

Solidarity Bahrain B.S.C.
FINANCIAL STATEMENTS
31 DECEMBER 2021

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Solidarity Bahrain B.S.C.

General information

For the year ended 31 December 2021

Commercial registration	5091 obtained on 17 August 1976
Board of Directors	
Tawfeeq Shehab	Chairman of the Board, Chairman of Nomination & Remuneration Committee and member of the Audit & Risk Committee (Independent Non-Executive Director)
Ashraf Bseisu	Vice Chairman of the Board, Chairman of the Executive Committee and Member of the Nomination & Remuneration Committee (Executive Director)
Dr. Nadhem Al Saleh	Board Member, Chairman of Audit & Risk Committee, member of Corporate Governance Committee and member of Nomination & Remuneration Committee (Independent Non-Executive Director)
Sharif Ahmadi	Board Member, Chairman of Corporate Governance Committee, and member of the Executive Committee (Independent Non-Executive Director)
Venkatesan Muniswamy	Board Member and member of the Executive Committee (Executive Director)
Bashar Nass	Board member and member of Audit & Risk Committee (Non-Independent Non-Executive Director)-
Ali Abdulrahim	Board member and member of the Executive Committee (Non-Independent Non-Executive Director)
Executive Committee	Ashraf Bseisu – Chairman Sharif Ahmadi Venkatesan Muniswamy Ali Abdulrahim
Audit and Risk Committee	Nadhem Al Saleh – Chairman Tawfeeq Shehab Bashar Nass
Nomination and Remuneration Committee	Tawfeeq Shehab – Chairman Nadhem Al Saleh Ashraf Bseisu
Corporate Governance Committee	Sharif Ahmadi – Chairman Dr. Nadhem Al Saleh Shaikh Dr. Osama Bahar – Chairman of the Sharia Supervisory Board

Solidarity Bahrain B.S.C.

General information (continued) **For the year ended 31 December 2021**

Sharia Supervisory Board

Shaikh Dr. Osama Bahar	Chairman of Sharia Supervisory Board and member of Corporate Governance Committee
Shaikh Mohsin Shaikh A. Hussain Al Asfoor	Member of Sharia Supervisory Board
Shaikh Abdul Naser Al Mahmood	Member of Sharia Supervisory Board

Management

Jawad Mohammed	Chief Executive Officer
Nandakumar Duraiswamy	Deputy General Manager – Operations
Jai Prakash Pandey	Assistant General Manager – Business Development
Mohammed Awachi	Assistant General Manager – Corporate Support
Yaser Al Hammadi	Assistant General Manager – Compliance, Risk Management & MLRO
Sanjeev Aggarwal	Head of Finance

Head Office

7th Floor – Seef Tower
Flat 71, Building 2080, Road 2825, Block 428
PO Box 5282
Seef Area, Manama – Kingdom of Bahrain
Telephone: +973 17585222
Fax: +973 17585200
Website: www.solidarity.com.bh

Branches

Seef Mall Branch	Flat 379, Building 2102, Road 2825, Block 428 Al Seef
Arad Branch	Building 35, Road 40, Block 240 Arad
Sanad Branch	Building 2414, Road 4571, Block 745 Sanad
Salmabad Branch	Building 1405, Road 426, Block 704 Salmabad

Principal bankers

Ithmaar Bank B.S.C. (c), Kingdom of Bahrain
Ahli United Bank B.S.C., Kingdom of Bahrain

Auditor

Deloitte & Touche – Middle East
P.O. Box 421
Manama, Kingdom of Bahrain

Actuary

Lux Actuaries and Consultants
PO Box 50912 – Manama, Kingdom of Bahrain

Shares registrar

Bahrain Clear, Kingdom of Bahrain

Solidarity Bahrain B.S.C.**Report of the Board of Directors
For the year ended 31 December 2021**

On behalf of the Board of Directors, we are pleased to present the annual report and financial statements of Solidarity Bahrain B.S.C. (the Company) for the year ended 31 December 2021.

Strong Financial Results

2021 saw the beginnings of a return to normality following the disruptions of the pandemic in 2020. The return of more normalised economic behaviour and activity also signalled a return to growth for Solidarity Bahrain. Revenues in the form of gross contributions increased by 5% to BD31.6 million (2020: 30.2 million), while the loss ratio declined to 57% (2020: 62%). This strong performance contributed to a reported net profit growth of 7% to BD3.3 million (2020: 3.1 million). The Company also remains committed to a prudent and solid balance sheet position demonstrated by solvency ratio of 470%, comfortably in excess of regulatory minimum standards. The capital available to cover the solvency margin is BD 16.7 million; while the minimum solvency margin required is BD 3.0 million for general takaful business, and BD 568 thousand for family takaful business.

This robust performance in 2021 led to earnings per share of Fils 24.04 (2020: Fils 22.38). At the year end, total shareholder equity stood at BD 29.95 million, an increase of 6% over 2020. Based on these results, the Board of Directors is proposing a cash dividend of 20% for 2021 for approval by Shareholders at the forthcoming Annual General Meeting.

Ratings Confirmation

Pursuant to the announcement on 27 January 2022 by Solidarity Bahrain's ultimate parent, Ithmaar Holding B.S.C., that it has agreed to sell a group of assets, including Solidarity Bahrain's intermediate parent, Solidarity Group Holding B.S.C., to Al Salam Bank B.S.C., AM Best has placed under review with developing implications the Financial Strength Rating of B++ (Good) and the Long-Term Issuer Credit Rating of "bbb+" (Good) of Solidarity Bahrain. As per AM Best, when such significant events occur it is common practice at AM Best to put the rating "under review" to highlight that the current rating has the potential for a near-term change (typically within six months) and that AM Best is gathering/awaiting more information to review and make a final decision. The ratings are expected to remain under review until the transaction closes and AM Best has assessed its impact on Solidarity Bahrain's credit fundamentals. The management don't foresee any adverse implication on the rating of Solidarity Bahrain due to this significant event.

Industry Recognition

In 2021, the Company's achievements during the year were recognized by the receipt of additional prestigious industry awards. These include being named "Best Online Insurance Company in Bahrain" and "Best General Insurance Company for Innovation in Bahrain" by Global Economics magazine.

The Board also takes this opportunity to congratulate Chief Executive Officer for being named by The Global Economics magazine as 'Best Insurance CEO in Bahrain' for 2021.

Solidarity Bahrain B.S.C.**Report of the Board of Directors (continued)**
For the year ended 31 December 2021**Strategic Progress**

We are pleased to report that Solidarity's three-year ACTS strategy cycle has commenced in 2021 which is based on the key pillars of Agility, Collaboration, Transformation and Scaling Up, and with an ultimate focus on Customer-Centricity.

Notable strategic achievements include the successful completion of t'azur merger with Solidarity Bahrain effective 27 January 2022, along with the first of its kind on-spot motor claim cash settlement service in the Kingdom of Bahrain, a new life insurance plan that covers COVID-19 medical expenses, and the sponsorship of BIBF new building to support Fintech and Insurtech training developments in Bahrain. At the same time, we strengthened the human capital framework of Solidarity Bahrain with a number of senior management promotions, and an interactive soft skills training programme for the staff while continuing to enhance insurance awareness and perception through expanded public relations activities and increased use of social media channels.

Completion of Merger

The board has a positive futuristic outlook after the successful completion of t'azur merger with Solidarity Bahrain effective 27 January 2022. This promises to be a transformational transaction, bringing scale and opportunity to the Bahraini Takaful market, and underscoring Solidarity's position as the Kingdom's leading insurer. The merger created a consolidated entity with a significantly large portfolio which will leverage on the synergy between the two operations to elevate value for all stakeholders. T'azur's merger with Solidarity Bahrain will further enhance latter's ability to provide access to a wide range of insurance offerings to both retail and corporate clients. Solidarity will remain committed to its values of further elevating clients' and business partners' overall experience to new heights.

The merger is the second to be completed by Solidarity in less than five years, following the successful merger and integration of Al Ahlia Insurance Company in 2017.

Future Outlook

As we emerge from the Covid pandemic, there are several reasons for optimism in our outlook for 2022 and beyond. The unprecedented success of the Covid vaccine developments has caused a rapid return to normality for most businesses and societies. This has caused an economic bounce-back, with the IMF predicting global growth of 4.4% in 2022, the oil price has stabilised and is forecast to remain robust in the face of continued demand increases. This of course is positive for the GCC, and we expect the beneficial economic impacts of a sustained elevated oil price to continue in 2022. We expect the full integration of T'azur with Solidarity Bahrain to proceed smoothly, and for the benefits of our larger scale to flow through to our business performance in 2022.

Acknowledgements

On behalf of the Board of Directors, we extend our sincere appreciation to His Majesty the King of Bahrain, and His Royal Highness the Crown Prince and Prime Minister, for their wise leadership and reform programme, and their support for the Kingdom's insurance sector.

Grateful acknowledgements are also due to the Central Bank of Bahrain, the Bahrain Bourse, the Ministry of Industry, Commerce & Tourism, and other Government institutions, for their continued professional advice and guidance during the year.

In addition, we express our gratitude to the shareholders of Solidarity Bahrain for their unwavering encouragement and assistance, and to the Company's participants, business partners and other stakeholders, for their continued support and confidence. We also pay special tribute to the dedicated efforts and contributions of the Company's management and staff, and the executive management of Solidarity Group Holding, for their dedicated efforts and contributions during 2021.

Solidarity Bahrain B.S.C.
Report of the Board of Directors (continued)
For the year ended 31 December 2021

The table below that shows the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ended 31 December 2021.

