9,836,348</b>	8,700,926	8,176,349
Medical	<b>4,135,199</b>	3,268,149	2,779,451
Family	<b>3,191,892</b>	3,594,456	3,210,534
<b>Retakaful arrangement liabilities</b>	<b>(262,316)</b>	(570,375)	(906,231)
<b>Debt instruments at FVTE</b>	<b>18,996,811</b>	5,349,354	5,150,838
<b>Debt instruments at FVTI</b>	<b>287,371</b>	294,830	378,851
<b>Debt instruments at amotised cost</b>	<b>804,520</b>	394,648	338,473

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**c) Market Risk (continued)**

**ii) Profit rate risk (continued)**

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit.

	<b>31 December 2023</b>			<b>31 December 2022 (Restated)</b>		
	<i>Change in profit rate</i>	<i>Impact on profit</i>	<i>Impact on equity</i>	<i>Change in profit rate</i>	<i>Impact on profit</i>	<i>Impact on equity</i>
Takaful and Retakaful arrangements	<b>+10%</b>	<b>29,487</b>	<b>29,487</b>	+10%	21,831	21,831
Debt instruments	<b>+10%</b>	<b>157,808</b>	<b>157,808</b>	+10%	77,351	77,351
Takaful and Retakaful arrangements	<b>-10%</b>	<b>(29,862)</b>	<b>(29,862)</b>	-10%	(21,969)	(21,969)
Debt instruments	<b>-10%</b>	<b>(157,808)</b>	<b>(157,808)</b>	-10%	(77,351)	(77,351)

The Company does not use any derivative financial instruments to hedge its profit rate risk.

A 50 basis point change in the profit rates would impact the statement of profit or loss by BD 130 thousand (2022: BD 120 thousand).

**iii) Price risk**

Price risk is the risk that the fair value or future cash flows of financial instruments or takaful contract assets and/or liabilities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company is exposed to price risk with respect to its investments (listed and unlisted shares, bonds and managed funds). The geographical concentration of the Company's investments is set out below:

*Geographical concentration of investments*

	<b>31 December 2023 BD</b>	<i>(Restated)</i> 31 December 2022 BD	<i>(Restated)</i> 1 January 2022 BD
Kingdom of Bahrain	<b>7,313,109</b>	5,143,927	4,576,940
Other GCC countries	<b>14,969,234</b>	3,251,365	3,433,648
Asia	<b>41,899</b>	41,797	42,528
Other countries	<b>566,152</b>	195,204	189,468
	<b>22,890,394</b>	8,632,293	8,242,584

The Company limits market risk by maintaining a diversified portfolio, proactively monitoring the key factors that affect stock and bond market movements and periodically analysing the operating and financial performance of investees.

The Company's equity investments comprise securities quoted on the stock exchanges in Bahrain, Kuwait, Qatar, Saudi Arabia and UAE. A 5% change in the prices of the equities, with all other variables held constant, would impact the Company's equity by BD 72 thousand (2022: BD 118 thousand). There would be BD 39 thousand (2022: nil) impact on the Company's statement of income.

**Takaful International Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023

**31 RISK MANAGEMENT (continued)**

**d) Operational risk**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

**e) Credit risk**

Credit risk is the risk that one party to a financial instrument, takaful contract issued in an asset position or retakaful contract held will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk with respect to receivables from policyholders by monitoring risks in accordance with defined policies and procedures.

Management seeks to minimise credit risk with respect to takaful and retakaful companies by only ceding business to companies with good credit ratings in London, as well as European and Middle East retakaful markets.

