Grant Thornton
Abdulaal

# Financial statements and independent auditors' report
## Life Insurance Corporation (International) B.S.C. (c)
For the year ended 31 December 2021

# Contents

# General information

| | | |
|---|---|---|
| Commercial registration | : | 21606 |
| Chairman | : | Mr. Mangalam R. Kumar |
| Deputy Chairman | : | Mr. Siddharth Mohanty (from 12 August 2021)<br>Mr. Vipin Anand (upto 30 July 2021) |
| Directors | : | Mr. Thomas Mathew T.<br>Mr. V.Chandrasekaran<br>Mr. Abdul Rahman Ali Al Wazzan<br>Mr. Sunil Kumar Thakur |
| Audit committee | : | Mr. Siddharth Mohanty (from 12 August 2021)<br>Mr. Vipin Anand (upto 30 July 2021)<br>Mr. Thomas Mathew T.<br>Mr. V.Chandrasekaran<br>Mr. Abdul Rahman Ali Al Wazzan |
| Registered office | : | 1st Floor, Ali Al-Wazzan Building<br>Al-Khalifa Avenue<br>P.O. Box 584<br>Manama, Kingdom of Bahrain |
| Principal bankers | : | National Bank of Bahrain, Bahrain<br>State Bank of India, Bahrain<br>Burgan Bank, Kuwait<br>Doha Bank, Qatar<br>Deutsche Bank, Mumbai, India<br>J. Safra Sarasin Bank, Geneva, Switzerland<br>Berenberg Bank, Germany<br>Kotak Mahindra, United Kingdom<br>Julius Baer, Singapore<br>HSBC Bank, Luxemburg<br>Bank of Singapore, Singapore<br>Emirates National Bank of Dubai, UAE<br>ICICI Bank, Bahrain<br>Bank of Bahrain and Kuwait, Bahrain<br>RAK Bank, UAE<br>Mashreq Bank, UAE<br>First Abu Dhabi Bank, UAE<br>Abu Dhabi Commercial Bank, UAE<br>State Bank of India, Oman<br>Bank of Baroda, Oman<br>Bank Muscat, Oman |
| Auditor | : | Grant Thornton - Abdulaal<br>P.O. Box 11175<br>12th Floor, Al Nakheel Tower<br>Seef District, Kingdom of Bahrain |

# Directors' report to the shareholders

We have the pleasure in presenting the 32nd Annual report and financial statements of Life Insurance Corporation (International) B.S.C. (c) (the "Company") Bahrain for the financial year ended 31 December 2021.

**New Business**

In the year 2021 the Company has issued 2555 new policies with a Sum Assured of BD 22.50 Mn (USD 59.53 Mn) and recognized an amount of BD 2.71 Mn (USD 7.17 Mn) towards conventional First Year Premium and BD 23.88 Mn (USD 63.18 Mn) towards single premium.

The net insurance premium income for the year 2021 was BD 47.7 Mn (USD 126.19 Mn) out of which BD 21.55 Mn (USD 57.01 Mn) is the Renewal Premium Income.

**Investment Income**

Investment income realised during the year was BD 38.88Mn (USD 102.85 Mn) as compared to BD 33.87 Mn (USD 89.6 Mn) last year.

**Policy Servicing**

a) **Settlement of claims**

During the year 2021, an amount of BD 74.56 Mn (USD 197.26 Mn) has been paid to policyholders by way of claims including surrenders as against BD 167.45 Mn (USD 442.98 Mn) during the year 2020.

b) **Liaison with LIC of India**

During the year, 541 policies were transferred to LIC of India on repatriation of policyholders at their request and an amount of BD 1.27 Mn (USD 3.37 Mn) has been transferred as actuarial reserve to LIC of India against these policies.

In addition, the Company continued to assist the customers holding policies with LIC of India in the matter of remittances of premium and other servicing matters.

**Valuation**

The Appointed Actuary has valued the Company's actuarial liabilities as at 31 December 2021. Accordingly, the following bonus rates have been proposed for the policies which are in force for the full sum assured as at 31 December 2021.

Interim bonuses are same as the declared bonuses and apply to policies in force for full sum assured resulting into death or maturity during the year 2022. The bonuses declared are at following rates:

- **Regular Bonus for all Units**

Reversionary Bonus in USD per USD1000 Sum Assured

| **Plan Type** | **Policy term in years** | | | |
|---|---|---|---|---|
| Endowment Type Plans (Plans 202, 206, 207, 209, 210, 215, 218, 220, 225) | <=10 | 11 to 15 | 16 to 20 | >20 |
| Bonus Rate (in USD per USD1000 SA) | 7.9 | 7.9 | 8.3 | 8.3 |
| Bonus Rate for SP mode of Plan 202 and Plan 240 (in USD per USD1000 SA) | 7.1 | 7.1 | 7.5 | 7.5 |
| Deferred Annuity Plans (Plan 227 and 228) | <=5 | 6 to 10 | 11 to 15 | >15 |
| Bonus rate (in USD per USD1000 SA) | 7.1 | 7.4 | 7.5 | 7.8 |

| | | | |
|---|---|---|---|
| Silver Anniversary Health Insurance Plan (Plan 241) – Regular Premium | 5.9 | | |
| Silver Anniversary Health Insurance Plan (Plan 241) – Limited Premium | 6.4 | | |
| | | | |
| Money Back Plans (Plans 203, 212) | <=15 | 16 to 20 | 25 |
| Bonus rate (in USD per USD1000 SA) | 8 | 8.3 | 8.5 |
| | | | |
| Plan Type | For all in force and fully paid up policies | | |
| Whole Life Plans (Plans 201, 224)<br>Bonus rate (in USD per USD1000 SA) | 8.3 | | |
| Endowment Type Plans (Plans 256,262)<br>Bonus rate (in USD per USD 1000 SA | 10 | | |

The Loyalty Addition as well as Terminal Bonus for all the Units is maintained at same rate as were declared for the year ended 31 December 2021, as under:

- **Loyalty Addition**

The following loyalty addition rates be declared as on 31 December 2021:

| | |
|---|---|
| Loyalty Addition for Professional Education Plan (Plan no. 219)<br>Loyalty addition (in USD per USD1000 SA) | 10.5 |
| | |
| Loyalty Addition for all other eligible plans (in USD per USD1000 SA) | Nil |

- **Terminal Bonus:**

In addition to above, terminal bonus at the following rates may be declared to all policies which are in-force for full sum assured and maturing during the year 2022.

Endowment Type of Policies (Plans 202, 206, 207, 209, 210, 215, 218, 220, 225): USD20 per USD1000 Sum Assured
Money back Type of Policies (Plans 203, 212): USD10 per USD1000 Sum Assured.

- **Special Terminal Bonus:**

The Company may also declare a Special Terminal Bonus at the rate of USD 7 per USD1000 Sum Assured for all policies maturing till the month of May 2023.

## Solvency Statement

As per actuarial valuation report, the required solvency margin works out to BD 27.69 Mn (USD 73.25 Mn). Capital available as per CBB regulations is BD 91.63 Mn (USD 242.4 Mn) which is 3.309 times of the solvency margin.

UAE branches of the company have deficit in meeting solvency due to inadmissibility of assets and risk based capital requirements. The Company has submitted action plan to Central Bank of UAE for remedying the solvency deficit.

The discount rate used for the calculation of mathematical reserve in UAE for Plan number 255,256,257,259,260 and 262 is 3.5%, for Plan number 258 and 261 discount rate is 2.5% and for Plan number 263 and 264 discount rate is 3%. For all remaining products discount rate used for calculation of mathematical reserve is 4% for the first 5 years and 3.7% thereafter. The Appointed Actuary has been using the discount rates based on the current yield on investments and not as per Article 17 of Addendum 2 of Section 3 of Financial Regulations issued by Insurance Authority of UAE.

The discount rate used for calculation of mathematical reserve in other than UAE is 4.4%.

During Q2 2021, the proposed fund infusion of USD 120.21 Million by the LIC of India (Shareholder) has been completed and these funds have been transferred from the Corporate books to UAE books after obtaining the necessary Ministry and Regulatory approvals, etc. The necessary accounting entries have been incorporated in both the books after obtaining the company's external auditor (M/s GT) concurrence.

## New Product

During the year, the Company has launched five new products and one rider. In UAE they are New Future Smart (Plan 258), New Future Smart II (Plan 261), Smart Elite Savings Plan (Plan 262) and LIC International Term Plan (Plan 264) along with Accelerated critical illness Rider. In Bahrain, the Company has launched New Single Premium Plan III (Plan 263).

## Financial Position

Total assets of the Company increased to BD 797.82 Mn (USD 2110.62 Mn) in 2021 from BD 749.01 Mn (USD1,981.50 Mn) in 2020 increased by 6.52%.

## Financial Performance

The Company has earned a profit of BD 0.03 Mn (USD 0.08 Mn) in 2021 as against a profit of BD7.12 Mn (USD18.83 Mn) in 2020. As at 31 December 2021, the total retained earnings were BD 25.59 Mn (USD 67.7 Mn) as compared to previous year BD 25.57 Mn (USD 67.64 Mn).

## Corporate Governance

The Company has transparent and well defined marketing and administrative systems supported by High Level Audit Committee and Risk Management Committee of the Board and an Investment Committee which are functional on well laid out norms.

As part of social commitment and self-regulations the Company participates in socially relevant projects together with focus on economy of operations.

## Payments made to Directors and Executive Management

Chairman of the Board and non-executive Members of the Board are not paid any remuneration. However independent Directors are paid sitting fees for attending Board and Committee meetings. Remuneration to the CEO & Managing Director and other members of key management during the year 2021 was BD 201,550 as compared to BD 193,016 in 2020.

## Business Continuity / Disaster Recovery Plan:

The profitability and reputation of the Company may be adversely affected if the operations (including services to customers) of the Company are confronted with adverse events such as natural disasters, technological failures, human error or terrorism.

To mitigate this risk, the Company has Board approved Business Continuity Plan. The back-up of data is taken on daily basis at EoD and the same is preserved outside office premises where the server is located. The Company also has two types of Disaster Recovery servers (DRS) viz. near site as well as far site DRS. Far site DRS is located in Dubai branch and is fully operational. The data replication for near site server is real-time whereas that for far site server is in batch process at four different times during the day of 24 hours. The Company also has agreement with telephone service provider for dedicated leased lines with redundancy. This ensures that the server connectivity is always available to the Users at all the times.

The above arrangements are to ensure the continuity of business as well as Disaster recovery in case of any unforeseen circumstances.

## Compliances

The Company has a Compliance desk which takes care of all regulatory and other compliances of the company.