First: Board of Directors' Remuneration Details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors:													
1- Tawfeeq Shehab	-	4,800	-	-	4,800	9,083	-	-	-	9,083	-	13,883	-
2 Nadhem Al Saleh	-	4,800	-	-	4,800	9,083	-	-	-	9,083	-	13,883	-
3 Sharif Ahmadi	-	4,800	-	-	4,800	8,500	-	-	-	8,500	-	13,300	-
Second: Non-Executive Directors:													
1- Bashar Nass	-	4,200	-	-	4,200	9,083	-	-	-	9,083	-	13,283	-
2- Ali Abdulrahim	-	4,800	-	-	4,800	9,083	-	-	-	9,083	-	13,883	-
Third: Executive Directors:													
1- Ashraf Bseisu	-	5,400	-	-	5,400	9,083	-	-	-	9,083	-	14,483	-
2- Venkatesan Muniswamy	-	4,800	-	-	4,800	9,083	-	-	-	9,083	-	13,883	-
Total	-	33,600	-	-	33,600	62,998	-	-	-	62,998	-	96,598	-

1. The Company does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.
2. Board remuneration represents payments made during the year 2021 based on approval of the Annual General Meeting dated 28th March 2021.

Solidarity Bahrain B.S.C.

Report of the Board of Directors (continued)
For the year ended 31 December 2021

Second: Executive Management Remuneration Details for Top Six Executives:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Remunerations of top Six executives, including CEO and Head of Finance	337,665	158,101	1,500	497,266



Tawfeeq Shebab
Chairman

22 February 2022



Ashraf Bseisu
Vice Chairman

Board of Directors profile
For the year ended 31 December 2021

Tawfeeq Shehab – Chairman of the Board, Chairman of Nomination & Remuneration Committee and member of Audit & Risk Committee (Independent Non-Executive Director) - Effective 27th December 2017

- Independent Non-Executive Director
- Bahraini National
- Master's Degree "MBA" from University of Pennsylvania, Indiana, USA and an Associate member of the Chartered Insurance Institute of the UK
- Over 32 years of experience in insurance and financial services

Key Positions & Directorships held

- Board Member of Motor Compensation Fund
- Formerly, Director of Insurance Supervision Directorate – Central Bank of Bahrain, Bahrain
- Formerly, Director at Insurance Directorate – Ministry of Industry, Commerce and Tourism, Bahrain
- Formerly, General Manager of Al Ahlia Insurance Company B.S.C.

Ashraf Bseisu – Vice Chairman, Chairman of the Executive Committee and member of the Nomination & Remuneration Committee (Executive Director) – Effective 27th December 2017

- Executive Director
- Bahraini National
- Masters' in Business Management and Information System from the "London School of Economics", United Kingdom and Bachelor's degree from "Southern Methodist University" in the United States of America.
- An Associate member of the Chartered Insurance Institute of the UK
- An Associate member of the American Institute of Management Accountants.
- 32 years of experience in insurance and financial services

Key Positions & Directorships held:

- Group Chief Executive Officer and member of the Executive Committee of Solidarity Group Holding B.S.C. (closed) Bahrain.
- Chairman of the Board and Executive Committee and Member of Nomination & Remuneration Committee of First Insurance Company PLC., Jordan
- Chairman of Solid Ventures W.L.L., Bahrain
- Chairman of Solid Capital W.L.L., Bahrain
- Chairman of the Technical Committee of Arab War Risk Insurance Syndicate (AWRIS)
- Board member and member of the Investment Committee, Aljazira Takaful Taawuni Co., KSA
- Board Member and member of the Executive Committee of the Bank of Bahrain and Kuwait (BBK) – Bahrain
- Board Member and Chairman of the executive committee of United Insurance Company B.S.C. (c)
- Board Member and Chairman of Remuneration, Nomination, & Corporate Governance Committee, Bahrain Institute of Banking & Finance
- Formerly, Chairman of Solidarity Takaful S.A, Luxembourg
- Formerly, Chairman of Al Moazarah Investment Company, Jordan
- Formerly, Chairman of Al Somood Investment Company, Jordan
- Formerly, Chairman of the Bahrain Insurance Association (BIA)
- Formerly, President of the General Arab Insurance Federation (GAIF)

Solidarity Bahrain B.S.C.

Board of Directors profile (continued) For the year ended 31 December 2021

Dr. Nadhem Al Saleh– Board Member, Chairman of Audit & Risk Committee, member of Corporate Governance Committee and member of Nomination & Remuneration Committee (Independent Non-Executive Director) – Effective 27th December 2017

- Independent Non-Executive Director.
- Bahraini National
- Ph.D. in Finance from Brunel University, England, Master's Degree "MBA" from University of Pennsylvania, Indiana, USA and Bachelor Degree of Petroleum Engineering from University of Baghdad, Iraq.
- 47 years experience in academia and commerce

Key Positions & Directorships held:

- Board Member of APM Terminals B.S.C., and Chairman of the Audit, Risk and Compliance Committee, and Member of Nomination & Remuneration Committee
- Member of Board of Trustees of Kanoo Award for Creativity & Excellence (2015) and Member of the Award Executive Committee
- Member of Bahrain Family Business Association
- Formerly, Vice President of Scientific Research, University of Bahrain
- Formerly, Dean of Scientific Research Department, University of Bahrain
- Formerly, Chairperson of Finance & Economics Department- University of Bahrain
- Formerly, Lecturer of Finance & Accounting, University of Bahrain
- Formerly, Member of Founding Council for higher Education and Member of Finance & Administration Committee, Bahrain
- Formerly, Member, University of Bahrain Committee to Review the Budget
- Formerly, Member, National Charter Action Committee, Bahrain
- Formerly, Member, Association of Arab Human Resource Development
- Formerly, Board Member of Saleh Al-Saleh Company, Bahrain

Sharif Ahmadi – Board Member, Chairman of Corporate Governance Committee and Member of the Executive Committee (Independent Non-Executive Director) – Effective 27th December 2017

- Independent Non-Executive
- Bahraini National
- Holds a BSc in Electrical Engineering and Electronics from the UK.
- Rich Managerial and Business experience serving on the board of various companies.
- 44 years' experience in commerce and industry

Key Positions & Directorships

- Board Member - Bahrain Family Leisure Company B.S.C.
- Board Member and Managing Director, Dar Al Khaleej for Trading & Contracting W.L.L, Bahrain
- Board Member and Joint Managing Director, Bahrain Waste Treatment Company W.L.L
- Executive Director, National Institute for Industrial Training, Bahrain
- Aluminium Services W.L.L - Board member & managing director

Solidarity Bahrain B.S.C.

Board of Directors profile (continued) For the year ended 31 December 2021

Venkatesan Muniswamy – Board Member and member of the Executive Committee (Executive Director) - Effective 27th December 2017

- Executive Director
- Indian National
- Bachelors' degree in Commerce from University of Madras, India, Fellow member of the Institute of Chartered Accountants of India and an Associate member of the Insurance Institute of India.
- 35 years of experience in Insurance Industry covering Finance, Accounting, Investments, Internal Audit, Reinsurance, Compliance, Corporate Governance and Risk Management.

Key Positions & Directorships held:

- Chief Operating Officer of Solidarity Group Holding B.S.C. (c), Bahrain
- Vice-Chairman of Solid Ventures W.L.L., Bahrain
- Vice-Chairman of Solid Capital W.L.L., Bahrain
- Formerly Board Member of Solidarity Takafol SA, Luxembourg
- Formerly Board Member of Al Somood Investment Company, Jordan
- Formerly Board Member of Al Moazarah Investment Company, Jordan
- Formerly, Board Member & Member of the Audit Committee of First Insurance Company PLC., Jordan
- Formerly, Board Member of Mulkiyat Investment Company, Jordan
- Formerly, Finance Manager at Al Ahlia Insurance Company, Bahrain
- Formerly, Administrative Officer at United India Insurance Co Ltd., India

Bashar Nass - Board member and member of the Audit & Risk Committee (Non-Independent Non-Executive) - Effective 19 February 2018

- Non-Independent Non-Executive
- Bahraini National
- Holds a Bachelor's degree in Constructions Management from the University of Westminster in UK
- Over 14 years of experience in Constructions Management

Key Positions & Directorships held:

- Director of Nass the Group and Nass Corporation B.S.C.
- Board Member and Managing Director, Nass International Trading, Bahrain
- Board Member, Abrasive Technology Industries, Bahrain
- Formerly, Board Member, American Chamber of Commerce, Bahrain

Ali Abdulrahim – Board Member and Member of the Executive Committee (Non-Independent Non-Executive) – Effective 4th February 2019

- Non-Independent Non-Executive
- Bahraini National
- Holds a Master of Business Administration (Major in Marketing & Management) - McCallum Graduate School of Business – Boston, USA and a Bachelor of Science (Major in Economic & Finance with a minor in Politics) – Bentley University – Boston, USA
- 10 years experience in investments, F&B, Marine, Active Entertainment, Sports, and Real Estate

Key Positions & Directorships held:

- Board Member and Managing Director – Rahim Holdings (Manama, Bahrain)
- Board Member, Foodvest Holdings, Bahrain

Solidarity Bahrain B.S.C.

Executive management profile

For the year ended 31 December 2021

Jawad Mohammed – Chief Executive Officer

Jawad Mohammed has 27 years' experience in business management and insurance industry. He joined Solidarity from its inception, having previously worked for the Ministry of Education, Bahrain National Holding, and Al Ahlia Insurance in the Kingdom of Bahrain.

Jawad is a Member of the Investment Committee of Solidarity Group Holding, and also represents the Group on the Boards of various subsidiary companies. He is a Board member in Health 360° Ancillary Services W.L.L, Board Member, Member of the Risk Committee, and Chairman of IT Committee of First Insurance Company, Jordan. His other Board Memberships include Solid Ventures WLL, Bahrain, and Solid Capital WLL, Bahrain. He is also the Chairman of the Bahrain Insurance Association (BIA).

Jawad is an Associate of the Chartered Insurance Institute, UK; and a Certified AntiMoney Laundering & Compliance Specialist. He holds an MSc in Computing from the University of Sunderland, UK; and a BSc in Computer Science from Bangalore University, India. He also attended the Gulf Executive Development Program at the Darden School of Business, University of Virginia, USA.