The Company manages credit risk on its cash deposits and investments by ensuring that the counterparties have an appropriate credit rating. The Company does not have an internal credit rating of counterparties and uses external credit rating agencies' websites to rate the companies. The following balances are with counterparties having a credit rating of B+ (2022: BBB-) or above:

**Industry Analysis**

		31 December 2023					
		Financial Services BD	Government BD	Communication and Consumer Services BD	Construction and Materials BD	Others BD	Total BD
Statutory deposit		125,000	-	-	-	-	125,000
Cash and balances with banks		9,327,273	-	-	-	-	9,327,273
Investments		3,579,414	8,742,596	913,411	1,157,669	5,933,186	20,326,276
Investment in an associate		-	-	-	-	235,668	235,668
Total credit exposure risk		13,031,687	8,742,596	913,411	1,157,669	6,168,854	30,014,217
		31 December 2022					
		Financial Services BD	Government BD	Communication and Consumer Services BD	Construction and Materials BD	Others BD	Total BD
Statutory deposit		125,000	-	-	-	-	125,000
Cash and balances with banks		21,867,048	-	-	-	-	21,867,048
Investments		564,440	3,822,246	89,488	1,031,340	768,319	6,275,833
Investment in an associate		-	-	-	-	190,145	190,145
Total credit exposure risk		22,556,488	3,822,246	89,488	1,031,340	958,464	28,458,026

The Company's maximum exposure to credit risk on its financial assets was BD 30,014,217 (2022: BD 28,458,026).

**32 CAPITAL ADEQUACY AND SOLVENCY MARGIN**

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

	<b>2023</b>	<b>2022</b>
Shareholder - Available capital	<b>11,577,000</b>	9,797,000
Less: Net Admissible assets of General Participants' Fund	<b>(2,804,000)</b>	(1,465,000)
Less: Net Admissible assets of Family Participants' Fund	<b>(840,000)</b>	(710,000)
Total available shareholders' capital to cover required solvency margin	<b>7,933,000</b>	7,622,000
Less: Margin required for General Takaful funds	<b>(3,210,000)</b>	(3,303,000)
Less: Margin required for Family Takaful funds	<b>(1,177,000)</b>	(1,173,000)
<b>Excess Capital</b>	<b>3,546,000</b>	3,146,000

**33 SHARI'A SUPERVISORY BOARD**

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

**34 ZAKAH**

Zakah of **BD 293,915/- at 3.46 fils** per share (2022: BD 310,990/- at 3.66 fils per share) is to be directly borne by the shareholders and, accordingly, the financial statements includes no provision for Zakah. Zakah base is calculated using the 'Net Invested Funds' method of calculating Zakah base. The components used in the computation of Zakah are share capital, statutory reserve, general reserve and retained earnings, participants' equity and property and equipment. The basis of computation is approved by the Shari'a Supervisory Board and the amounts payable are notified to the shareholders.

**35 EARNINGS PROHIBITED UNDER SHARI'A**

There were no earnings retained during the year (2022: nil) from transactions which are not permitted under Shari'a.

**36 CONTINGENT LIABILITIES**

The Company is a defendant in a number of cases brought by takaful arrangement holders in respect of claims which the Company disputes in its normal course of business. The Company based on the independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial position.

**37 COMMITMENTS**

There are no commitments as at 31 December 2023 and 31 December 2022.

**38 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 2023 (2022: nil).

Takaful International Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023

**39 TOTAL COMPREHENSIVE INCOME**

	<b>31 December 2023</b>			<i>(Restated)</i> <b>31 December 2022</b>		
	<i>Shareholders</i> <b>BD</b>	<i>Participants</i> <b>BD</b>	<i>Total</i> <b>BD</b>	<i>Shareholders</i> <b>BD</b>	<i>Participants</i> <b>BD</b>	<i>Total</i> <b>BD</b>
<b>Net profit and surplus for the year</b>	<b>937,289</b>	<b>575,384</b>	<b>1,512,673</b>	857,864	394,998	1,252,862
<b>Other comprehensive income / (loss)</b>						
<i>Investment at fair value through equity:</i>						
Fair value changes arising during the year	<b>35,621</b>	<b>28,957</b>	<b>64,578</b>	(224,657)	(242,944)	(467,601)
Recycled to statement of profit or loss on disposal / impairment	<b>(3,590)</b>	<b>18,391</b>	<b>14,801</b>	129,112	(55,281)	73,831
<b>Other comprehensive income / (loss) for the year</b>	<b>32,031</b>	<b>47,348</b>	<b>79,379</b>	(95,545)	(298,225)	(393,770)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>969,320</b>	<b>622,732</b>	<b>1,592,052</b>	762,319	96,773	859,092