## Risk management Strategies and Practices

i) **Investment Risk:** The Investment decisions are taken by the Investment Committee based on the guidelines given by the Board of the Company. All the Investment proposals are routed through Risk Manager. Risk Manager considers various risk elements like credit risk, concentration risk, liquidity risk etc. and gives his opinion. The proposals are then discussed in the Investment Committee. Approximately 96.5% of the investments are in bonds including FD's and other debt instruments and remaining 3.5% in equity and mutual funds. The investment portfolio is well diversified and the same is reviewed by the Investment Committee periodically to take corrective actions wherever required.

ii) **Currency Risk**: Almost all the currencies in GCC are pegged to United States Dollars except Kuwait where collection are made in Kuwaiti Dinars. The final payments for Kuwait cases are paid in United States Dollars or equivalent in Kuwaiti Dinars and hence the currency risk is at the minimum. However, Indian equity investments are subject to currency risk. At present, the Company's exposure in Indian equity is 0.75%.

iii) **Insurance Risk:** The Company has reinsurance arrangements with Swiss Reinsurance Company and Munich Re. For the Company's group insurance business, the Company has a treaty with Hannover Re. As per the reinsurance treaty, the retention limit depends on Sum Assured, Age of LA and whether the life is standard or substandard. The maximum Sum Assured retained by the Company is USD100,000. These reinsurance arrangements protect the company from high risk insurance contracts.

## Dividend

No dividend is proposed for the year 2021.

## Subsequent events

The COVID-19 outbreak had developed rapidly in 2021, with a significant number of infections all over the world. To minimize the spread of infections, measures like lockdown etc. have been taken by various governments to contain the virus which has affected economic activities and business operations. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus for safety and health measures of our employees (like social distancing, limited staff and work from home as per Government Directives) and securing the servicing of our policyholders that are essential to our business process. At this stage, the impact on our business and results is limited however, there has been adverse impact on our investment portfolio which subsequently recovered after opening of the economies across the world and approval of vaccine. However, the investment portfolio is being monitored on regular basis in view of continuing Covid-19 impact.

We will continue to follow the various local Government policies and advice of countries where the Company is operating and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people and not laying off employees.

## Disclosures related to IPO of LIC of India

Government of India announced as part of its Budget 2021 that the Initial Public Offer (IPO) of Life Insurance Corporation of India (LIC of India), having majority share holding of the issued and paid up capital of LIC(International) B.S.C (c) will be launched soon. Later, Part III of the Finance Act, 2021 amended the Life Insurance Corporation Act, 1956 and by Gazette notification dated June 29, 2021, the provisions of Part III of the Finance Act, 2021 have been brought into force with effect from June 30,2021. Preparatory work related to IPO is in process.

## Change in Directors

During the year 2021, changes in the Board Members were as under.

The following members have been inducted in the Board after obtaining prior approval of CBB:

| Name of Member | CBB Approval date | Type |
|---|---|---|
| Mr. Siddhartha Mohanty | 12th August 2021 | Deputy Chairman<br>(Non-Executive Member) |

During the year 2021, following member resigned from the Board of the Company:

| Name of Member | Position held | Date of Resignation | Reason |
|---|---|---|---|
| Mr. Vipin Anand | Deputy Chairman of the Board | 30th July 2021 | Retirement |

## Disclosure for remuneration of members of board of directors and executive management

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

| Name | Fixed remunerations | | | | | Variable remunerations | | | | | End-of-service award | Aggregate amount | Expenses Allowance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Proposed Remunerations of the chairman and BOD | Total allowance for attending Board and committee meetings | Salaries | Others | Total | Remunerations of the chairman and BOD | Bonus | Incentive plans | Others | Total | | | |
| **First: Independent Directors:** | | | | | | | | | | | | | |
| 1- Mr Thomas Mathew | - | 2,250 | - | - | 2,250 | | | | | | - | - | - |
| 2- Mr V. Chandrasekharan | - | 2,250 | - | - | 2,250 | | | | | - | - | - | - |
| **Second: Non-Executive Directors:** | | | | | | | | | | | | | |
| 1- Mr Mangalam R. Kumar | - | - | - | - | - | | | | | | - | - | - |
| 2- Sidharth Mohanty | - | - | - | - | - | | | | | | - | - | - |
| 3- Vipin Anand (upto 30 July 2021) | - | - | - | - | - | | | | | - | - | - | - |
| **Second: Executive Directors:** | | | | | | | | | | | | | |
| 1-Sunil Kumar Thakur | - | - | 25,521 | - | 25,521 | | | | | - | 3,522 | - | - |
| **Total** | **-** | **4,500** | **25,521** | **-** | **30,021** | | | | | **-** | **3,522** | **-** | **-** |

During the year, there were no other fixed remunerations such as proposed remunerations to the chairman and BOD, salaries and others. Further, there were no variable remunerations, end of service award and expense allowance.

**Second: Executive management remuneration details**

| Executive management | Total paid salaries and allowances | Total paid remuneration (Bonus) | Any other cash/ in kind remuneration for 2021 | Aggregate Amount |
|---|---|---|---|---|
| Remunerations for top executives, including CEO and Senior Financial Officer | 201,550 | - | - | 201,550 |

During the year, there were no remuneration (bonus) and any other cash or in-kind remuneration for 2021.

Thank you and Appreciation

We extend our faithful respects and sincere gratitude to His Majesty the King Hamad bin Isa Al Khalifa, His Royal Highness the Crown Prince Prime Minister Salman bin Hamad bin Isa Al Khalifa and His Excellency the Minister of Industry and Commerce of Kingdom of Bahrain for their continued support and cooperation extended to the Company.

We also extend our sincere gratitude to Central Bank of Bahrain-Bahrain, Central Bank of UAE-UAE and Capital Market Authority-Oman for their continuous support and guidance, all throughout our operations.

We express our sincere gratitude to the Government of India and to the Ministry of Finance (Insurance Division) in particular for their support and guidance during the year. We express our sincere gratitude for the help rendered by the Indian Embassies in Bahrain, Abu Dhabi, Sultanate of Oman, Kuwait, Qatar, Riyadh, and Indian Consulate in Dubai and Indian Embassies/Consulates in other countries in the Middle East. We look forward for their continued support to develop our operations in the region for the benefit of all nationalities.

We offer our sincere thanks to our Chief Agents M/s. International Agencies Co. Ltd, Bahrain, M/s. Kingstar Insurance Agencies LLC, Dubai, M/s Gulf Insurance Agencies LLC, Oman, M/s. Warba Insurance Co. Kuwait, and M/s Dyarco Management Services WLL in Doha and our Bancassurance partners First Abu Dhabi Bank and RAK Bank in UAE, and BBK and ICICI Bank in Bahrain. We feel happy about the mutual working relationship with them. We look forward to another year of growth and prosperity.

We offer our sincere thanks to our Appointed Actuary: M/s K. A. Pandit Consultant and Actuaries, Mumbai, Peer Actuary: M/s SHMA Consulting DMCC, Dubai, Auditors: M/s. Grant Thornton Abdulaal, Bahrain, M/s. PKF, Dubai, M/s Crowe Mak Ghazali, Oman, M/s RSM Albazie, Kuwait, M/s Talal Abu-Ghazaleh & Co, Bahrain, M/s UHY James, UAE and M/s Moore Stephens, Oman.

We offer our grateful thanks to our esteemed Policyholders and NRI community for their confidence in the Company and all associates for their support and enthusiasm, which has been the source of tremendous motivation for the Company in augmenting its efforts in various directions.

On behalf of the Board

Mr. Mangalam R. Kumar
28 February 2022

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# Independent auditors' report

**Grant Thornton Abdulaal**
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**To the Shareholders of**
**Life Insurance Corporation (International) B.S.C. (c)**

## Report on the Audit of the Financial Statements

### Opinion
We have audited the financial statements of **Life Insurance Corporation (International) B.S.C. (c)** (the "**Company**"), which comprise the statement of financial position as at 31 December 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information
The Board of Directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Directors' report set out on pages 2 to 7.

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 on the other information obtained prior to the date of this auditors' report, 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 Management and Those Charged with Governance for the Financial Statements
The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Management 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 Management 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 Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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**Auditors' 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 auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, 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 Management.

- Conclude on the appropriateness of the Management's 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 auditors' 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 auditors' 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

## Report on Other Legal and Regulatory Requirements

1. As required by the Bahrain Commercial Companies Law, 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 Directors' report is consistent with the financial statements;
   c) except for the violation noted below, we are not aware of violations that occurred during the year to the Central Bank of Bahrain (CBB) Rule Book (Volume 3) and CBB and Financial Institution Law 2006 (CBB Law), that would have a material adverse effect on the business of the Company or its financial position.

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d) we are not aware of any violations during the year of the Commercial Companies Law, or the terms of the Company's Articles and Memorandum of Association that would have a material adverse effect on business of the Company or its financial position; and
e) satisfactory explanations and information have been provided to us by management in response to all our requests.

Below is the violation noted with respect to CBB regulations;

a) not maintaining adequate capital and solvency margin at (Dubai & Abu Dhabi Branch)- UAE Branch level in accordance with Modules CA-B.2.3 of the CBB Rulebook Volume 3. However, the Company has maintained adequate capital and solvency margin at Company level.

Grant Thornton

Partner's Registration No. 30
28 February 2022
Manama, Kingdom of Bahrain

# Statement of financial position

| | Notes | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| | | BD | BD |
| **Assets** | | | |
| Furniture and equipment | 5 | 2,667 | 5,647 |
| Intangible asset | 6 | 4 | 4 |
| Right-of-use assets | 7.1 | 26,210 | 35,462 |
| Statutory deposits | 8 | 704,095 | 699,310 |
| Investments | 9 | 622,389,958 | 614,568,098 |
| Policy loans | 10 | 5,072,639 | 5,498,135 |
| Reinsurance contracts receivable | 23 | 11,922 | 1,856 |
| Premiums receivable | 11 | 1,272,500 | 1,494,605 |
| Term deposits with banks | 12 | 116,143,699 | 83,803,846 |
| Accrued interest income | 13 | 9,525,703 | 9,063,432 |
| Other assets | 14 | 1,053,429 | 288,700 |
| Cash and cash equivalents | 15 | 41,613,201 | 33,567,418 |
| **Total assets** | | **797,816,027** | **749,006,513** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 16 | 65,439,300 | 20,000,000 |
| Statutory reserve | 17 | 7,771,644 | 7,768,870 |
| Contingency fund reserve | 18 | 228,580 | 223,643 |
| Investments fair value reserve | | 6,451,544 | 6,056,075 |
| Retained earnings | | 25,587,838 | 25,567,816 |
| **Total equity** | | **105,478,906** | **59,616,404** |
| **Liabilities** | | | |
| Life insurance fund | 20 | 683,516,346 | 680,587,843 |
| Employees' end-of-service indemnity | | 36,094 | 31,172 |
| Amounts due to related parties | 21 | 188,476 | 131,705 |
| Zakat and tax provisions | 22 | 300,010 | 219,486 |
| Reinsurance contract liabilities | 23 | 110,980 | 88,284 |
| Claims payable | 24 | 6,215,055 | 5,357,464 |
| Lease liabilities | 7.2 | 28,127 | 36,734 |
| Other liabilities | 25 | 1,942,033 | 2,937,421 |
| **Total liabilities** | | **692,337,121** | **689,390,109** |
| **Total equity and liabilities** | | **797,816,027** | **749,006,513** |

These financial statements were approved by the Board of Directors on 28 February 2022 and signed on its behalf by:

Mr. Mangalam R. Kumar
Chairman

Sunil kumar Thakur
Mr. Sunil Kumar Thakur
CEO & Managing Director

The accounting policies and the notes from pages 17 to 54 form an integral part of these financial statements.