Nandakumar Duraiswamy – Deputy General Manager - Operations

Nandakumar Duraiswamy has 42 years' experience in general insurance, having worked in both India and Bahrain. Prior to joining Solidarity Bahrain in 2012, he was a Senior Manager at Al Ahlia Insurance Company BSC, Bahrain. Previously, he spent 26 years in various management and technical positions with the United India Insurance Company, India.

A Qualified Chartered Insurer, Nandakumar is a Fellow of the Insurance Institute of India; and an Associate Member of the Chartered Insurance Institute, UK. He holds Master's and Bachelor's degrees from the University of Madras, India; and a Bachelor of General Law degree from Madurai Kamaraj University, India.

Jai Prakash Pandey – Assistant General Manager – Business Development

Jai Prakash Pandey has 26 years' experience in business development and marketing within the insurance industry, in Bahrain and India. He has particular expertise in sales management, marketing planning, product development, strategic and budget planning, and customer relationship management. He joined Solidarity Bahrain in 2007, having previously worked as Business Development Manager with Infodata Limited, Bahrain; and as a Systems Engineer with Gray Technologies (Tata Institute of Fundamental Research) in Mumbai, India.

Jai is a Qualified Electronics Engineer, and an Associate Member of the Chartered Insurance Institute (ACII), UK. He holds an MBA in Marketing from the Indira Gandhi National Open University (IGNOU) University, Delhi, India; and a Bachelor in Engineering in Electronics from Bombay University, India.

Solidarity Bahrain B.S.C.

Executive management profile (continued) For the year ended 31 December 2021

Mohammed Awachi – Assistant General Manager – Corporate Support

Mohammed Awachi has 23 years' professional experience in strategic planning, project management, change management, information technology and service delivery. Joining Solidarity Bahrain from its inception, he has been involved in several key Company projects, including creation of the IT department, development of a Business Continuity Plan, establishment of the physical Branch Network, and the launch of Digital Services. Prior to joining the Company, he worked for DHL Worldwide Express, Bahrain; and Bahrain & Kuwait Insurance Company, Bahrain.

Mohammed holds a BSc in Computer Science from AMA International University, Bahrain

Yaser Al Hammadi – Assistant General Manager – of Compliance and Risk Management & Money Laundering Reporting Officer (MLRO) & Personal Data Protection and Secretary to the Board of Directors

Yaser Al Hammadi has 17 years' experience in banking and financial services, with particular expertise in the areas of compliance, risk management, business development, operations and investments. Prior to joining Solidarity in 2012, he was Head of Risk Management and Compliance at Sakana Holistic Housing Solutions, Bahrain; and previously worked at Kuwait Finance House, Bahrain.

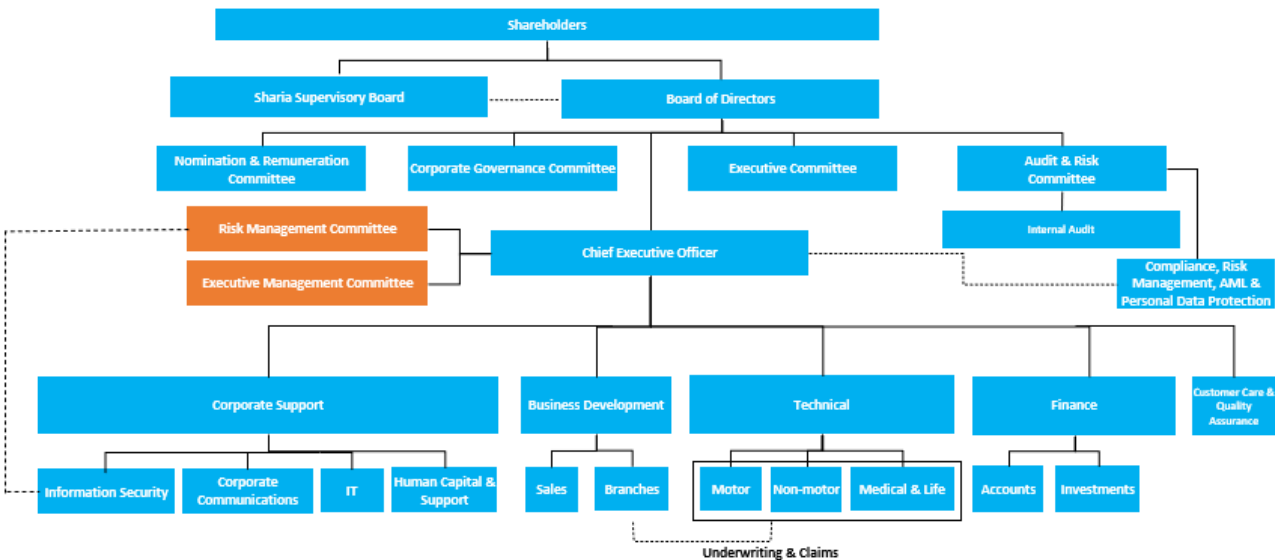
Yaser is a Member of the Professional Risk Managers' International Association, US; a Member of the Chartered Institute for Securities and Investment, UK; and a Certified Insurance Supervisor. He holds an MBA from the University of Glamorgan, UK; a Degree in Chemical Engineering from the University of Bahrain; an Advanced Diploma in Islamic Banking & Finance from the Bahrain Institute of Banking & Finance; and a FFRM from the Bahrain Institute of Banking & Finance. Yaser completed a Leadership Development Program from the University of Virginia Darden School of Business, US.

Sanjeev Aggarwal – Head of Finance

Sanjeev Aggarwal has 17 years' experience in financial control, accounting, auditing, compliance and risk management. Prior to joining Solidarity Bahrain in 2014, he worked with reputed audit firms in India and Bahrain, where he conducted external and internal audits, system audits and special purpose assignments for clients in the insurance, financial services, investments, manufacturing, real estate and construction sectors.

Sanjeev is an Associate of the Chartered Insurance Institute, UK; an Associate of the Chartered Accountants of India; an Associate of the Insurance Institute of India; and holds a Bachelor's degree in Commerce from the University of Delhi, India. He is Vice-Chairman of the Finance Committee of the Bahrain Insurance Association (BIA) and also Chairman of BIA IFRS 17 Technical Committee.

Organisational chart
For the year ended 31 December 2021



Solidarity Bahrain B.S.C.

Corporate Governance

For the year ended 31 December 2021

Solidarity Bahrain is committed to compliance with the regulatory requirements of the Corporate Governance Guidelines as a framework for the governance of the Company. These guidelines are developed to cover matters specifically stated in the Bahrain Commercial Companies Law, Bahrain's Corporate Governance Code (the "CGC"), the Company's Articles of Association, Rulebook Volume "3" of the Central Bank of Bahrain (the "CBB"), and other corporate governance matters deemed appropriate by the Board.

With reference to Module HC and its principles in the Rulebook Volume "3" of the CBB, we are pleased to apprise that the Company is in compliance and has effectively implemented the regulations as stated in the Rulebook, reinforcing the values of responsibility, accountability, fairness and transparency of the Company.

Ownership Structure

Solidarity Group Holding B.S.C (Closed) owns 84.17% of the Company's capital, and various individual and corporate shareholders own the remaining 15.83%. Furthermore, Mr. Ashraf Bseisu (the Vice-Chairman) and Mr. Sayed Jawad Mohammed (the CEO) each holds 26,812 shares on behalf of and for the beneficial interest of Solidarity Group Holding B.S.C (Closed).

The Board

The Board of the Company consists of seven (7) members. At least half of the Company's Board should be non-executive directors and at least three (3) of those persons should be independent directors.

The Company is controlled through its Board of Directors that is ultimately accountable and responsible for the management and performance of the Company. The Board's main roles are to provide entrepreneurial leadership, approve Company's strategic policies, plans and objectives and ensure that the necessary financial and other resources are made available to meet those objectives.

The specific responsibilities reserved to the Board include:

- Review and approve the Company's strategic plans, business plans and budgets, management structure and responsibilities, and systems and controls framework.
- Assess the adequacy of capital to support the business risks of the Company.
- Ensure compliance with the laws, rules, regulations, accounting and auditing principles, and internal policies governing the business of the Company.
- Maintain the integrity of the Company's relationship with its shareholders.

The Board is assisted by four sub-committees; the Audit & Risk Committee, the Corporate Governance Committee, the Executive Committee and the Nomination & Remuneration Committee. The roles and responsibilities of these committees have been defined by their charters duly approved by the Board. The Board is also supported by the Management Investment Committee of the parent company.

Solidarity Bahrain B.S.C.

Corporate Governance (continued) For the year ended 31 December 2021

Board Meetings and Attendances Policy

The Board is required to meet at least four times in a financial year.

Schedule of Board Meetings and attendance in 2021 (All Board meeting were convened in the Kingdom of Bahrain):

Board Members	22 Feb	10 May	10 Aug	09 Nov	09 Dec
Mr. Tawfeeq Shehab – Chairman (Independent Non-Executive)	✓	✓	✓	✓	✓
Mr. Ashraf Bseisu – Vice Chairman (Executive Director)	✓	✓	✓	✓	✓
Dr. Nadhem Al Saleh (Independent Non-Executive)	✓	✓	✓	✓	✓
Mr. Sharif Ahmadi (Independent Non-Executive)	✓	✓	✓	✓	✓
Mr. Venkatesan M. (Executive Director)	✓	✓	✓	✓	✓
Mr. Bashar Nass (Non-Executive)	✓	✓	✓	✓	✓
Mr. Ali Isa Abdulrahim (Non-Executive)	✓	✓	✓	✓	✓

Board Committees

Audit and Risk Committee

The Audit and Risk Committee shall consist of at least three members. The majority of the members of the members including the Chairman must be independent or non-executive directors. The committee must meet at least four times a year.

The Audit and Risk Committee is responsible for the review of the financial statements on a regular basis to ensure the Company has followed appropriate accounting policies and made appropriate estimates and judgments, taking into account the views of the external auditors. In addition, the Audit and Risk Committee is also responsible for ensuring compliance with relevant laws and regulations.