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**40 FINANCIAL INSTRUMENTS**

Set out below is an overview of the financial instruments held by the Company as at 31 December 2023, 31 December 2022 and 1 January 2022.

	<b>31 December 2023</b>		
	<i>Financial assets at fair value through equity Amount BD</i>	<i>Financial assets at fair value through income Amount BD</i>	<i>Financial assets at amortised cost Amount BD</i>
			<i>Total Amount BD</i>
Statutory deposit	-	-	125,000
Cash and balances with banks	-	-	9,327,273
Investments	19,777,261	2,308,613	804,520
	<b>19,777,261</b>	<b>2,308,613</b>	<b>10,256,793</b>
			<b>32,342,667</b>

	<b>31 December 2023</b>		
	<i>Financial liabilities at amortised cost Amount BD</i>		
Payables and accrued liabilities			3,502,325
Ijarah liabilities			502,626
			<b>4,004,951</b>

	<b>31 December 2022 (Restated)</b>		
	<i>Financial assets at fair value through equity Amount BD</i>	<i>Financial assets at fair value through income Amount BD</i>	<i>Financial assets at amortised cost Amount BD</i>
			<i>Total Amount BD</i>
Statutory deposit	-	-	125,000
Cash and balances with banks	-	-	21,867,048
Investments	6,144,735	2,092,910	394,648
	<b>6,144,735</b>	<b>2,092,910</b>	<b>22,386,696</b>
			<b>30,624,341</b>

	<b>31 December 2022 (Restated)</b>		
	<i>Financial liabilities at amortised cost Amount BD</i>		
Payables and accrued liabilities			4,465,341
Ijarah liabilities			477,515
			<b>4,942,856</b>

**40 FINANCIAL INSTRUMENTS (continued)**

	<i>Financial assets</i>	<i>Financial assets</i>	1 January 2022 (Restated) <i>Financial assets</i>	
	<i>at fair value through equity</i>	<i>at fair value through income</i>	<i>at amortised cost</i>	<i>Total</i>
	<i>Amount BD</i>	<i>Amount BD</i>	<i>Amount BD</i>	<i>Amount BD</i>
Statutory deposit	125,000	-	-	125,000
Cash and balances with banks	21,867,048	-	-	21,867,048
Investments	6,144,735	2,092,911	394,649	8,632,294
	28,136,783	2,092,911	394,649	30,624,342
			<i>1 January 2022 (Restated)</i>	
			<i>Financial liabilities</i>	
			<i>at amortised cost</i>	
			<i>Amount</i>	
			<i>BD</i>	
Payables and accrued liabilities				4,016,681
Ijarah liabilities				529,525
				4,546,206

## 41 FAIR VALUE MEASUREMENT

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 41 FAIR VALUE MEASUREMENT (continued)