# Statement of comprehensive income

| | Notes | Year ended 31 December 2021 BD | Year ended 31 December 2020 BD |
|---|---|---|---|
| **Revenues** | | | |
| Premiums | | | |
| First year | 26 | 2,711,738 | 7,342,977 |
| Renewal | 26 | 21,549,831 | 32,110,438 |
| Single premium | 26 | 23,883,073 | 32,435,324 |
| Unit link premium | 26 | 1,123 | 1,217 |
| Reinsurance ceded | 23 | (187,030) | (179,001) |
| Discount on commutation of premium | 27 | (255,218) | (1,075,329) |
| **Net insurance premium** | | 47,703,517 | 70,635,626 |
| Claims incurred | 29 | (75,421,318) | (169,267,739) |
| Change in Life Insurance Fund | 20 | (4,202,243) | 75,236,069 |
| **Net underwriting results** | | (31,920,044) | (23,396,044) |
| Realised income from investments | 28 | 38,876,665 | 33,870,400 |
| Unrealised (loss)/gain on investments at FVTPL | 9 | (4,116,710) | 3,516,650 |
| Impairment of investments, net | 30 | (35,052) | (1,990,982) |
| **Income from investments** | | 34,724,903 | 35,396,068 |
| | | 2,804,859 | 12,000,024 |
| Depreciation on right-of-use assets | 7 | (9,252) | (12,470) |
| Interest expense on lease liabilities | 7 | (1,507) | (1,866) |
| General and administrative expenses | 32 | (3,451,631) | (5,659,740) |
| Other income | 31 | 765,788 | 789,992 |
| **Profit before zakat and income tax** | | 108,257 | 7,115,940 |
| Zakat and income tax charge | | (80,524) | - |
| **Profit after zakat and income tax** | | 27,733 | 7,115,940 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Net change in fair value of AFS investments during the year | 9 | 395,469 | 5,208,489 |
| **Other comprehensive income for the year** | | 395,469 | 5,208,489 |
| **Total comprehensive income for the year** | | 423,202 | 12,324,429 |

These financial statements were approved by the Board of Directors on 28 February 2022 and signed on its behalf by:

Mr. Mangalam R. Kumar
Chairman

Sunil Kumar Thakur

Mr. Sunil Kumar Thakur
CEO & Managing Director

The accounting policies and the notes from pages 17 to 54 form an integral part of these financial statements.

# Statement of changes in equity

| | Share capital | Statutory reserve | Contingency reserve | Investments fair value reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | BD | BD | BD | BD | BD | BD |
| At 1 January 2020 | 20,000,000 | 7,057,276 | 216,991 | 847,586 | 19,170,122 | 47,291,975 |
| Profit for the year | - | - | - | - | 7,115,940 | 7,115,940 |
| Transfer to statutory reserve | - | 711,594 | - | - | (711,594) | - |
| Transfer to contingency reserve | - | - | 6,652 | - | (6,652) | - |
| **Other comprehensive income for the year:** | | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | | | | |
| Unrealized fair value gain on AFS investments | - | - | - | 5,208,489 | - | 5,208,489 |
| **Total comprehensive income** | **-** | **711,594** | **6,652** | **5,208,489** | **6,397,694** | **12,324,429** |
| **At 31 December 2020** | **20,000,000** | **7,768,870** | **223,643** | **6,056,075** | **25,567,816** | **59,616,404** |
| At 1 January 2021 | 20,000,000 | 7,768,870 | 223,643 | 6,056,075 | 25,567,816 | 59,616,404 |
| Increase in share capital | 45,439,300 | - | - | - | - | 45,439,300 |
| Profit for the year | - | - | - | - | 27,733 | 27,733 |
| Transfer to statutory reserve | - | 2,774 | - | - | (2,774) | - |
| Transfer to contingency reserve | - | - | 4,937 | - | (4,937) | - |
| **Other comprehensive income for the year:** | | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | | | | |
| Unrealized fair value gain on AFS investments | - | - | - | 395,469 | - | 395,469 |
| **Total comprehensive income** | **-** | **2,774** | **4,937** | **395,469** | **20,022** | **423,202** |
| **At 31 December 2021** | **65,439,300** | **7,771,644** | **228,580** | **6,451,544** | **25,587,838** | **105,478,906** |

The accounting policies and the notes from pages 17 to 54 form an integral part of these financial statements

# Statement of cash flows

| | Year ended 31 December 2021 BD | Year ended 31 December 2020 BD |
|---|---|---|
| **Operating activities** | | |
| Profit before zakat and income tax | 108,257 | 7,115,940 |
| Adjustments: | | |
| Depreciation | 3,724 | 4,082 |
| Depreciation on right-of-use assets | 9,252 | 12,470 |
| Interest expense on lease liabilities | 1,507 | 1,866 |
| Foreign exchange (gain)/loss | (8,883) | 81,735 |
| Gain on sale of furniture and equipment | (3) | (49) |
| Unrealised loss/(gain) on investments at fair value through profit or loss | 4,116,710 | (3,516,650) |
| Gain on disposal of investments | (10,137,799) | (4,306,993) |
| Dividend income | (372,078) | (477,948) |
| Interest income | (28,366,788) | (29,085,459) |
| Impairment (gain)/loss recognised on investments, net | (6,443,032) | 1,497,273 |
| Claim incurred | 75,421,318 | 169,267,739 |
| Reinsurance ceded | 187,030 | 145,732 |
| Change in life insurance fund | 4,202,243 | (75,236,069) |
| Provision for employees' end-of-service indemnity | 4,922 | 8,642 |
| Operating profit before working capital changes | **38,726,380** | **65,512,311** |
| Changes in operating assets and liabilities: | | |
| Decrease in premiums receivable | 222,105 | 154,566 |
| (Increase)/decrease in reinsurance contract receivable | (10,066) | 44,164 |
| Increase in other assets | (784,729) | (99,904) |
| Decrease in policy loan | 425,496 | 931,768 |
| Increase /(decrease) in amount due to related party | 56,771 | (79,434) |
| Decrease in other liabilities | (995,388) | (1,276,170) |
| Reinsurance expense paid | (164,334) | (357,500) |
| Claims paid | (74,563,727) | (167,453,142) |
| Net cash used in operating activities | **(37,087,492)** | **(102,623,341)** |
| **Investing activities** | | |
| Purchase of furniture and equipment | (748) | (1,306) |
| Proceeds from disposal of furniture and equipment | 7 | 509 |
| Purchase of financial investments | (82,942,564) | (58,329,287) |
| Proceeds from disposal of investments | 86,538,447 | 69,750,250 |
| (Increase)/decrease in fixed deposits | (40,844,367) | 66,931,060 |
| Increase in Statutory deposits | (4,785) | - |
| Transfer of actuarial reserve to LIC India | (1,273,740) | (366,192) |
| Dividends received | 372,078 | 477,948 |
| Interest received | 29,355,247 | 30,926,708 |
| Net cash (used in)/ from investing activities | **(8,800,425)** | **109,389,690** |
| **Financing activities** | | |
| Introduction of share capital | 45,439,300 | - |
| Repayment of lease liabilities | (10,114) | (14,003) |
| Net cash used in financing activities | **45,429,186** | **(14,003)** |
| **Net increase in cash and cash equivalents** | (458,731) | 6,752,346 |
| Cash and cash equivalents at the beginning of year | 108,172,640 | 101,420,294 |
| **Cash and cash equivalents at the end of year** | **107,713,909** | **108,172,640** |

**(continued on following page)**

The accounting policies and the notes from pages 17 to 54 form an integral part of these financial statements.

# Statement of cash flows (cont....)

Comprises:

| | | |
|---|---|---|
| Cash in hand | 65,795 | 101,704 |
| Current accounts with conventional banks | 11,863,516 | 10,219,616 |
| Current accounts with investments banks | 29,683,890 | 23,246,098 |
| Deposits with original maturities less than three months | 66,100,708 | 74,605,222 |
| | **107,713,909** | **108,172,640** |

# Notes to the financial statements
**31 December 2021**

## 1. Status and activities

1.1 Life Insurance Corporation (International) B.S.C. (c) (the "Company") was formed by Life Insurance Corporation of India and the International Agencies Company Limited, Bahrain. The Company is registered with the Ministry of Industry, Commerce and Tourism under commercial registration no. 21606 and operates under an insurance license issued by the Central Bank of Bahrain (the "CBB"). The registered address of the Company is 1st floor, Ali Al-Wazzan Building, Al-Khalifa Avenue, P.O. Box 584, Manama, Kingdom of Bahrain.

1.2 The Company operates branch office "Life Insurance Corporation (International) B.S.C.(c) (Dubai & Abu Dhabi Branch)- UAE" in the United Arab Emirates and branch office "Life Insurance Corporation (International) B.S.C. (c)- Muscat Branch" in Sultanate of Oman. The principal activities of these branches are providing life insurance, group life, credit and saving insurance. The operating results of two branches are included as part of these financial statements.

1.3 The Company commenced its operations on July 23, 1989 and is engaged in carrying out life insurance business, mainly with Indian expatriates in the Kingdom of Bahrain and other GCC countries. It is also engaged in conducting similar business with all nationalities resident in Bahrain under special permission granted by the Central Bank of Bahrain, from November 8, 2006.

1.4 The International Agencies Company Limited (the "Agent") is the agent of Life Insurance Corporation (International) B.S.C. (c) in Bahrain. It is responsible for providing:

- Administration and technical services for all policies issued by the Company.
- Marketing services in Bahrain.

In return, the Agent is entitled to compensation at agreed terms.

1.5 All reinsurance is ceded to Swiss Reinsurance Company, HannoverRe and Munich Reinsurance Company on agreed terms.

1.6 Based on resolution number 125 dated July 14, 2004 (Hijri 14/5/1424) issued by the Council of Ministers in Saudi Arabia, and its subsequent implementation guidelines thereon, insurance companies operating in Saudi Arabia are required to obtain a license to undertake insurance activities in the Kingdom from the Saudi Arabian Monetary Agency ("SAMA"). The requirements for license include operating as a public joint stock company and having a minimum paid up capital of Saudi Riyals 100,000,000.