Schedule of Audit and Risk Committee meetings and attendance in 2021:

Audit and Risk Committee Members	22 Feb	10 May	10 Aug	09 Nov
Dr. Nadhem Al Saleh (Independent Non-Executive)	✓	✓	✓	X
Tawfeeq Shehab (Independent Non-Executive)	✓	✓	✓	✓
Bashar Nass (Non-Independent Non-Executive)	✓	✓	✓	✓

Solidarity Bahrain B.S.C.

Corporate Governance (continued) For the year ended 31 December 2021

Nomination & Remuneration Committee

The Nomination & Remuneration Committee shall consist of at least three members. The majority of the members of the committee including the Chairman shall be independent and/or non-executive directors.

The Nomination and Remuneration Committee is responsible for assisting in proposing for the appointment of new/additional director(s) to the Board of the Company. The Committee shall also assist the Board in the consideration of personnel and remuneration issues within Company.

Schedule of Nomination and Remuneration Committee meetings and attendance in 2021:

Nomination & Remuneration Committee	21 Feb	18 Nov
Tawfeeq Shehab (Independent Non-Executive)	✓	✓
Nadhem Al Saleh (Independent Non-Executive)	✓	✓
Ashraf Bseisu (Executive Director)	✓	✓

Corporate Governance Committee

The Corporate Governance Committee shall consist of at least three members who are only independent directors. One of the members shall be a Shari'a scholar who is a member of the Shari'a Supervisory Board ("SSB") of the Company for the purpose of leading the Committee on Shari'a-related governance issues. The Committee shall meet at least once a year.

The Corporate Governance Committee is responsible for the oversight and monitoring of the implementation of the Corporate Governance Guidelines by working together with the management, the Audit & Risk Committee, and the SSB. In addition, the Committee is responsible for providing to the Board reports and recommendations based on its findings during the normal course of the exercise of its functions.

Schedule of **Corporate Governance** Committee meetings and attendance in 2021:

Corporate Governance Committee	08 Dec
Sharif Ahmadi (Independent Non-Executive)	✓
Dr. Nadhem Al Saleh (Independent Non-Executive)	✓
Shaikh/ Dr. Osama Bahar – Member of the Sharia Supervisory Board	✓

Solidarity Bahrain B.S.C.

Corporate Governance (continued) For the year ended 31 December 2021

Executive Committee

The Executive committee has the following responsibilities:

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

Schedule of Executive Committee meetings and attendance in 2021:

Executive Committee	28 Jan	22 Mar	6 May	24 Jun	7 Oct	1 Dec
Ashraf Bseisu - Chairman	✓	✓	✓	✓	✓	✓
Sharif Ahmadi	✓	✓	✓	✓	✓	X
Venkatesan Muniswamy	✓	✓	✓	✓	✓	✓
Ali Abdulrahim	✓	✓	✓	✓	✓	✓

Number of directorships of Board Members:

Board Members	Number of Other Directorships in Bahrain
Mr. Tawfeeq Shehab– Chairman (<i>Independent Non-Executive</i>)	-
Mr. Ashraf Bseisu – Vice Chairman (<i>Executive Director</i>)	6
Dr. Nadhem Al Saleh (<i>Independent Non-Executive</i>)	1
Mr. Sharif Ahmadi (<i>Independent Non-Executive</i>)	4
Mr. Venkatesan Muniswamy (<i>Executive Director</i>)	2
Mr. Bashar Nass (<i>Non-Independent Non-Executive</i>)	3
Mr. Ali Abdulrahim (<i>Non-Independent Non-Executive</i>)	2

Independent Director

An 'independent director' is a director whom the board has specifically determined that he has no material relationship which could affect his independence of judgment, taking into account all known facts. The board considers that, although a particular director meets the formal requirements, he may not be independent owing to specific circumstances of the person or the company, ownership structure of the company, or for any other reason. Independent director means a non-executive director of company who, or whose family shareholders either separately or together with him or each other, does not have any material pecuniary relationships or transactions with the company (not counting director's remuneration for this purpose) and in particular who, during the one year preceding the time in question met all the following conditions:

- (a) Was not an employee of the Company;
- (b) Did not:
 - (i) Make to, or receive from, the company payments of more than 31,000 BD or equivalent (not counting director's remuneration);
 - (ii) Own more than a 10% share or other ownership interest, directly or indirectly, in an entity that made to or received from the company payments of more than such amount;

Solidarity Bahrain B.S.C.

Corporate Governance (continued) **For the year ended 31 December 2021**

Independent Director (continued)

- (iii) Act as a general partner, manager, director or officer of a partnership or company that made to or received from the company payments of more than such amount;
- (iv) Have any significant contractual or business relationship with the company which could be seen to materially interfere with the person's capacity to act in an independent manner;
- (c) Did not own directly or indirectly (including for this purpose ownership by any family member or related person) 5% or more of the shares of any type or class of the Company;
- (d) Was not engaged directly or indirectly as an auditor or professional advisor for the company; and
- (e) Was not an associate of a Director or a member of senior management of the company.

For purposes of this definition, the 'payments' referred to in paragraph (b)(i), (b)(ii) and (b)(iii) do not include monies received from dividends; reference to such payments only applies to contractual payments for services rendered to the company by the director or company concerned, or paid (or payable) by the concerned director or company to the company for services provided by the company.

- (a) Where the term "family" or "family member " is used reference is made to: spouse, father, mother, son(s) or daughter(s); and
- (b) Where the term "associate" is used reference is made to:
 - (i) Spouse, father, mother, son(s) or daughter(s); or
 - (ii) A person who is an employee or partner.

Executive Management Committee

The Executive Management Committee members shall comprise of the Chief Executive Officer and of SB's heads of key functions. At all times, the Deputy General Manager – Operations, Assistant General Manager– Business Development and Head of Finance will be members of the Committee. The Chairman of the Committee shall be the CEO, and the Committee may elect a deputy from its members to stand in, when the CEO is absent. The Executive Management Committee shall meet at least four times a year.

The Executive Management Committee is an advisory body and is a forum for corporate governance implementation and review, operational monitoring and control, inter-company communication, idea generation, and strategic planning.

Risk Management Committee

The Risk Management Committee members shall consist of at least six members. The Chairman of the Committee shall be the Chief Executive Officer. The Risk Management Committee shall meet at least four times a year.

The objective of the Risk Management Committee is to act as a body that assists management in overseeing the development and implementation of a risk management framework and to identify and measure risks associated with the various functions or activities of the Company.

Director Orientation and Continuing Education

The Board has established an orientation process for new directors. With the assistance of the Board Secretary, the Chairman of the Board shall review the Board's role and duties with the new directors upon becoming members, including information from internal and external sources. From time to time throughout the year, the Board would invite members of management to address particular subjects of interest to the Board to assist Board members in remaining aware of current issues, trends and concerns.

Election system of Directors

The Directors shall be appointed by the General Shareholders Meeting from among candidates proposed by the Board of Directors on the recommendation of the Nomination and Remuneration Committee of Solidarity Bahrain B.S.C. Board. Appointments to the Board of Directors shall be made on the basis of merit and objective criteria. For each new Director's appointment, an assessment shall be made, in the light of the Company's requirements, of the existing and necessary competences, expertise and experience in the Board in accordance with the principles of diversity.

Directors Remuneration

The Board of Directors are paid sitting fees for the Board and various Board Committee meetings. The annual remuneration is considered and approved by the shareholders at the annual general meeting as per the relevant regulations of Ministry of Industry, Commerce and Tourism and Central Bank of Bahrain. The Directors remuneration, if approved and paid, is accounted as an expense in the year of payment as per applicable Accounting Standards and CBB regulations.

Employees Remuneration

The Company's Human Resource Policy is to attract, train, motivate and retain the human resources of the company. As per company's policy, the salary and benefits are reviewed periodically and accordingly suitable revisions are made to salaries and benefits. Training Need Analysis is carried out annually and accordingly required training programs are arranged for the employees. Similarly, employees are encouraged to pursue insurance and professional courses to achieve their career development milestones. The Human Capital & Support department is responsible for implementing the HR policies and strategies under the support and guidance from senior management. The employees are provided with benefits like medical & group life insurance covers, performance incentives, retirement benefits and various awards and rewards based on their performance and excellence.

Code of Conduct

Board of Directors

The Code of Conduct is included as part of the Board Charter in which the directors have adopted and will adhere to the code of conduct in respect to their behaviour that outlines areas of conflict of interest, confidentiality, their scope of responsibilities and to act with honesty, integrity and in good faith, with due diligence and care, with a view to the best interest of the Company and its stakeholders.

Staff

The Company has in place a code of conduct and ethics which is applicable to all the employees of the Company and covers amongst other things conflicts of interest, disclosure and confidentiality of information including the media.

List of instances of Non-Compliance with HC Module of CBB Rulebook volume 3:

HC-5.3 Remuneration Committee Charter - HC 5.3.2:

The committee should include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors, and the chairman is an independent director. This is consistent with international best practice, and it recognises that the remuneration committee must exercise judgment free from personal career conflicts of interest.

The Company appointed an executive director as a member of NRC.

Whistle blower policy

A whistle blower policy is in place as approved by the Board.

Auditors

Under the recommendation of the Board of Directors through the Audit & Risk Committee, the shareholders re-appointed Deloitte and Touche Middle East, Bahrain as the external auditors. In addition, the Board re-appointed BDO Jawad Habib as internal auditors.

Under the authority given to the Board by the shareholders, the remuneration details can be obtained on request from the Head of Compliance and Risk Management.

There are no non-Audit services provided by the external auditor to the Company in 2021.

In the name of Allah, the Merciful, the Compassionate

Report of the Shari'a Supervisory Board

For the financial year ended 31 December 2021

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

To the Shareholders and Policyholders of Solidarity Bahrain B.S.C.