*Fair value hierarchy (continued)*

31 December 2023				
	Level 1	Level 2	Level 3	Total
	BD	BD	BD	BD
<b>Debt &amp; Equity instruments at fair value through equity</b>				
<i>Quoted investments</i>				
Banking	2,934,548	-	-	2,934,548
Industrial	-	-	-	-
Infrastructure	-	-	-	-
Communications	893,780	-	-	893,780
Consumer services	205,899	-	-	205,899
Government	9,453,239	-	-	9,453,239
Utilities	1,683,129	-	-	1,683,129
Other sectors	4,606,666	-	-	4,606,666
<i>Unquoted investments</i>				
Other sectors	-	-	-	-
<i>Other managed funds</i>				
Other sectors	-	-	-	-
	<b>19,777,261</b>	<b>-</b>	<b>-</b>	<b>19,777,261</b>
<b>Debt &amp; Equity instruments at fair value through income</b>				
<i>Quoted investments</i>				
Banking	1,018,687	-	-	1,018,687
Industrial	-	-	-	-
Infrastructure	353,147	-	-	353,147
Communications	-	-	-	-
Consumer services	-	-	-	-
Government	-	-	-	-
Utilities	-	-	-	-
Other sectors	699,205	-	-	699,205
<i>Unquoted investments</i>				
Insurance	-	-	-	-
<i>Other managed funds</i>				
Other sectors	-	-	237,574	237,574
	<b>2,071,039</b>	<b>-</b>	<b>237,574</b>	<b>2,308,613</b>
31 December 2022 (Restated)				
	Level 1	Level 2	Level 3	Total
	BD	BD	BD	BD
<b>Debt &amp; Equity instruments at fair value through equity</b>				
<i>Quoted investments</i>				
Banking	1,170,909	-	-	1,170,909
Infrastructure	1,389,093	-	-	1,389,093
Industrial	-	-	-	-
Communications	-	-	-	-
Consumer Service	391,457	-	-	391,457
Government	3,497,407	-	-	3,497,407
Other sectors	901,730	-	-	901,730
<i>Unquoted investments</i>				
Insurance	-	-	-	-
Consumer Service	-	-	-	-
Other sectors	-	-	1,044,695	1,044,695
<i>Other managed funds</i>				
Consumer Service	-	-	195,205	195,205
Other sectors	-	-	41,797	41,797
	<b>7,350,596</b>	<b>-</b>	<b>1,281,697</b>	<b>8,632,293</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 41 FAIR VALUE MEASUREMENT (continued)

## Fair value hierarchy (continued)

	1 January 2022 (Restated)			
	Level 1 BD	Level 2 BD	Level 3 BD	Total BD
<i>Debt &amp; Equity instruments at fair value through equity</i>				
<i>Quoted investments</i>				
Banking	1,695,677	-	-	1,695,677
Industrial	-	-	-	-
Infrastructure	828,494	-	-	828,494
Communications	-	-	-	-
Consumer service	79,221	-	-	79,221
Other sectors	1,390,734	-	-	1,390,734
Government	3,260,762	-	-	3,260,762
<i>Unquoted investments</i>				
Insurance	-	-	-	-
Other sectors	-	-	738,472	738,472
<i>Other managed funds</i>				
Consumer service	-	-	189,468	189,468
Industrial	-	-	-	-
Other sectors	-	-	59,756	59,756
	7,254,888	-	987,696	8,242,584

## Reconciliation of movement in level 3 financial instruments measured at fair value

	Gain		
	At 1 January 2023 Restated BD	recognised in other comprehensive income BD	At 31 December 2023 BD
<i>At fair value through equity</i>			
Unquoted equity investments and other manager funds	-	-	-
<i>At fair value through income</i>			
Unquoted equity investments and other manager funds	237,002	572	237,574
	Loss		
	At 1 January 2022 Restated BD	recognised in other comprehensive income BD	At 30 December 2022 Restated BD
<i>At fair value through equity</i>			
Unquoted equity investments and other manager funds	249,225	(12,223)	237,002
<i>At fair value through income</i>			
Unquoted equity investments and other manager funds	-	-	-

**41 FAIR VALUE MEASUREMENT (continued)**

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

During the period ended 31 December 2023 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 (2022: No transfers).

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

Management assessed that the fair values of cash and bank balances, statutory deposits and lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

A majority of the Company's debt securities at amortised cost are in quasi-sovereign bonds. Management has assessed that the fair values of debt securities at amortised cost approximate their carrying amounts as at the reporting date.