Under these regulations, on December 29, 2004, the Board of Directors of the Company submitted an application for the license with SAMA under the name of "Saudi Indian Company for Cooperative Insurance" ("SICCI"). The Company acquired 10.2% of the issued share capital of SICCI. Further, the Company ceased its activities in the Kingdom, but later on August 1, 2005 business activities resumed as SAMA permitted existing operations to continue for a three year grace period. On December 28, 2008, SAMA did not further extend Saudi Operations of the Company to market new insurance policies.

During 2011, SAMA approved exit plan via letter dated 15.06.1432 H (corresponding May 20, 2011), of the Saudi Operations of the Company. The Company transferred the Saudi portfolio to Kingdom of Bahrain or LIC India with the consent of the policyholders.

During the year 2018, SICCI obtained approval from Capital Market Authority and SAMA for further capital reduction to 18.03%. Accordingly, the Company's investment in SICCI was proportionately reduced which resulted in recording losses in the income statement for the year 2018.

Investment in SICCI has been fully provided for being identified as impaired on account of the share trading being suspended by The Saudi Stock Exchange (Tadawul) since 12 November 2018.

## 1A. COVID impact during the year

On 21 February 2020, Kingdom of Bahrain confirmed the first case of COVID-19 whilst Health Ministry in Bahrain was on high alert and started implementing pre-emptive measures from January 2021. On 11 March 2020, World Health Organization (WHO) declared COVID-19 outbreak a global pandemic and asserted the threat posed by this virus. COVID-19 pandemic is presenting challenges for many entities throughout the world. The pandemic arrested the growth in business and resulted in pulling down the activities of the Company.

## 2. Adoption of new and revised international financial reporting standards (IFRS)

**2.1 New or revised Standards or Interpretations**

**New Standards adopted as at 1 January 2021**

Some accounting pronouncement which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

**Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company**

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments to Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

**2.2 New and revised IFRSs applied with no material effect on the financial statements**

In the current year the Company has applied the following IFRS Standards and interpretations that are effective for an annual period that begins on or after 1 January 2021.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4 notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time. The Company intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*: The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* to clarify the accounting for defined benefit plan amendments, curtailments and settlements.

- IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- the effect of changes in facts and circumstances.
- Amendments to IFRS 3 Business Combinations - Definition of a Business (effective from January 1, 2021).
- Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 (effective from 1 January 2021).
- Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9/ IAS 39 Financial Instruments. Amendments regarding pre-replacement issues in the context of the IBOR reform (effective from 1 January 2021).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (effective from 1 January 2021).

**2.3 New and revised IFRS in issue but not yet effective**

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts

  In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

  In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

  The main features of the new accounting model for insurance contracts are, as follows:

  - The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
  - A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period);
  - Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
  - The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period; Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the statement of profit or loss and other comprehensive income, but are recognised directly on the statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt new standards on the required effective date together with IFRS 9 (see above). The Company expects that the new standard will result in an important change to the accounting policies for insurance contracts liabilities of the Company and is likely to have significant impact on profit and total equity together with presentation and disclosure.

The Directors are currently assessing the impact of the above standards.

# 3. Significant Accounting policies

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the applicable requirements of the Bahrain Commercial Law of 2001, and the Central Bank of Bahrain Insurance Regulations (as contained in Volume 3 of the CBB Rulebook).

### 3.2 Basis of preparation

The financial statements are prepared under the historical cost basis, except for certain financial instruments measured at fair value. The financial statements include the net assets and results of operations of the Company in the Kingdom of Bahrain, Kuwait and Qatar and its branches in Oman and the United Arab Emirates. All inter-branch transactions and balances are eliminated.

These financial statements are presented in Bahrain Dinars ("BD") being the functional currency of the Company.

### 3.3 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. Therefore, the financial statements continue to be prepared on the going concern basis.

### 3.4 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes fair value measurement is categorized into Levels 1, 2 or 3 based on the degree to which the inputs to fair value measurement in its entirety, which are described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

### 3.5 Insurance contract

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

### 3.6 Revenue recognition

**Insurance Contracts**
Life insurance premiums including Unit Linked premiums are recognised as revenue when due from policyholders. Premiums receivable relate to the premium due in the month of October, November and December for which the normal grace period of three months have not expired and the previous instalments have been paid. Claim expenses are recorded on basis of notification received. Maturities and annuities payments are recorded when due to policyholders or beneficiaries. Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the profit or loss when incurred.

**Interest income**
Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

**Dividend income**
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

**Other income**
All other income is recognised on an accrual basis.

### 3.7 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirement are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognises that impairment loss in the profit or loss for the year.

### 3.8 Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the reporting date.

The reinsurers' portion towards the outstanding claims is classified as reinsurance contract assets in the financial statements.

### 3.9 Liability adequacy

At each reporting date the Company reviews the carrying amounts of its insurance liabilities carried out by the appointed actuary to ensure that its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the results for the year.

### 3.10 Life insurance fund

The life insurance fund is determined on a quarterly basis to provide sufficient funds in order to meet the current obligations of future liabilities. This fund is valued by an appointed actuary registered with the CBB.

### 3.11 Claims payable

Provision for claims payable is made for those policies where intimation of death is received as at the reporting date.

### 3.12 Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value. The costs of furniture and equipment are depreciated on a straight-line basis over the estimated useful lives, which are as follows:

| | |
|---|---|
| Motor vehicles | 5 years |
| Furniture and fixtures | 1 - 4 years |

The gain or loss arising on the disposal or retirement of an item of furniture and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

### 3.13 Intangible asset

Intangible asset comprising computer software is stated at cost less accumulated amortisation and any impairment in value. The amount paid for computer software amortized on straight line basis over their estimated useful life of 3 years.

### 3.14 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying value of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exits, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses based on the net present value of future cash flows are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss previously been recognised. The reversal of the loss is recognised immediately in statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.15 Financial instruments

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### 3.16 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' (HTM) investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At present financial assets of the Company consist of financial assets at FVTPL, held-to-maturity' investments, AFS investments and receivables comprising accounts and other receivables and cash and bank balances.

### 3.16.1 Investments

Investments are recognised and derecognised on trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at the fair value, plus transaction costs, except for those investments classified as at fair value through profit or loss, which are initially measured at fair value. Premiums and discounts on held to maturity investments are aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield of the investment. For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices on the relevant exchange at the close of the business on the reporting date.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'income from investments' line item in the statements of comprehensive income.

**AFS investments**

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) HTM investments or (c) financial assets at FVTPL.

Investments held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of "investments fair value reserve". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments fair value reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

**HTM investments**

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment.

**3.16.2 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortised cost, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**3.16.3 Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For AFS a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When an AFS financial assets is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity investment, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

With respect to the AFS equity investments, impairment loss previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments fair value reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

### 3.16.4 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The difference between the carrying amount of the financial asset derecognised and the sum of the consideration received and receivable is recognised in profit or loss.

### 3.17 Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method, with interest expenses recognised on an effective yield basis.

### 3.18 Provisions

Provisions are recognised when the Company has a present obligation (legal and constructive) as a result of a past event, and it is probable that the Company will be required to settle that obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

### 3.19 Taxation and VAT

Income tax expense represents the sum of the tax currently payable on Saudi Arabian income and Zakat tax, Saudi Arabian withholding tax, Kuwait income tax and Oman income tax, calculated using tax rates applicable based on Saudi Arabian, Kuwait and Oman operations.

Value Added Tax (VAT), will be charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person within the UAE and Bahrain jurisdictions. The Company is required to file its VAT returns and compute the payable tax and deposit the same within the prescribed due dates of filling VAT return and tax payment.

### 3.20 Provision for employees' end-of-service benefits

Provision is made for amounts payable under the Bahrain Labour Law applicable to employees' accumulated periods of service and latest entitlements to salaries and allowances. In UAE and Oman the end-of-service benefits are provided as per applicability of local laws.

### 3.21 Foreign currencies

Foreign currency transactions are recorded in Bahrain Dinars at the approximate rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated at the year-end rates of exchange. Exchange differences are reported as part of the results for the year.

For the purpose of presenting financial statements, the assets and liabilities of the Company's foreign operations (including comparatives) are presented in Bahraini Dinars using exchange rates prevailing at each reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

## 4. Critical Accounting judgments and key sources of estimation uncertainty

In the application of the entity's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Company's accounting policies**

In the process of applying the Company's accounting policies, management has made judgements, (apart from those involving estimations) which have a significant effect on the amounts recognised in the financial statements. These include the following:

**Classification of investments**
Management has to decide upon acquisition of an investment whether it should be classified as HTM, investments at FVTPL or AFS.

For those deemed to be HTM, the Company ensures that the requirement of IAS 39 are met and in particular the Company has the positive intention and ability to hold these to maturity.

The Company classifies investments as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making or, upon initial recognition, they are designated as at fair value through profit or loss.

All other investments are classified as AFS.

**Impairment of HTM investments**
HTM investment carried at amortised cost, impairment is measured as the difference between the carrying amount of the investment securities and the present value of estimated cash flows discounted at the investment securities original effective interest rate. Losses are recognised in the statement of profit or loss and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of profit or loss.

The Company considers evidence of impairment for HTM carried at amortised cost at both a specific asset and collective level. All individually significant HTM investments are assessed for specific impairment. All individually significant HTM investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. HTM investments that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

**Impairment of AFS equity investments**
The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Company also evaluates among other factors, normal volatility in the price of investments and the future cash flows and the discount factors for unquoted investments.

**Key sources of estimation uncertainties**
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

**The ultimate liability arising from claims made under insurance contracts**
The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. The determination of the liabilities under life insurance contracts is dependent on estimates made by the appointed actuary, which is reviewed by the Company.

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements.

The estimated number of deaths determines the value of the benefit payments and the value of the valuation of premiums. In order to ensure the adequacy of liability the actuary of the Company estimates the current obligation of future liabilities at each reporting date.

Note 20, Life Insurance Fund, presents the basis used for the estimate of life funds in order to meet the current obligations of future liabilities.

**Impairment losses on loans and receivables**

The Company reviews problem receivables on a regular basis to assess whether a provision for impairment should be recorded in profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

**Determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management did not include the extension options in the lease terms on the basis that lease cannot be renewed without the consent of both parties.