Assalamu Alaikum Wa Rahmat Allah Wa Barakatuh

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

We have reviewed the procedures relating to the transactions and the applications introduced by the Company during the year ended on 31.12.2021. The Board has reviewed and confirmed the implementations of the principles and guidelines governing the relationship between the policyholders and shareholders in order to identify the right of each side. Discussions took place with the Company's officers with regard to its items on the attached notes. The Board gave its Shari'a directives for the Company transactions and answered the queries made by the management.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with Islamic Shari'a rules and principles. It is our responsibility to form an independent opinion based on our review of the operations of the Company, and to report to you.

In our opinion:

- a) The surplus distribution, charging of losses and expenses to the policyholders and shareholders fully conforms to the principles established by ourselves in compliance with Shari'a rules and principles.
- b) There are no gains realized from prohibited sources or from methods forbidden according to the Shari'a rules and principles.
- c) The calculation of Zakah is in compliance with Islamic Shari'a rules and principles and as directed by the Shari'a Supervisory Board. It should be noted that responsibility for payment of Zakah is undertaken by the shareholders.

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

Assalamu Alaikum Wa Rahmat Allah Wa Barakatuh

Dated 13th Rajab 1443 H, corresponding to 14th February 2022

Members of the Shari'a Supervisory Board:

Shaikh Dr. Osama Bahar
Chairman

Shaikh Mohsin Abdul Hussain Al Asfoor
Member

Shaikh Abdul Nasser Al Mahmood
Member

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Solidarity Bahrain B.S.C.
Manama, Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Solidarity Bahrain B.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2021 and the related statements of income and participants' revenues and expenses, participants' surplus and deficit, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and the results of its operations, participants' surplus and deficit, changes in shareholders' equity, and its cash flows for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matters (continued)

Key audit matter / risk	How the key audit matter was addressed in the audit
<p>Valuation of takaful and insurance technical liabilities</p> <p>Takaful and insurance technical liabilities amounted to BHD 27,982 thousand as of December 31, 2021 as detailed in note 9 to the financial statement.</p> <p>Takaful and insurance technical liabilities ("technical provisions") are material balances within the financial statements. The valuation of technical provisions is judgmental, and requires a number of assumptions to be made that involve a high degree of estimation. This is particularly the case for those technical provisions that are recognised in respect of claims that have occurred, but have not yet been reported (IBNR) to the Company.</p> <p>The key estimates that drive the reserving calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business by line of business.</p> <p>The valuation of technical provisions depends on accurate data of current and historical claims since they are often used to form expectations about future claims.</p> <p>The calculation of the technical provisions involves judgments about future events, both internal and external to the business. Any small change in the assumptions used can lead to material impacts on the valuation of the technical provisions.</p> <p>As a result of all the above factors, we consider the valuation of technical provisions as a key audit matter.</p> <p>Please refer notes 2, 3 and 9 of the financial statements for the accounting policy, disclosures of the related judgements and estimates and other details relating to technical provisions.</p>	<p>In relation to the key audit matter, our procedures included the following:</p> <ul style="list-style-type: none"> • Understanding, assessing and testing the design, implementation and operational effectiveness of the key controls in the Company's reserving process, including controls over the review and approval of the reserves, and controls over the extraction of data from the underwriting systems. • Testing samples of claim reserves by comparing the estimated amount of specific case reserves to appropriate documentation, such as reports from loss adjusters. • Testing the operating effectiveness of relevant controls designed to assist in ensuring the integrity of the data used in the actuarial reserving process. • Re-performing reconciliations between the claim data recorded in the Company's systems and the data used in the actuarial reserving calculations. • Recalculating the unearned contribution reserve based on the earning period on takaful contracts existing as at December 31, 2021. • Evaluating the objectivity, skill, qualification and competence of the external actuary used by the Company. • Reviewing the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes. <p>In addition, with the assistance of our internal actuarial specialists, we reviewed and challenged the actuarial report compiled by the external actuary of the Company and calculations underlying these provisions, paying particular attention to the following areas:</p> <ul style="list-style-type: none"> • Appropriateness of the calculation methods and model used; • Review of key assumptions; • Sensitivities of key assumptions; • Consistency of methodologies and assumptions between valuation periods; and • General application of financial and mathematical rules <p>We assessed the Company's disclosure in the financial statements, relating to this matter, against the requirements of the FAS issued by the AAOIFI.</p>

Other information

The Board of Directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of Directors' report and other sections which forms part of the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 that we have 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 Board of Directors for the financial statements

The Board of Directors is responsible for the Company's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Company's Shariah Supervisory Board.

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

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

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 ASIFIs 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 ASIFIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Auditors' responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law of 2001 ("BCCL") and the Central Bank of Bahrain (CBB) Rulebook (Volume 3), we report that:

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the Board of Directors' report is consistent with the financial statements;
- c) Nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the BCCL, the Central Bank of Bahrain and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rulebook (Volume 3 and applicable provisions of Volume 6), and the CBB directives and regulations (as contained in Volume 3 of the CBB Rulebook), rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association, during the year that might have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

The engagement partner on the audit resulting in this independent auditor's report is Irshad Mahmood.



Deloitte & Touche – Middle East

Partner Registration No. 157

22 February 2022

Solidarity Bahrain B.S.C.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Conventional (run-off) fund		Shareholders' fund		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Assets											
Cash and cash equivalents	4	3,208	2,225	579	137	260	357	902	1,617	4,949	4,336
Placements with financial institutions	5	11,847	8,476	833	762	616	254	5,881	6,920	19,177	16,412
Investments	6	480	1,000	2,273	2,408	-	-	19,880	18,147	22,633	21,555
Investments in an associate	7	-	-	-	-	-	-	185	175	185	175
Takaful and insurance receivables	8	7,599	8,760	-	143	185	246	-	-	7,784	9,149
Retakaful and reinsurance share of technical liabilities	9	11,196	10,137	293	319	242	452	-	-	11,731	10,908
Deferred acquisition costs	10.1	-	-	-	-	-	1	504	497	504	498
Prepayments and other assets	11	955	796	69	75	142	71	989	1,076	2,155	2,018
Inter fund receivables	12	-	620	34	88	-	64	1,162	-	1,196	772
Right-of-use assets	13	-	-	-	-	-	-	130	-	130	-
Takaful participants' assets – under run-off management	14	-	-	-	-	-	-	156	139	156	139
Property and equipment	15	-	-	-	-	-	-	2,040	2,177	2,040	2,177
Total assets		35,285	32,014	4,081	3,932	1,445	1,445	31,829	30,748	72,640	68,139
Liabilities, participants' funds and shareholders' equity											
Liabilities											
Takaful and insurance technical liabilities	9	26,874	24,766	417	432	691	1,328	-	-	27,982	26,526
Unearned commission reserves	10.2	441	373	-	-	2	4	-	-	443	377
Family takaful technical reserve	16	-	-	3,072	3,057	-	-	-	-	3,072	3,057
Takaful and insurance payables	17	7,723	7,937	275	138	32	60	-	-	8,030	8,135
Other liabilities	18	854	483	2	2	51	53	1,586	1,509	2,493	2,047
Inter fund Payables	12	527	-	-	-	669	-	-	772	1,196	772
Ijarah liabilities	19	-	-	-	-	-	-	134	-	134	-
Takaful participants' liabilities – under run-off management	14	-	-	-	-	-	-	156	139	156	139
Total liabilities		36,419	33,559	3,766	3,629	1,445	1,445	1,876	2,420	43,506	41,053
Participants' funds		(1,134)	(1,545)	315	303	-	-	-	-	(819)	(1,242)
Shareholders' equity											
Share capital	20.2	-	-	-	-	-	-	12,000	12,000	12,000	12,000
Treasury shares	20.4	-	-	-	-	-	-	(4)	(4)	(4)	(4)
Statutory reserve	21	-	-	-	-	-	-	3,471	3,182	3,471	3,182
Share premium	-	-	-	-	-	-	-	4,182	4,182	4,182	4,182
Property revaluation reserve	-	-	-	-	-	-	-	747	747	747	747
Investment fair value reserve	-	-	-	-	-	-	-	2,902	2,064	2,902	2,064
Retained earnings	-	-	-	-	-	-	-	6,655	6,157	6,655	6,157
Total shareholders' equity		-	-	-	-	-	-	29,953	28,328	29,953	28,328
Total liabilities, participants' funds and shareholders' equity		35,285	32,014	4,081	3,932	1,445	1,445	31,829	30,748	72,640	68,139

The financial statements which consist of pages 27 to 84 approved by the Board of Directors on 22 February 2022 and signed on its behalf by:

Tawfeeq Shehab
Chairman

Ashraf Bseisu
Vice Chairman

Jawad Mohammed
Chief Executive Officer

The notes 1 to 41 on pages 32 to 84 form an integral part of the financial statements.

Solidarity Bahrain B.S.C.