## 5. Furniture and equipment

| | Motor vehicles | Furniture, fixtures and others | Total 2021 | Total 2020 |
|---|---|---|---|---|
| | BD | BD | BD | BD |
| **Cost** | | | | |
| At 1 January | 36,500 | 30,066 | 66,566 | 67,196 |
| Additions | - | 748 | 748 | 1,306 |
| Disposals | - | (116) | (116) | (1,936) |
| At 31 December | **36,500** | **30,698** | **67,198** | **66,566** |
| **Accumulated depreciation** | | | | |
| At 1 January | 36,400 | 24,519 | 60,919 | 58,313 |
| Charge for the year | - | 3,724 | 3,724 | 4,082 |
| Disposals | - | (112) | (112) | (1,476) |
| At 31 December | **36,400** | **28,131** | **64,531** | **60,919** |
| **Net book value** | | | | |
| At 31 December 2021 | **100** | **2,567** | **2,667** | **-** |
| At 31 December 2020 | **100** | **5,547** | **-** | **5,647** |

## 6. Intangible asset

| | 2021 Software | 2020 Software |
|---|---|---|
| | BD | BD |
| **Cost** | | |
| At 1 January and at 31 December | **548,057** | **548,057** |
| **Accumulated amortisation** | | |
| At 1 January and at 31 December | **548,053** | **548,053** |
| **Net book value** | | |
| At 31 December 2021 | **4** | **-** |
| At 31 December 2020 | **-** | **4** |

## 7. Leases

The Company only operates as a lessee.

**7.1 Right-of-use assets**

The recognized right-of-use assets relate to the Company's office premises at Zamil Tower in Kingdom of Bahrain, which are leased by the Company, for an average term of 5 years, in addition to car and flat lease relating to Resident Manager in Sultanate of Oman which are recognised as right-of-use assets.

| | Right-of-use assets 2021 | Right-of-use assets 2020 |
|---|---|---|
| | BD | BD |
| **Cost** | | |
| At 1 January | 54,786 | 46,265 |
| Additions | - | 8,521 |
| At 31 December | **54,786** | **54,786** |
| **Accumulated amortization** | | |
| At 1 January | 19,324 | 6,854 |
| Charge for the year | 9,252 | 12,470 |
| At 31 December | **28,576** | **19,324** |
| **Net book value** | | |
| At 31 December 2021 | **26,210** | - |
| At 31 December 2020 | - | **35,462** |

At the reporting date, none of the property leases in which the Company is the lessee, contained variable lease payment terms.

**7.2 Lease liabilities**

| | 2021 | 2020 |
|---|---|---|
| | BD | BD |
| At 1 January | 36,734 | 40,350 |
| Additions | - | 8,521 |
| Accretion of interest | 1,507 | 1,866 |
| Payments | (10,114) | (14,003) |
| At 31 December | **28,127** | **36,734** |

The maturity analysis of lease liabilities as at 31 December 2021 and 31 December 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| | BD | BD |
| Not later than 1 year | 7,389 | 7,055 |
| Later than 1 year and not later than 5 years | 20,738 | 29,679 |
| | **28,127** | **36,734** |

## 8. Statutory deposits

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Central Bank of Bahrain (8.1) | 50,000 | 50,000 |
| National Bank of Bahrain (8.2) | 55,791 | 54,628 |
| Bank of Baroda, Dubai (8.3) | 513,841 | 510,219 |
| National Bank of Dubai (8.4) | 5,177 | 5,177 |
| Emirates NBD– Dubai – Abu Dhabi (8.4) | 5,650 | 5,650 |
| Oman Housing Bank S.A.O.C. (8.5) | 73,636 | 73,636 |
| | **704,095** | **699,310** |

8.1 The cash deposit is placed with the Central Bank of Bahrain (the "CBB") as per section GR-7.1.2 of the General Requirement Module of the CBB Insurance Rulebook.

8.2 The cash deposit is placed with the National Bank of Bahrain as per section GR-7.1.2 of the General Requirement Module of the CBB Insurance Rulebook.

8.3 The deposits placed in Dubai, U.A.E. are in accordance with the U.A.E. Federal Law No. 6 of 2007 concerning formation of Branch., and are under lien to Insurance Authority of U.A.E.

8.4 The deposit placed with Emirates NBD is for Abu Dhabi operations.

8.5 The deposit placed in the Sultanate of Oman is in accordance with Royal Decree No. 12/79 promulgating and governing the insurance companies law in Oman and is under lien to Capital Market Authority of the Sultanate of Oman.

Interest rates on above deposits range between 0.6% to 3.25% per annum (2020: 0.7% to 3.25% per annum).

## 9. Investments

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| **Held-to-maturity ("HTM")** | | |
| Quoted | 445,978,979 | 435,042,543 |
| Unquoted | 10,316,957 | 10,411,457 |
| Allowance for impairment | (10,820,831) | (13,425,146) |
| **Total HTM investments (A)** | **445,475,105** | **432,028,854** |
| **Available-for sale ("AFS")** | | |
| Quoted | 37,465,086 | 51,340,504 |
| Unquoted | 1,652,327 | 2,218,054 |
| | 39,117,413 | 53,558,558 |
| Allowance for impairment | (2,950,376) | (6,789,093) |
| **Total AFS investments (B)** | **36,167,037** | **46,769,465** |
| **Designated at fair value through profit or loss ("FVTPL")** | | |
| **Quoted (C)** | **140,747,816** | **135,769,779** |
| **Total (A)+(B)+(C)** | **622,389,958** | **614,568,098** |

The fair value of HTM investments as at 31 December 2021 was BD494,232,203 (2020: BD500,234,817).

## (a) HTM Investments

As at the reporting date, HTM investments comprise of the following:

| | 2021 BD | 2020 BD |
|---|---|---|
| **Debt instruments** | | |
| Zero coupon bonds | 9,935,018 | 13,006,927 |
| Other bonds | 446,360,918 | 432,447,073 |
| | 456,295,936 | 445,454,000 |
| Allowance for impairment | (10,820,831) | (13,425,146) |
| At 31 December | **445,475,105** | **432,028,854** |

The movements in HTM investments are as follows:

| | 2021 BD | 2020 BD |
|---|---|---|
| At 1 January | 445,454,000 | 445,364,438 |
| Acquisitions | 48,350,795 | 34,682,594 |
| Disposals/redemptions | (36,058,129) | (33,631,385) |
| Capitalisation of discount (Note 13) | 373,438 | 399,010 |
| Amortisation of premium (Note 13) | (1,824,168) | (1,360,657) |
| At 31 December | **456,295,936** | **445,454,000** |

The movement in allowance for impairment of HTM is detailed below:

| | 2021 BD | 2020 BD |
|---|---|---|
| At 1 January | 13,425,146 | 12,197,479 |
| Charge for the year (Note 30) | 268,998 | 1,227,667 |
| Reversal of impairment (Note 30) | (244,265) | - |
| Reversal due to sale of impaired investment | (2,629,048) | - |
| At 31 December | **10,820,831** | **13,425,146** |

Financial assets at HTM include BD7,814,894 (2020: BD9,703,115) under lien to Capital Market Authority of Sultanate of Oman.

### (b) AFS investments

As at the reporting date, AFS investments comprise of the following:

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| **Quoted investments** | | |
| **Debt instruments** | | |
| Government bonds | 388,694 | 400,102 |
| Mutual funds | 15,236,710 | 20,121,895 |
| Other bonds | 13,545,537 | 10,691,682 |
| | 29,170,941 | 31,213,679 |
| **Equity investments** | 8,294,145 | 20,126,825 |
| | **37,465,086** | **51,340,504** |
| **Unquoted investments** | | |
| Equity instruments | 1,652,327 | 2,218,054 |
| **Total AFS investments** | **39,117,413** | **53,558,558** |
| Allowance for impairment | (2,950,376) | (6,789,093) |
| | **36,167,037** | **46,769,465** |

Unquoted equity instruments amounting to BD1,652,337 (2020: BD2,218,054) are carried at cost as their fair values cannot be reliably measured.

The movement in AFS investments is detailed below:

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| At 1 January | 53,558,558 | 57,653,276 |
| Foreign exchange fluctuation | 8,883 | (81,735) |
| Acquisitions | 8,302,174 | 2,199,559 |
| Disposals/redemptions | (23,147,671) | (11,421,031) |
| Increase in fair value | 395,469 | 5,208,489 |
| At 31 December | **39,117,413** | **53,558,558** |

The movement in allowance for impairment of AFS investments is detailed below:

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| At 1 January | 6,789,093 | 6,519,487 |
| Charge for the year (Note 30) | 14,668 | 763,315 |
| Reversal of impairment (Note 30) | (4,349) | - |
| Reversal due to sale of impaired investment | (3,849,036) | (493,709) |
| At 31 December | **2,950,376** | **6,789,093** |

### (c) Investments at FVTPL

As at the reporting date, investments at FVTPL comprise of the following:

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| **Quoted** | | |
| **Debt instruments** | | |
| Government bonds | 77,129,932 | 70,702,907 |
| Other bonds | 63,617,884 | 65,066,872 |
| | **140,747,816** | **135,769,779** |

The movement in investments at FVTPL is detailed below:

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| At 1 January | 135,769,779 | 131,196,836 |
| Acquisitions | 26,289,595 | 21,447,134 |
| Disposals/redemptions | (17,194,848) | (20,390,841) |
| (Decrease)/increase in fair value | (4,116,710) | 3,516,650 |
| At 31 December | **140,747,816** | **135,769,779** |

## 10. Policy loans

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Policy loans | **5,072,639** | **5,498,135** |

Policy loans carry interest rate of 8% (2020: 8%) per annum and have varied maturities. These loans are granted against active policies and are secured against Surrender Value.

## 11. Premiums receivable

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Premiums receivable | **1,272,500** | **1,494,605** |

Premiums receivable relate to the months of October, November and December 2021 (2020: October, November and December), and there are no past due receivables. No collateral has been obtained in respect of these receivables.

| | Neither past due nor impaired<br>Less than 90 days | |
|---|---|---|
| | 2021<br>BD | 2020<br>BD |
| **Premium receivable aging analysis** | | |
| Receivable from policyholders | **1,272,500** | **1,494,605** |

## 12. Term deposits with banks

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Deposits with maturities less than three months | 66,100,708 | 74,605,222 |
| Deposits with maturities more than three months | 50,042,991 | 9,198,624 |
| | **116,143,699** | **83,803,846** |

Term deposits with banks carry interest ranging from 0.43% to 4.85% per annum (2020: 0.42% to 4.85% per annum).

Term deposits include deposits of BD9,447,870 (2020: BD7,019,494) under lien to Capital Market Authority of the Sultanate of Oman.

## 13. Accrued interest income

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Accrued interest income on investments | 8,115,019 | 7,756,003 |
| Accrued interest income on policy loans | 1,410,684 | 1,307,429 |
| | **9,525,703** | **9,063,432** |

The movement in accrued interest income is as follows:

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| At 1 January | 9,063,432 | 9,943,034 |
| Interest income for the year (Note 28) | 28,366,788 | 29,085,459 |
| Capitalisation of discount (Note 9 (a)) | (373,438) | (399,010) |
| Amortisation of premium (Note 9 (a)) | 1,824,168 | 1,360,657 |
| Received during the year | (29,355,247) | (30,926,708) |
| At 31 December | **9,525,703** | **9,063,432** |

## 14. Other assets

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Loan receivable from International Precious Metal Refiners ("IPMR") (Note 14.1) | - | 973,113 |
| Allowance for loan receivable (Note 14.1) | - | (973,113) |
| | - | - |
| Due from investment custodian | 960,301 | 186,804 |
| Other receivables | 91,545 | 79,771 |
| Prepayments | 1,583 | 2,125 |
| | **1,053,429** | **268,700** |

14.1 A loan receivable amounting to BD1,512,000 from International Precious Metal Refiners ("IPMR") was to be settled in three instalments until September 2013 as per the original agreement. During 2013, the Company rescheduled this loan to be received in six equal instalments of BD189,000 each from 31 December 2013 to 31 December 2018 and the final instalment of BD378,000 on 31 December 2019. As collateral security, IPMR obtained three insurance policies amounting to BD161,000 on the lives of the promoters & stakeholder partners and absolutely assigned the policies to LIC (International).

IPMR paid two instalments each of BD189,000 (USD5,00,000) due in Dec 2013 & Dec 2014; the instalment of BD189,000 due in year 2015 was partially filled from the maturity proceeds of the three assigned policies amounting to BD161,000 (USD426,000).

The provision held against the loan sanctioned to IPMR amounts to BD973,113 (2020: BD973,113). The Company has initiated legal action against IPMR, its promoters and shareholders in the court of Abu Dhabi to recover outstanding dues including legal cost and damages.

IPMR has filed a Grievance case against LIC (International) based on fake & forged documents. The Company has filed a Criminal case against the involved parties in IPMR which was under investigation with the Public Prosecutor, Abu Dhabi, UAE.

The judgment under the criminal case has been pronounced in favour of the Company during 2020. After the judgment, the Company initiated further legal actions for recovery of outstanding dues.

One-time settlement of BD600,897 (USD 1,589,674) was approved by the Board in the meeting dated 16 March 2021 in respect of outstanding principal loan of BD973,113. The settlement amount was received on 20 May 2021 and the impairment provision equivalent to the settlement amount has been reversed in the statement of comprehensive income under realized income from investments (Note 28). Accordingly, legal cases were also withdrawn as part of the one-time settlement.

## 15. Bank balances and cash

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Cash in hand | 65,795 | 101,704 |
| Current accounts with commercial banks | 11,863,516 | 10,219,616 |
| Current accounts with investment banks | 29,683,890 | 23,246,098 |
| | **41,613,201** | **33,567,418** |

There are no restrictions on bank balances at the time of approval of the financial statements.

## 16. Share capital

The share capital of the Company consists of 654,393 (2020: 200,000) shares of BD100 each, authorised, issued and fully paid up.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Number of shares | % | Amount BD | Number of shares | % | Amount BD |
| Life Insurance Corporation of India | 652,193 | 99.7 | 65,219,300 | 197,800 | 98.9 | 19,780,000 |
| The International Agencies Company Limited, Bahrain | 2,200 | 0.3 | 220,000 | 2,200 | 1.1 | 220,000 |
| | **654,393** | **100** | **65,439,300** | **200,000** | **100** | **20,000,000** |

On 8 April 2021, an Extraordinary General Meeting was conducted, in which the shareholders approved the increase in share capital of the Company from BD20,000,000 to BD65,439,300. Accordingly, an amendment was made to the Company's Memorandum of Association.

## 17. Statutory reserve

As required by the Company's Articles of Association, 10% of the profit for the year should be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not available for distribution, except in circumstances stipulated in the Bahrain Commercial Companies Law. During the year, an amount of BD2,774 was transferred to this reserve (2020: BD711,594).

## 18. Contingency fund reserve

As per Article 20 of the Oman Insurance Companies Law 1979 and article 10 (bis) (3) (b) to the executive by-law issued by Capital Market Authority (CMA) vide administrative decision no. 19/2007 dated 4 June 2007, an amount equal to 1% of the net premiums for the year is to be transferred to a contingency reserve. The fund is not available for distribution, without prior approval of the CMA. Accordingly, 1% of the net premium for the year of the Company's branch in Oman was transferred to this reserve. During the year, the Company has transferred BD4,937 to the contingency fund reserve (2020: BD6,652).

## 19. Proposed dividend

No dividend is proposed for the year 2021 (2020: Nil).

## 20. Life insurance fund

The movement in the life insurance fund during the year was as follows:

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| At 1 January | 680,587,843 | 756,190,104 |
| Provided/(Reversal) during the year | 4,202,243 | (75,236,069) |
| Actuarial reserve transferred to Life Insurance Corporation of India | (1,273,740) | (366,192) |
| At 31 December | **683,516,346** | **680,587,843** |

The Company's life insurance fund is the amount of BD683,516,346 as of 31 December 2021 has been calculated based on an actuarial report prepared by a CBB-registered actuary.

## 21. Related party balances and transactions

Related parties include shareholders, directors and key management personnel of the Company and their close family members and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions with related parties are approved by the Company's management.

**21.1 Related party balances:**

**Amounts due to related parties**

| Name of related party | Nature of relationship | Nature of balances | 2021<br>BD | 2020<br>BD |
|---|---|---|---|---|
| Life Insurance Corporation of India | Shareholder | Provision for technical assistance fees | 10,175 | 10,585 |
| Life Insurance Corporation of India | Shareholder | Annual maintenance contract for Elife* | 31,182 | 7,442 |
| Life Insurance Corporation of India | Shareholder | Transfer value of policies | 45,118 | - |
| The International Agencies Company Limited | Shareholder | Commission payable | 55,581 | 55,392 |
| The International Agencies Company Limited | Shareholder | Compensation payable | 46,420 | 58,286 |
| | | | **188,476** | **131,705** |

*A provision has been made considering the increase of 5% in AMC charges. However, Elife agreement is due for renewal as of 31 December 2021.

**21.2 Related party transactions:**

| Name of related party | Nature of relationship | Nature of transactions | 2021 BD | 2020 BD |
|---|---|---|---|---|
| Life Insurance Corporation of India | Shareholder | Provision/payment for technical assistance fee | 19,523 | 10,585 |
| Life Insurance Corporation of India | Shareholder | Annual maintenance cost | 30,830 | 28,705 |
| Life Insurance Corporation of India | Shareholder | Transfer value of policies – LIC India | 1,273,740 | 366,192 |
| The International Agencies Company Limited | Shareholder | Administration and technical expenses | 371,572 | 438,026 |
| The International Agencies Company Limited | Shareholder | Commission expense | 513,700 | 622,143 |
| The International Agencies Company Limited | Shareholder | Annual maintenance cost | 1,500 | 1,500 |

**21.3 Compensation of key management personnel**

Remuneration to the CEO & Managing Director and other members of key management during the year was as follows:

| | 2021 BD | 2020 BD |
|---|---|---|
| Short term benefits | **201,550** | **193,016** |

The above compensation was in the form of salaries, allowances and bonuses.

## 22. Zakat and tax provision

| | Saudi Tax and Zakat BD | Kuwait Tax BD | 2021 Total BD | 2020 Total BD |
|---|---|---|---|---|
| At 1 January | 134,949 | 84,537 | 219,486 | 219,486 |
| Tax expense | - | 80,524 | 80,524 | - |
| At 31 December | **134,949** | **165,061** | **300,010** | **219,486** |

With respect to the earlier operations in Saudi Arabia, the Company did not receive any new tax assessment from year 2009 as of the approval date of this audited financial statement. The provision of BD134,949 was provided in the year 2010.

The Director of Income Tax ("DIT") in Kuwait had finalised the Company's tax declarations in respect of the Company's Kuwait operations up to the year 2012. The Company filed appeals against the rejection of objections against the tax assessment for the year 2013 and 2014 before the Appeal Committee of Ministry of Finance- Kuwait, for which the decision is pending. Tax provision amounting to BD84,537 is recorded in this regard.

During 2021, the tax department under Ministry of Finance, Kuwait completed the assessment of tax and issued demand equivalent to BD80,524 for the years 2015 and 2016. The Company filed objections before Kuwait - tax authorities against both tax assessment orders in May 2021. Due to no response being received, an appeal was filed in September 2021. As a result, additional tax provision amounting to BD 80,524 (USD 213,026) has been made during 2021 against tax demand for years 2015 and 2016.

The Company's Oman Branch tax assessment has not been completed by the Oman tax authority since 2018. Oman tax assessments for the year 2018 to 2019 are in progress. The Company's management is of the opinion that the additional taxes, if any, that may become payable on finalisation of the said assessment would not be significant to the Company. Therefore, no provision for such additional tax liability has been made in the financial statements.

## 23. Reinsurance contracts and receivable liabilities

The Company's panel of reinsurers to whom business is ceded comprises Swiss Re, Hannover Re and Munich Reinsurance Company. Under the reinsurance treaties, the Company is compensated for losses on insurance contracts issued. The retention limit depends on Sum Assured, age of Life Assured and whether the life is standard or substandard. The maximum Sum Assured retained by the Company is USD100,000. Reinsurance is provided for age groups from 7 years to 99 years for death benefit, 18 years to 70 years for accidental benefit and from 18 years to 60 years for Critical Illness Rider. These reinsurance arrangements protect the Company from high-risk insurance contracts.

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| ***Reinsurance contracts receivable*** | | |
| Swiss Reinsurance Company | **11,922** | **1,856** |

***Reinsurance contracts liabilities***

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Movement in reinsurance liabilities is as follows:

| | Swiss Re, Hannover Re and Munich Re | |
|---|---|---|
| | **2021**<br>BD | **2020**<br>BD |
| At 1 January | 88,284 | 300,052 |
| Reinsurance ceded | 187,030 | 179,001 |
| Paid during the year | (164,334) | (357,500) |
| Reversal during the year | - | (33,269) |
| At 31 December | **110,980** | **88,284** |

# 24. Claims payable

| | Maturity claim | Death claims | Survival claims | Disability claims | Surrenders | 2021 Total | 2020 Total |
|---|---|---|---|---|---|---|---|
| | BD | BD | BD | BD | BD | BD | BD |
| At 1 January | 4,464,050 | 6,984 | 886,430 | - | - | 5,357,464 | 3,542,867 |
| Claims provided during the year | 67,131,892 | 1,363,031 | 5,347,039 | 20,450 | 1,558,906 | 75,421,318 | 169,267,739 |
| Claims paid | (66,355,900) | (1,361,154) | (5,267,317) | (20,450) | (1,558,906) | (74,563,727) | (167,453,142) |
| At 31 December | **5,240,042** | **8,861** | **966,152** | **-** | **-** | **6,215,055** | **5,357,464** |

# 25. Other liabilities

| | 2021 | 2020 |
|---|---|---|
| | BD | BD |
| Discounted premium received in advance | 985,926 | 1,840,553 |
| Policy deposits | 325,969 | 318,471 |
| Accrued expenses and provisions | 284,512 | 309,040 |
| Accounts payable | 207,306 | 328,674 |
| Proposal deposits | 136,539 | 138,390 |
| VAT payable | 1,781 | 2,293 |
| | **1,942,033** | **2,937,421** |

# 26. Premiums

### 26.1 First year

First year premium represents new business premium pertaining to the first year of a life insurance contract under conventional policies and where the premium is not a single premium.