STATEMENT OF INCOME AND PARTICIPANTS' REVENUES AND EXPENSES

For the year ended 31 December 2021

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Conventional (run-off) fund		Shareholders' fund		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Takaful/conventional revenues											
Gross contributions/premium		30,935	29,846	666	334	28	24	-	-	31,629	30,204
Retakaful share of gross contributions/premium		(16,815)	(14,891)	(481)	(480)	70	(53)	-	-	(17,226)	(15,424)
Retained contributions/premium		14,120	14,955	185	(146)	98	(29)	-	-	14,403	14,780
Movement in unearned contributions/premium, net		62	283	-	-	-	5	-	-	62	288
Net contributions/premium earned		14,182	15,238	185	(146)	98	(24)	-	-	14,465	15,068
Net commission earned		960	845	-	-	5	8	-	-	965	853
Profit commission and other income		445	165	37	29	-	-	-	-	482	194
Total takaful/conventional revenues		15,587	16,248	222	(117)	103	(16)	-	-	15,912	16,115
Takaful/conventional expenses											
Gross claims paid		(9,228)	(9,357)	(132)	(138)	(147)	(220)	-	-	(9,507)	(9,715)
Claims recovered from retakaful/reinsurance and other parties		1,704	1,020	90	119	101	58	-	-	1,895	1,197
Net claims paid		(7,524)	(8,337)	(42)	(19)	(46)	(162)	-	-	(7,612)	(8,518)
Movement in outstanding claims – gross		(1,187)	529	14	(1)	635	418	-	-	(538)	946
Movement in outstanding claims – retakaful/reinsurance		77	(1,783)	(26)	1	(208)	51	-	-	(157)	(1,731)
Net claims incurred		(8,634)	(9,591)	(54)	(19)	381	307	-	-	(8,307)	(9,303)
Transfer to family takaful technical reserve	16	-	-	(125)	109	-	-	-	-	(125)	109
Total takaful/conventional expenses		(8,634)	(9,591)	(179)	90	381	307	-	-	(8,432)	(9,194)
Technical surplus		6,953	6,657	43	(27)	484	291	-	-	7,480	6,921
Wakala fee	23	(6,784)	(6,477)	(133)	(83)	-	-	-	-	(6,917)	(6,560)
Surplus/(deficit) from takaful/conventional operations		169	180	(90)	(110)	484	291	-	-	563	361
Wakala fee	23	-	-	-	-	-	-	6,917	6,560	6,917	6,560
Investment income, net	24	242	195	102	129	-	-	1,413	1,447	1,757	1,771
Share of profit from an associate		-	-	-	-	-	-	34	-	34	-
Other income		-	-	-	-	-	-	3	298	3	298
Technical surplus transferred from conventional (run-off) fund		-	-	-	-	(484)	(291)	484	291	-	-
Mudarib share	24	-	-	-	-	-	-	115	108	115	108
Employee costs		-	-	-	-	-	-	(2,567)	(2,460)	(2,567)	(2,460)
Commission expenses incurred	10.1	-	-	-	-	-	-	(1,147)	(1,052)	(1,147)	(1,052)
TPA fees		-	-	-	-	-	-	(416)	(401)	(416)	(401)
Other operating expenses		-	-	-	-	-	-	(1,916)	(1,950)	(1,916)	(1,950)
Provision for doubtful receivables, net	8.1	-	-	-	-	-	-	(35)	(156)	(35)	(156)
Net profit and surplus for the year		411	375	12	19	-	-	2,885	2,685	3,308	3,079
Basic and diluted earnings per share	22							24.05 Fils	22.38 Fils		

The financial statements which consist of pages 27 to 84 were approved by the Board of Directors on 22 February 2022 and signed on its behalf by

Tawfeeq Shehab
Chairman

Ashraf Bseisu
Vice Chairman

Jawad Mohammed
Chief Executive Officer

The notes 1 to 41 on pages 32 to 84 form an integral part of the financial statements.

[Signature]
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[Signature]

STATEMENT OF PARTICIPANTS' SURPLUS AND DEFICIT**For the year ended 31 December 2021**

In thousands of Bahraini Dinars

2021At 1 January
Surplus for the year**At 31 December**

Accumulated (deficit)/surplus		
General Takaful	Family Takaful	Total
(1,545)	303	(1,242)
411	12	423
(1,134)	315	(819)

2020At 1 January
Surplus for the year**At 31 December**

Accumulated (deficit)/surplus		
General Takaful	Family Takaful	Total
(1,920)	284	(1,636)
375	19	394
(1,545)	303	(1,242)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**For the year ended 31 December 2021**

In thousands of Bahraini Dinars

2021

	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	12,000	(4)	3,182	4,182	747	2,064	6,157	28,328
Net profit for the year	-	-	-	-	-	-	2,885	2,885
Dividends declared	-	-	-	-	-	-	(2,098)	(2,098)
Transfer to statutory reserve (Note 19)	-	-	289	-	-	-	(289)	-
Transferred to investment income on disposal of equity instruments	-	-	-	-	-	(28)	-	(28)
Change in fair value of equity investments	-	-	-	-	-	866	-	866
At 31 December	12,000	(4)	3,471	4,182	747	2,902	6,655	29,953

2020

	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	12,000	(4)	2,913	4,182	747	1,889	5,540	27,267
Net profit for the year	-	-	-	-	-	-	2,685	2,685
Dividends declared	-	-	-	-	-	-	(1,799)	(1,799)
Transfer to statutory reserve (Note 19)	-	-	269	-	-	-	(269)	-
Transferred to investment income on disposal of equity instruments	-	-	-	-	-	(30)	-	(30)
Change in fair value of equity investments	-	-	-	-	-	205	-	205
At 31 December	12,000	(4)	3,182	4,182	747	2,064	6,157	28,328

The notes 1 to 41 on pages 32 to 84 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of Bahraini Dinars

	Note	2021	2020
OPERATING ACTIVITIES			
Combined profit & surplus for the year		3,308	3,079
<i>Adjustments for:</i>			
Depreciation	15	274	251
Depreciation of right-of-use assets	13	207	-
Ijarah costs		12	-
Provision for employees end of service benefits	18 (b)	34	30
Investment income, net	24	(1,757)	(1,771)
Share of profit from investment in associate		(34)	-
Exchange loss	6.1	-	26
Amortisation during the year, net	24	36	50
Provision for doubtful receivables, net	8.1	35	156
Operating cash flows before working capital changes		2,115	1,821
<i>Changes in working capital:</i>			
Decrease in takaful and insurance receivables		1,330	876
(Increase)/decrease in retakaful and reinsurance share of technical liabilities		(823)	2,121
Increase in deferred acquisition costs		(6)	(66)
(Increase)/decrease in prepayments and other assets		(178)	1,655
Increase/(decrease) in takaful and insurance technical liabilities		1,456	(1,624)
Increase/(decrease) in unearned commission reserves		66	(65)
Increase/(decrease) in family takaful technical reserves		15	(201)
(Decrease)/increase in takaful and insurance payables		(105)	958
Increase/(decrease) in other liabilities		420	(1,486)
Working capital changes		2,175	2,168
Payment towards employees end of service benefits	18 (b)	(5)	(7)
Net cash generated from operating activities		4,285	3,982
INVESTING ACTIVITIES			
Purchase of equipment	15	(137)	(1,189)
Dividend received from investment in an associate		24	-
Purchase of investments		(4,671)	(2,783)
Purchase of Investments in an associate	7	-	(175)
Placements with financial institutions, net		(2,765)	(618)
Proceeds from disposal of investments carried at amortised cost		4,170	1,733
Investment income received		2,023	1,701
Net cash used in investing activities		(1,356)	(1,331)
FINANCING ACTIVITIES			
Dividends paid during the year		(2,101)	(2,228)
Ijarah liabilities paid		(215)	-
Net cash used in financing activities		(2,316)	(2,228)
Net increase in cash and cash equivalents		613	423
Cash and cash equivalents at the beginning of the year	4	4,336	3,913
Cash and cash equivalents at the end of the year	4	4,949	4,336
Shareholders' fund		902	1,617
Participants' fund		3,787	2,362
Conventional (run-off) fund		260	357
Cash and cash equivalents at the end of the year	4	4,949	4,336

The notes 1 to 41 on pages 32 to 84 form an integral part of the financial statements.

1 GENERAL INFORMATION

Solidarity Bahrain B.S.C. ("the Company") is a public shareholding company incorporated in the Kingdom of Bahrain under commercial registration number 5091 obtained on 17 August 1976. The majority shareholder of the Company is Solidarity Group Holding B.S.C. (c) (the "Parent Company" or the "Group").

The Company is licensed by the Central Bank of Bahrain ("CBB") to carry out the following principal activities:

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

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

The conventional run-off fund represents technical assets and liabilities of the insurance portfolio of the company (formerly Al Ahlia Insurance) prior to merger. This portfolio is under run-off and belongs to the shareholders' fund. The same is disclosed separately in the primary statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Company has certain assets, liabilities and related income and expenses which are not Sharia compliant that pertain to conventional insurance as these existed before the Company converted to an Islamic Takaful Insurance company. These are currently presented in accordance with Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") standards in the financial statements for the year ended 31 December 2021 as appropriate. The Parent Company's Sharia Supervisory Board has approved the Parent Company's resolution to convert all the assets and liabilities of AAIC into Sharia Compliant Products within two years renewable from the date of the transfer. Further, Company's Sharia Supervisory Board resolved to extend the time period for conversion of conventional assets and liabilities into Sharia Compliant until December 2022.

The financial statements for the year ended 31 December 2021 have been prepared in accordance with the Financial Accounting standards ("FAS") issued by the AAOIFI, and the requirements of the Bahrain Commercial Companies Law Decree Number 21 of 2001, the CBB and Financial Institutions Law 2006 and the insurance regulations set out in the CBB Rulebook Volume 3 and applicable provisions of the CBB Rulebook Volume 6 of the Rulebook issued by the Central Bank of Bahrain as well as the associated resolutions, rules and procedures of the Bahrain Bourse.

2.2 Principle financial statements

In accordance with FAS 12 "General Presentation and Disclosure in the Financial Statements of Islamic Takaful Companies" issued by the AAOIFI, the Company is required to present the statement of financial position comprising shareholder and participant assets and liabilities, the statement of income and participants revenues and expenses, the statement of participants' surplus and deficit, the statement of changes in shareholders' equity and the statement of cash flows. Participants include policies issued for both General Takaful and Family Takaful insurance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)

2.3 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for equity type investments measured at fair value through equity and debt type investments measured at amortized cost.

The preparation of financial statements in conformity with FAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore fairly present its financial position as at 31 December 2021 and the results for the year then ended. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Bahrain Dinars (BD), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income and participants' revenue and expenses. Translation differences on non-monetary items classified as equity type investments measured at fair value through equity are included in investments fair value reserve.

2.5 Going concern

Management have assessed the Company's ability to continue on a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors of the Company are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021**

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)**2.6 New accounting standards, amendments and pronouncements****(i) New accounting standards: issued and effective**

For the year ended 31 December 2021, the Company has adopted all the new and revised standards and interpretations issued by the AAOIFI that are relevant to its operations and effective for periods beginning on 1 January 2022.