### 26.2 Renewal

Renewal premium represents premium pertaining to other than first year of a life insurance contract under conventional policies and where the premium is not a single premium.

### 26.3 Single premium

Single premium represents a new business lump sum premium paid at the time of entering into a life insurance contract under conventional policies and where the premiums are not payable subsequently.

### 26.4 Unit link premium

ULIP premium represents all types of premiums pertaining to a life insurance contracts under Unit Linked Insurance Policies.

## 27. Discount on commutation of premium

This represents discount on commutation of premium to the policyholders who had commuted the premium for the full policy period. The Company provides discount equivalent to 3.5% (2020: 3.5%) per annum on future cash flows.

## 28. Realised income from investments

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Interest income (Note 13) | 28,366,788 | 29,085,459 |
| Gain on disposal/redemption of investments | 10,137,799 | 4,306,993 |
| Dividend income | 372,078 | 477,948 |
| | **38,876,665** | **33,870,400** |

## 29. Claims incurred

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Maturities | 66,663,876 | 161,603,443 |
| Survival benefits | 5,367,489 | 4,886,560 |
| Annuities paid | 468,016 | 333,841 |
| Surrenders | 1,245,779 | 1,521,125 |
| Death claims | 1,363,031 | 367,939 |
| ULIP claims | 313,127 | 554,831 |
| | **75,421,318** | **169,267,739** |

## 30. Impairment of investments, net

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| HTM investments (Note 9 (a)) | 24,733 | 1,227,667 |
| AFS investments (Note 9 (b)) | 10,319 | 763,315 |
| | **35,052** | **1,990,982** |

## 31. Other income

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Interest on policy loans | 574,770 | 580,507 |
| Interest on premiums | 74,462 | 75,060 |
| ULIP charges | 21,857 | 24,447 |
| Others | 94,699 | 109,978 |
| | **765,788** | **789,992** |

## 32. General and administrative expenses

| | 2021 BD | 2020 BD |
|---|---|---|
| Commission | 1,696,279 | 3,712,260 |
| Compensation | 639,953 | 1,036,356 |
| Administrative expenses | 502,878 | 366,854 |
| Staff costs | 481,555 | 454,923 |
| Legal and consultancy expenses | 107,947 | 78,762 |
| Technical assistance fees – LIC India | 19,523 | 10,585 |
| Penalty* | 3,496 | - |
| | **3,451,631** | **5,659,740** |

*The Company has paid penalty for the delay of tax payment for prior year.

## 33. Financial instruments and risk management

Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, term deposits with banks, statutory deposits, reinsurance contracts receivables, premium receivable, accrued interest income, policy loans, other assets and investments.

Financial liabilities consist of claims payable, reinsurance contract liabilities, amounts due to related parties and other liabilities.

The risk associated with financial instruments and the Company's approach to managing such risks are described as follows:

### 33.1 Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net of bank balances and cash (note 15) and equity comprising issued capital, reserves (including investments fair value reserve) and retained earnings.

The issued share capital which is classified as a part of tier 1 capital is above minimum tier 1 capital requirement of BD5,000,000 as per section CA – 1.2.1 of CBB rulebook volume 3.

The required margin of solvency as calculated by the Actuary as per section CA-2 is BD27,690,388 (2020: BD27,585,889) whereas the capital available calculated as per section CA-1.2.21 and CA-1.2.22 is BD91,633,969 (2020: BD44,055,120) which is 3.309 times (2020: 1.597 times) of required margin of solvency.

**33.2 Categories of financial instruments**

The summary of financial assets and financial liabilities are as follows:

| *Financial assets* | 2021 BD | 2020 BD |
|---|---|---|
| Receivables at amortised cost (including bank balances and cash) | 175,385,266 | 134,395,466 |
| HTM investments (Note 9a) | 445,475,105 | 432,028,854 |
| AFS investments (Note 9b) | 36,167,037 | 46,769,465 |
| Investments at FVTPL (Note 9c) | 140,747,816 | 135,769,779 |
| | **797,775,224** | **748,963,564** |
| ***Financial liabilities*** | | |
| At amortised cost | **8,456,544** | **8,514,874** |

**33.3 Insurance risk management**

Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability over the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and age group. Underwriting limits are in place to enforce appropriate risk selection criteria.

**33.4 Reinsurance risk management**

Reinsurance risk is the risk, other than financial risk, transferred insurance contract issued by one insurer to compensate another insurer for one or more contracts issued by the cedant.

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

Reinsurance contracts ceded do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. To minimize its exposure to significant losses from reinsurer insolvencies the Company obtains reinsurance through financially sound reinsurers, being Swiss Reinsurance Company, Munich Re and Hannover Re as explained in Note 23.

### 33.5 Claim development

Disclosure about claims development has not been presented since uncertainty about the amount and timing of claims payments is typically resolved within one year.

### 33.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments foreign currency denominated financial instruments and interest bearing financial instruments.

### 33.7 Fair value risk management

Fair value risk is the risk that the fair values of investment securities decrease as the result of changes in the levels of individual prices. Price risk arises from the change in fair values of investment securities. The Company is exposed to fair value risks arising from investment securities. Investment securities are held for strategic rather than trading purposes. The Company does not actively trade in these investment securities.

**Fair value sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period. If prices had been 5% higher/lower:

- Profit for the year ended 31 December 2021 would increase/decrease by BD 7,037,390 (2020: increase/decrease by BD6,788,489) as a result of the changes in fair value of investment at FVTPL.

- Other comprehensive income and investments fair value reserve would increase/decrease by BD 1,725,735 (2020: increase/decrease by BD2,227,571) as a result of the changes in fair value of AFS investments.

The Company limits price risk by maintaining a well-diversified portfolio and by continuous monitoring of pertinent developments in international equity and bond markets.

### 33.8 Currency risk management

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's financial assets and financial liabilities are denominated in Bahraini Dinars, United States Dollars, United Arab Emirates Dirhams, Saudi Arabian Riyals, Omani Riyals, Qatari Riyals, Kuwaiti Dinars and Indian Rupees. As the Bahraini Dinar, United Arab Emirates Dirham, Omani Riyal, Qatari Riyal and Saudi Arabian Riyal are effectively pegged to the United States Dollar, balances in these currencies are not considered to represent a significant currency risk. However, balances denominated in Indian Rupees and Kuwaiti Dinars are exposed to movements in exchange rate.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | BD | BD | BD | BD |
| United States Dollars | 762,294,968 | 717,605,707 | 7,975,605 | 7,963,918 |
| Indian Rupees | 5,839,899 | 4,691,658 | - | - |
| Saudi Riyals | 59,977 | 88,164 | 143,793 | 143,793 |
| Oman Riyals | 21,842,052 | 18,555,977 | 16,605 | 27,559 |
| United Arab Emirates - Dirhams | 3,497,128 | 2,418,174 | 156,594 | 233,685 |
| Kuwaiti Dinars | 1,608,613 | 2,848,222 | 11,228 | 34,117 |
| Qatari Riyals | 677,027 | 849,176 | 692 | 681 |
| | **795,819,664** | **747,057,078** | **8,304,517** | **8,403,753** |

**Foreign currency sensitivity analysis**

The Company is mainly exposed to currency risk with respect to the Indian Rupee and Kuwaiti Dinar.

The following table details the Company's sensitivity to a 10% increase in the Indian Rupee and Kuwaiti Dinar against the Bahraini Dinar considered separately. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit (and a negative number indicates a decrease in profit) where the Indian Rupee and Kuwaiti Dinar strengthens 10% against the Bahraini Dinar. For a 10% weakening of the Indian Rupee and Kuwaiti Dinar against the Bahraini Dinar, there would be an equal and opposite impact on the profit.

| | Profit or loss | |
|---|---|---|
| | 2021 | 2020 |
| | BD | BD |
| Impact on: | | |
| Indian Rupee (a) | 583,990 | 469,166 |
| Kuwaiti Dinar (b) | 159,739 | 281,411 |

(a) This is mainly attributable to the exposure outstanding on Indian Rupee receivables at year end in the Company.

(b) This is mainly attributable to the net exposure outstanding on Kuwaiti Dinar at year end in the Company.

**33.9 Interest rate risk management**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's fixed deposits are at fixed interest rates with variable maturity periods (Note 8). Investments in bonds are at fixed and floating interest rates and include both government and other bonds. The Company holds most of these bonds to maturity and the accounting policy for held-to-maturity investments are set out in Note 3.16.1. Thus repricing, in respect of fixed rate financial instruments, only occurs when funds are being reinvested on maturity of a deposit or bond.

### 33.10 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages credit risk with respect to receivables from policyholders by monitoring in accordance with defined policies and procedures. Credit risk with respect to reinsurance companies is not considered to be significant.

Insurance receivables are recorded to the extent of the month of October, November and December 2021, and there are no past due receivables. No collateral has been obtained in respect of these receivables.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities or customers.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings.

**Overall exposure to credit risk**

The carrying value of financial assets at the reporting date represents the Company's maximum exposure to credit risk on financial assets as summarised below:

| *Financial assets* | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Receivables at amortised cost (including bank balances and cash) | 175,385,266 | 134,395,466 |
| HTM investments (Note 9a) | 445,475,105 | 432,028,854 |
| AFS investments (Note 9b) | 36,167,037 | 46,769,465 |
| Investments at FVTPL (Note 9c) | 140,747,816 | 135,769,779 |
| | **797,775,224** | **748,963,564** |

### 33.11 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk can be caused by market disruptions or credit down grades, which may cause certain sources of funding to dry up immediately.

To mitigate the risk, management ensures it has access to diversified funding sources and assets are managed with liquidity in mind, thereby maintaining a healthy balance of cash and cash equivalents to meet any unexpected liquidity needs. The management of the Company also manages the maturities of the Company's financial assets and financial liabilities in such a way as to be able to maintain an adequate liquidity ratio.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been presented based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest (where applicable) and principal cash flows.

| | Weighted average effective interest rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | Total |
|---|---|---|---|---|---|---|
| | % | BD | BD | BD | BD | BD |
| **2021** | | | | | | |
| Non-interest bearing | - | **6,990,776** | **710,265** | **471,481** | **350,372** | **8,522,894** |
| **2020** | | | | | | |
| Non-interest bearing | - | **6,261,094** | **454,059** | **1,134,281** | **665,440** | **8,514,874** |

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the non-derivative financial assets including interest (where applicable) that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

| | Weighted average effective interest rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | 5+ years | Total |
|---|---|---|---|---|---|---|---|
| | % | BD | BD | BD | BD | BD | BD |
| **2021** | | | | | | | |
| Non-interest earning | - | 42,885,703 | 9,617,248 | 11,922 | 24,638,378 | - | 77,153,251 |
| Variable interest rate instruments | 1.11% | 12,442,980 | 53,712,545 | 43,332,665 | 8,420,152 | 84,203 | 117,992,545 |
| Fixed interest rate instruments | 4.87% | 2,881,617 | 2,878,983 | 35,013,480 | 217,916,898 | 622,967,434 | 881,658,412 |
| | | **15,324,597** | **56,591,528** | **78,346,145** | **226,337,050** | **623,051,637** | **999,650,957** |
| **2020** | | | | | | | |
| Non-interest earning | - | 35,062,022 | 9,330,007 | 1,856 | 36,424,540 | - | 80,818,425 |
| Variable interest rate instruments | 2.58% | 51,434,496 | 23,231,514 | 5,208,463 | 5,157,946 | 84,852 | 85,117,271 |
| Fixed interest rate instruments | 5.04% | 2,372,387 | 4,237,526 | 15,725,903 | 243,347,082 | 605,413,862 | 871,096,760 |
| | | **88,868,905** | **36,799,047** | **20,936,222** | **284,929,568** | **605,498,714** | **1,037,032,456** |

#### 33.12 Fair value of financial instruments

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. Consequently, differences may arise between the carrying values and the fair value estimates.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined by using prices from observable current market transactions and dealer quotes for similar instruments.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values, except in the case of certain held-to-maturity investments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1<br>BD | Level 2<br>BD | Level 3<br>BD | Total<br>BD |
| Investments designated at FVTPL (Note 9c) | 140,747,816 | - | - | 140,747,816 |
| AFS financial assets (Note 9b) | 25,746,041 | 8,768,669 | - | 34,514,710 |
| | **166,493,857** | **8,768,669** | **-** | **175,262,526** |

| | 2020 | | | |
|---|---|---|---|---|
| | Level 1<br>BD | Level 2<br>BD | Level 3<br>BD | Total<br>BD |
| Investments designated at FVTPL (Note 9c) | 135,769,779 | - | - | 135,769,779 |
| AFS financial assets (Note 9b) | 36,037,867 | 8,513,544 | - | 44,551,411 |
| | **171,807,646** | **8,513,544** | **-** | **180,321,190** |

There are no financial liabilities at FVTPL at the reporting date.

## 34. Geographical concentration of investments

#### 34.1 HTM investments

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| BRICS countries | 70,158,923 | 84,894,710 |
| Developed countries | 101,507,570 | 114,270,310 |
| Other countries | 273,808,612 | 232,863,834 |
| | **445,475,105** | **432,028,854** |

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| | BD | BD | BD | BD |
| **HTM instruments measured at amortised cost** | | | | |
| - Manufacturing | 50,654,507 | 61,135,377 | 47,594,034 | 59,746,470 |
| - Banking industry | 67,575,992 | 73,886,842 | 75,504,398 | 85,160,663 |
| - Real estate industry | 53,276,200 | 57,538,513 | 54,515,886 | 10,197,901 |
| - Oil and gas industry | 178,055,442 | 188,893,479 | 136,538,188 | 61,974,830 |
| - Government sector | 8,681,130 | 10,035,751 | 8,696,035 | 153,072,283 |
| - Others | 87,231,834 | 102,742,241 | 109,180,313 | 130,082,670 |
| | **445,475,105** | **494,232,203** | **432,028,854** | **500,234,817** |

### 34.2 AFS investments

| | 2021 | 2020 |
|---|---|---|
| | BD | BD |
| BRICS countries | 5,595,016 | 5,765,889 |
| Developed countries | 9,578,180 | 24,312,211 |
| Other countries | 19,341,514 | 14,473,311 |
| | **34,514,710** | **44,551,411** |

| Financial assets | Fair value as at 2021 | Fair value as at 2020 | Fair value hierarchy | Valuation technique and key inputs |
|---|---|---|---|---|
| | BD | BD | | |
| **AFS investments** | | | | Quoted bid prices in an active market |
| - Manufacturing | 4,056,593 | 7,644,964 | Level 1 | |
| - Banking industry | 12,402,217 | 8,737,579 | Level 1 | |
| - Oil and gas industry | 468,274 | 450,228 | Level 1 | |
| - Government sector | 388,694 | 400,102 | Level 1 | |
| - Real estate | 65,573 | 51,770 | Level 1 | |
| - Others | 8,364,690 | 18,753,224 | Level 1 | |
| **AFS Level 1** | **25,746,041** | **36,037,867** | | |
| **AFS investments** | | | | Net Asset Value reports as at 31 December |
| - Banking industry | 28,215 | 616,760 | Level 2 | |
| - Others | 8,740,454 | 7,896,784 | Level 2 | |
| **AFS Level 2** | **8,768,669** | **8,513,544** | | |
| | **34,514,710** | **44,551,411** | | |

### 34.3 Designated at FVTPL

| | 2021 | 2020 |
|---|---|---|
| | BD | BD |
| BRICS countries | 17,650,669 | 19,068,427 |
| Developed countries | 6,932,605 | 9,422,497 |
| Other countries | 116,164,542 | 107,278,855 |
| | **140,747,816** | **135,769,779** |

| Financial assets | Fair value as at 2021 BD | Fair value as at 2020 BD | Fair value hierarchy | Valuation technique and key inputs |
|---|---|---|---|---|
| **Designated at FVTPL** | | | | Quoted bid prices in an active market |
| Manufacturing industry | 2,712,509 | 4,175,432 | Level 1 | |
| Banking industry | 47,692,589 | 44,283,756 | Level 1 | |
| Oil and gas industry | 3,215,299 | 3,242,044 | Level 1 | |
| Government sector | 77,129,932 | 70,702,908 | Level 1 | |
| Real estate industry | 1,967,625 | 2,835,257 | Level 1 | |
| Others | 8,029,862 | 10,530,382 | Level 1 | |
| | **140,747,816** | **135,769,779** | | |

# 35. Contingencies and commitments

### 35.1 Taxation

The Director of Income Tax ("DIT") in Kuwait had finalised the Company's tax declarations in respect of the Company's Kuwait operations up to the year 2012.

During first half of year 2021, the tax department under Ministry of Finance, Kuwait completed the assessment of tax and issued demand of BD14,899 (USD39,416) and BD65,625 (USD173,610) for the year 2015 and 2016 respectively. Thereafter, company has filed objections before Kuwait - tax authorities against both these tax assessment orders in May 2021. However, additional tax provision has been made during year 2021 for BD80,524 (USD213,026) against tax demand for year 2015 and 2016. The Company has already filed appeals against the rejection of objections against the tax assessment for the year 2013 and 2014 before the Appeal Committee of Ministry of Finance- Kuwait, for which the decision is pending. Due to no response, the appeal was filed in September 2021 for the objections relating to year 2015 and 2016.

With respect to the earlier operations in Saudi Arabia, the Company did not receive any new tax assessment from year 2009 as of the approval date of this audited financial statement. The provision of BD134,949 was provided in the year 2010.

The Company's Oman Branch tax assessment has not been completed by the Oman tax authority since 2018. Oman tax assessments for the year 2018 to 2019 are in progress. The Company's management is of the opinion that the additional taxes, if any, that may become payable on finalisation of the said assessment would not be significant to the Company. Therefore, no provision for such additional tax liability has been made in the financial statements.

### 35.2 Commitments

| | 2021 BD | 2020 BD |
|---|---|---|
| Investment commitments | 188,413 | 197,470 |

# 36. Capital management policies and procedures

The Board policy is to maintain an acceptable reserve for the Company so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company uses the available financial surplus by investing in low risk investments whilst achieving acceptable returns for the Company. The CBB regulations require minimum capital of BD 5,000,000 to be maintained at all times. Any shortfall in capital is bridged by additional contribution of capital by the shareholders. As at 31 December 2021, the solvency ratio is well above the minimum regulatory requirement of 100%.

| | 2021<br>BD | 2020<br>BD |
|---|---|---|
| Tier 1 capital | 99,107,582 | 50,043,679 |
| Tier 2 capital | 2,903.194 | 4,307,726 |
| Deductions from capital | (10,376,808) | (10,296,285) |
| Regulatory capital (A) | **91,633,969** | **44,055,120** |
| Solvency margin requirement (B) | **27,690,388** | **27,585,889** |
| Excess solvency margin (A-B) | **63,943,581** | **16,469,231** |
| Solvency ratio (A/B) | **330.9%** | **159.7%** |

# 37. Post- reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

# 38. Life insurance corporation group information

Life Insurance Corporation of India's Group financial information can be accessed at www.licindia.in

# Supplementary information

## Supplementary disclosure – COVID-19 impact (Unaudited and not reviewed)
## For the year ended 31 December 2021

On 21 February 2020, Kingdom of Bahrain confirmed the first case of COVID-19 whilst Health Ministry in Bahrain was on high alert and started implementing pre-emptive measures from January 2020. On 11 March 2020, World Health Organization (WHO) declared COVID-19 outbreak a global pandemic and asserted the threat posed by this virus. COVID-19 pandemic is presenting challenges for many entities throughout the world. The pandemic arrested the growth in business & resulted in pulling down the activities of the Company. However, it is difficult to identify full extent of any financial impact yet.

The Company is actively monitoring the COVID-19 situation, and in response to this outbreak, has taken steps for disaster recovery, business continuity & risk management plan to manage the potential business disruption on its operations and financial performance. The Central Bank of Bahrain (CBB) announced various measures to combat the effects of COVID-19 to ease liquidity conditions in the economy as well as to assist financial institutions in complying with regulatory requirements.

The Company's operations got impacted as the other companies around the globe. Being a life insurance company, having a good underwriting practice, and death claims due to COVID being low, the Company is not expecting a major financial impact. However, the new business performance of the Company for the year ended 31 December 2021 has been impacted significantly as illustrated below:

| | Year ended 31 December 2021 | Year ended 31 December 2020 |
|---|---:|---:|
| Number of policies issued | 2,555 | 5,611 |
| Number of Lives Assured | 1,219 | 2,014 |
| New premium (BHD in '000) | 26,075 | 38,725 |

The above information is provided to comply with the requirement of CBB circular OG/259/2020 (Financial Impact of COVID-19) dated 14 July 2020. This information does not represent the exact full comprehensive assessment of COVID-19 impact on the Company. In addition, this information is not subject to a formal review by the external auditors.