The application of these new AAOIFI accounting standards 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.

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

The standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture. This standard did not have any impact on the financial statements of the Company.

FAS 34 - Financial Reporting for Sukuk holders

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

FAS 36 - First Time Adoption of AAOIFI Financial Accounting Standards

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

FAS 32 - Ijarah

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021**

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)**2.6 New accounting standards, amendments and pronouncements (Continued)**

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

	Total assets BD'000	Total liabilities BD'000
Balance, as at 31 December 2020	68,139	41,053
Impact on adoption:		
Right-of-use asset	301	-
Net Ijarah liability	-	301
Opening balance under FAS 32 on date of initial application of 1 January 2021	68,440	41,354

a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the Ijarah (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment. The cost of right-of-use assets represents the fair value of total consideration paid / payable and includes initial direct costs and any dismantling or decommissioning costs.

The Company depreciate the right-of-use assets from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. Right-of-use assets are also subject to impairment in line with FAS 30 requirements.

b) Ijarah liabilities

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

(ii) New standards issued but deferred by AAOIFI

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

FAS 30 - Impairment, credit losses and onerous commitments

The standard has fundamentally changed the accounting for impairment losses for financial assets by replacing FAS 11 "provisions and reserves" and its "incurred loss approach" with the forward-looking Expected Credit Loss (ECL) approach on all receivables and off-balance sheet exposures including guarantees, letters of credit and other similar positions which are subject to credit risk.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021**

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)**2.6 New accounting standards, amendments and pronouncements (Continued)**

The assets subject to credit losses will be categorised in the following three stages:

Stage 1 Performing receivables: receivables that are not significantly deteriorated in credit quality since origination. The impairment provision will be recorded based on 12 months ECL.

Stage 2 Underperforming receivables: receivables that have significantly deteriorated in credit quality since origination. The credit losses will be recorded based on life time ECL.

Stage 3 Impaired receivables: For receivables that are impaired, the impairment provision based on life time ECL will be recognised.

The Company will be required to consider the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs. The forward-looking information will include the elements such as macroeconomic factors (e.g., equity prices and oil prices) and economic forecasts obtained through external sources.

The Company will evaluate a range of possible outcomes and scenarios. For each scenario, the Company will derive an ECL and apply a probability weighted approach to determine the impairment provision.

Impairment approach

Impairment losses will be recognised on all other financing, investment assets and exposures subject to risks other than credit risk (excluding investments carried at fair value through statement of income).

The impairment losses will be measured by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount will be the higher of its fair value less costs of disposal and its value in use.

Provision for onerous contract or commitment to acquire an asset

The Company will recognise provision when the Company is obligated to acquire an asset under a future commitment or contracts permissible to be entered in the future, and it is expected that the obligation under the contract or commitment is higher than the economic benefits expected to flow through acquisition of such asset. In such situation, the Company will create a provision on this account reflecting the expected losses arising on such transaction.

FAS 33 - Investment in sukuk, shares and similar instruments

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

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

(iii) New accounting standards: issued but not yet effective

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

- 'FAS 37 "Financial Reporting by Waqf Institutions" (effective 1 January 2022)

The standard establishes principles of financial reporting by Waqf financial institutions, which are established and operated in line with Shari'ah principle and rules.

- FAS 38 Wa'ad Khiyar and Tahawwut (effective 1 January 2022)

The standard prescribes the accounting and reporting principles and requirements for Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for the institutions.

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021**

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)**2.6 New accounting standards, amendments and pronouncements (Continued)****(a) 'FAS 37 "Financial Reporting by Waqf Institutions" (effective 1 January 2022)**

The standard establishes principles of financial reporting by Waqf financial institutions, which are established and operated in line with Shari'ah principle and rules.

(b) FAS 38 Wa'ad Khiyar and Tahawwut (effective 1 January 2022)

The standard prescribes the accounting and reporting principles and requirements for Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for the institutions.

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

2.7 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(i) Takaful and retakaful contracts**(a) Takaful contracts**

As an Islamic insurance provider, the Company issues contracts that are based on cooperative activity by risk sharing. The Company classifies all its contracts individually as takaful contracts.

Takaful contracts are those contracts where the takaful operator accepts significant takaful risk from the participant by agreeing to compensate the participant if a specified uncertain future event adversely affects the participant. Such contracts may also transfer financial risk. As a general guideline, the Company defines significant takaful risk as the possibility of having to pay benefits on the occurrence of a takaful event. Takaful risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a security price, index of prices or rates or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is significant if, and only if, a takaful event could cause the Company to pay significant additional benefits. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expired.

(b) Retakaful contracts

Retakaful contracts are contracts entered into by the Company with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Company is compensated for losses on takaful contracts issued.

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Company from its direct obligations to its participants.

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(i) *Takaful and retakaful contracts (continued)*****(c) *Participants' takaful funds***

The participants' takaful funds comprise of general takaful fund and family takaful fund which represent the accumulated undistributed surplus or deficit in respect of contracts in force at the reporting date. It also includes fair value reserves of investments at fair value through equity.

(d) *Gross contributions*

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods. Contributions collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written. The unexpired portion of such contributions is included under "Unearned contributions" in the statement of financial position. The earned proportion of contributions is recognised as revenue in the statement of income and participants' revenues and expenses.

(c) *Retakaful contributions*

Retakaful contributions are amounts paid to retakaful operators in accordance with the retakaful contracts of the Company. In respect of proportional and non-proportional retakaful contracts, the amounts are recognised in the statement of income and participants' revenues and expenses as per the terms of these contracts.

(d) *Unearned contributions*

Unearned contributions are amounts of contributions under takaful contracts which are to be earned in the following or subsequent financial periods, for the unexpired period of takaful content as at the reporting date.

In order to spread the contributions earned over the period of the takaful contracts, the proportion attributable to subsequent periods is deferred as provision for unearned contributions and is calculated as follows:

- by the '24th method' for all takaful contracts, except for marine cargo business; and
- by the '6th method' for marine cargo business.

The provision for unearned contributions represents contributions received for risks that have not yet expired. The reserve is matched with the contribution earned and released. The change in provision for unearned contributions is taken to the statement of income and participants' revenues and expenses and accordingly, Takaful revenue is recognised over the period of risk.

(g) *Gross claims*

Gross claims are recognised in the statement of income and participants' revenues and expenses when the claim amount payable to participants and third parties is determined as per the terms of the takaful contracts. Gross claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(i) Takaful and retakaful contracts (continued)****(h) Claims recovered**

Claims recovered include amounts recovered from retakaful operators and other insurance companies in respect of the gross claims paid by the Company, in accordance with the retakaful contracts held by the Company and also includes salvage and other claims recoveries. Claims recovered from retakaful and other parties are recognised when the related gross claims settled are recognised according to the terms of the relevant contracts.

(i) Outstanding claims

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with the related claims handling costs and reduction for salvage and other recoveries. Provisions for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by management based on currently available information and past experience modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Outstanding claims are not discounted for time value of money. The methods used, and the estimates made, are reviewed regularly.

The provision for claims incurred but not reported ('IBNR') is made per the actuarial valuation which is updated on the basis of the latest valuation reports.

Any difference between the provisions for outstanding claims at the statement of financial position date and settlements and provisions for the following year is included in the statement of income and participants' revenues and expenses for that year.

(j) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the takaful liabilities using current estimates of future cash flows under takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is charged to statement of income and participants' revenues and expenses by establishing a provision for losses arising from liability adequacy tests.

(k) Commission income and expense

Commission income represents commissions received from reinsurers under the terms of ceding and are deferred over the period of the takaful contract. Commission income that relates to periods of risk that extend beyond the end of the financial year are reported as unearned commission reserves.

Commission expense represents commission, brokerage and other variable underwriting costs directly associated with acquiring business are amortised over the period of the takaful contract. Acquisition costs that relate to periods of risk that extend beyond the end of the financial year are reported as deferred acquisition costs.

2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(i) Takaful and retakaful contracts (continued)****(k) Commission income and expense (continued)**

In order to spread the commission income and expense earned over the period of the takaful contracts, the Company defers commission income and expense as follows:

- by the '24th method' for all takaful contracts, except for marine cargo business; and
- by the '6th method' for marine cargo business.

(l) Family takaful technical reserves

Family takaful technical reserves represent the present value of future obligations in respect of family takaful contracts which comprises of long term decreasing term assurance and level term policies. The fund comprises of only protection takaful policies.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks and bank deposits with original maturities of three months or less, subject to insignificant risk of changes in fair value.

(iii) Placements with financial institutions

Placements with financial institutions comprise placements made with Islamic banks and other Islamic financial institutions with original maturities of more than three months.

(iv) Investments**(a) Classification**

The Company classifies its investments in the following categories:

- Debt type instruments
 - At amortised cost
 - At fair value through income statement
- Equity type instruments
 - At fair value through income statement
 - At fair value through equity

A debt type investment shall be classified and measured at amortised cost if the instrument is managed on a contractual yield basis and if the instrument is not held for trading and has not been designated at fair value through the statement of income and participants' revenues and expenses.

At inception, a debt type instrument, which is managed on a contractual yield basis, can only be designated at fair value through the statement of income and participants' revenues and expenses if it eliminates an accounting mismatch that would otherwise arise on measuring assets or liabilities or recognising the gains and losses on them on different basis.

2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(iv) Investments (continued)****(b) Recognition and de-recognition**

Investments are recognised at the trade date (i.e. the date that the Company contracts to purchase or sell the asset, at which date the Company becomes party to the contractual provisions of the instrument). Investments are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risk and rewards of ownership.

(c) Measurement principlesAmortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Company measures the fair value of quoted investments using the market bid-prices in an active market for that instrument.

(d) Measurement

Investments are measured initially at fair value, which is the value of the consideration given. Trading investments are initially recognized at fair value and transaction costs are expenses in the statement of income and participants' revenues and expenses. Other investments are recognized at fair value, plus attributable transaction costs.

Investments carried at amortised cost

At the end of each financial reporting period, investments carried at amortised cost shall be re-measured as such using the effective profit rate method. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investment, are recognised in the shareholder's statement of income or participants' statement of revenues and expenses.

Investments carried at fair value through income statement

At the end of each financial reporting period, investments carried at fair value through the statement of income and participants' revenues and expenses shall be re-measured at their fair value at the end of each reporting period. The resultant re-measurement gains or loss, if any, shall be recognised in the shareholder's statement of income or participant's statement of revenues and expenses.

2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(iv) Investments (continued)****(d) Measurement (continued)***Investments carried at fair value through equity*

At the end of each financial reporting period, investments carried at fair value through equity shall be re-measured at their fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, shall be recognised in the equity under "investments fair value reserve" taking into consideration the split between the portion to shareholder's equity and the portion related to the participants' fund.

(v) Investment in an associate

The Company's investment in an associate is accounted for under the equity method of accounting. An associate is entity over which the Company exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in an associate is carried in the statement of financial position at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

(vi) Takaful and insurance receivables

Takaful and insurance receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of takaful and insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income and participants' revenues and expenses.

Retakaful and reinsurance contracts are contracts entered into by the Company with reinsurers for the purpose of limiting its net loss potential through the diversification of its risks, under which the Company is compensated for losses on takaful and insurance contracts issued.

Assets, liabilities, income and expense arising from ceded retakaful and reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related takaful and reinsurance contracts because the retakaful and reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

The benefits to which the Company is entitled under its retakaful and reinsurance contracts held are recognised as retakaful and reinsurance assets. These assets consist of balances due from retakaful and reinsurance companies on settlement of claims and other receivables such as profit commissions and retakaful and reinsurance share of outstanding claims that are dependent on the expected claims and benefits arising under the related retakaful and reinsurance contracts.

Amounts receivable from or due to retakaful and reinsurance companies are recognised consistently with the amounts associated with the underlying takaful and insurance contracts and in accordance with the terms of each retakaful and reinsurance contract.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021**

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2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(vii) Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value, with the exception of freehold land which is stated at open market values, based on periodical valuations conducted by external independent property valuers. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is recognized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is recognized only when it increases the future economic benefits of the related item of property and equipment. All other expenditure is recognized in the statement of statement of income and participants' revenues and expenses as the expense is incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	20-30 years
Furniture, fixtures office and computer equipment	3 to 5 years
Motor vehicles	4 to 5 years
Software	3 to 10 years

The carrying values of the property are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written-down to their recoverable amounts.

Property of the Company are revalued and their useful lives are revised by independent professional valuers once every 5 years. Increases in the carrying amount arising on revaluation of property are credited to a property revaluation reserve in the statement of changes in shareholder's equity. Decreases that offset previous increases of the same class of revalued assets are charged against the revaluation reserve. On disposal of the revalued assets, the balance in the revaluation reserve relating to these assets is transferred to retained earnings.

(viii) Provisions

The Company recognises provisions when it has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

(ix) Employees' end of service benefits**(a) Bahraini employees**

Pension rights (and other social benefits) for Bahraini employees covered by Social Insurance Organization for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme is recognised as an expense in the shareholder's statement of income.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(ix) Employees' end of service benefits

(b) Expatriate employees

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for private sector, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan has been made by calculating the notional liability had all employees left at the reporting date. The liability recognised in the statement of financial position in respect of the employees' end of service benefits is the present value at the reporting date.

(x) Surplus / deficit in participants' funds

Surplus in participants' funds represents surplus of revenues over expenses arising from takaful activities and are distributed among the participants by calendar year on development of business. The timing, quantum and the basis of distribution are decided by the Shari'a Supervisory Board of the Company.

Deficit in participants' funds that cause cash deficit which results in participants' fund inability to meet its day to day expenses and obligations, a Qard Hassan must be extended immediately by shareholder fund. The cash being sought by the participant's fund must be physically transferred from shareholder fund to cover cash deficit of participants' fund. The participants' fund does not have any cash deficit as at the reporting period.

(xi) Share capital

Financial instruments issued by the Company are classified as share capital only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

(xii) Treasury shares

Where the Company purchases its own equity share capital, the consideration paid including any attributable transaction costs are deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any profit or loss is included in the statement of changes in shareholders' equity.

(xiii) Dividends on share capital

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

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

(xiv) Impairment

The Company assesses at each reporting date whether there is an objective evidence that a specific financial asset is impaired. Objective evidence that investments and other assets are impaired can include the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of issuers in the group, or economic conditions that correlate with defaults in the group.

2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(xiv) Impairment (continued)****(a) Investments carried at amortised cost**

For investments carried at amortised cost impairment is measured as the difference between the carrying amount of the investments and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in income statement 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 income statement. The Company considers evidence of impairment for investments carried at amortised cost at both a specific asset and collective level. All individually significant investments are assessed for specific impairment.

All individually significant investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Investments that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

(b) Investments designated at fair value through equity

For investments designated at fair value through equity, an assessment is performed at the end of each reporting period whether there is any objective evidence that the investment is impaired. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised is transferred from equity and recognised in the statement of income and participants' revenues and expenses.

(c) Non-financial assets

The carrying amount of the Company's non-financial assets (other than for investments covered above), are reviewed at each statement of reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

(xv) Wakala fee and mudarib share

The Company manages the operations on behalf of the participants for a wakala fee calculated as a proportion of gross contributions of General Takaful and Family Takaful fund within the Wakala fee per cent approved by the Shari'a Supervisory Board. Wakala fee is recognised on an accrual basis and recognised as an expense in the participants fund and income in the shareholders fund.

Mudarib share is fees charged on the participants' net investment income for managing investment activities.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(xvi) Investment income

Investment income comprises income from investments and placements with financial institutions. Income includes contractually determined and quantifiable income at the commencement of the transaction and profit distribution, dividend income, realised gains/losses on disposal of investments.

Income which is both contractually determined and quantifiable at the commencement of the transaction is accrued on the straight-line basis over the period of the transaction. Income which is not contractually determined or quantifiable, is recognised when reasonably certain of realisation or when realised. Gains and losses on disposal of investments are determined on the basis of the difference between net disposal proceeds and the carrying amount of the investments at the date of sale and they are recognised at the time of disposal.

(xvii) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (salvage). The Company may also have the right to pursue third parties for payment of some or all costs (subrogation). Salvage recoveries and subrogation claims are recognized when right to receive is established.

(xviii) Conventional insurance run-off portfolio

The Company's principal activities, prior to its transition to Islamic Takaful insurance, involved carrying out insurance and reinsurance of all risks. Following the conversion of the Company, the Company ceased issuing any new conventional contracts with the pre-existing portfolio placed under run-off. The conventional insurance run-off portfolio is disclosed separately in the primary statements and belongs to the shareholders' fund.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Provision for outstanding claims

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under Takaful and insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of IBNR at the statement of financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Impairment of takaful and insurance receivables

An estimate of the collectible amount of Takaful and insurance receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

3.3 Impairment of investments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

3.4 Family takaful technical reserves

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

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4 CASH AND CASH EQUIVALENTS

	2021	2020
Cash and current account balances	2,392	2,892
Call account balances	2,557	1,444
	4,949	4,336

Balances in current accounts are held in non-profit bearing accounts and the average profit rate on balances held in call accounts is 1.41% (2020: 1.02%)

5 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2021	2020
Placements held with a related party (Note 25.2 (b))	2,003	2,013
Placements held with other financial institutions	17,174	14,399
	19,177	16,412

Placements are held with Islamic financial institutions in Bahrain with an original maturity of more than three months with average profit rate of 2.74% (2020: 3.12%).

6 INVESTMENTS

	2021	2020
Debt type instruments		
Amortised cost:		
Quoted instruments	13,197	15,127
Equity type instruments		
Fair value through equity:		
Quoted instruments	7,786	4,778
Unquoted instruments	1,650	1,650
	22,633	21,555

6.1 The movement in investments carried at amortised cost is as follows:

	2021	2020
At the beginning of the year	15,127	15,238
Additions during the year	2,310	1,364
Disposals during the year	(3,949)	(1,399)
Amortisation during the year, net	(36)	(50)
Exchange loss	-	(26)
Impairment losses during the year	(255)	-
At the end of the year	13,197	15,127

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6 INVESTMENTS (CONTINUED)

6.2 The movement in investments carried at fair value through equity is as follows:

	2021	2020
At the beginning of the year	6,428	5,021
Additions during the year	2,361	1,419
Disposals during the year	(191)	(188)
Transferred to investment income on disposal of equity instruments	(28)	(30)
Change in fair value, net	866	206
At the end of the year	9,436	6,428

6.3 Investments carried at fair value through equity are broken down as follows:

	2021	2020
Quoted equity instruments	7,786	4,778
Unquoted equity instruments	1,650	1,650
	9,436	6,428

6.4 Concentrations of risk in debt and equity instruments by economic sector:

	2021	2020
Financial	6,807	7,190
Sovereign	5,495	5,893
Industrials	2,138	1,088
Insurance	1,829	2,060
Real Estate	1,063	1,040
Health Care	1,019	351
Others	4,282	3,933
	22,633	21,555

6.5 Concentrations of risk in debt and equity instruments by geographical area:

	2021	2020
Kingdom of Bahrain	5,926	5,842
United Arab Emirates	5,060	5,613
Saudi Arabia	5,033	3,707
Kuwait	2,268	3,019
United States of America	1,014	-
Oman	911	929
Rest of the world	2,421	2,445
	22,633	21,555

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7 INVESTMENTS IN AN ASSOCIATE

	2021	2020
Interest in Health 360 Ancillary Services W.L.L.	185	175
Percentage of ownership interest	20%	20%

This associate is engaged in processing of medical claims as third party administrator and is based in the Kingdom of Bahrain.

The movement in the investment in associate is as follows:

	2021	2020
Opening balance	175	-
Investment during the year	-	175
Share of profits	34	-
Dividend received	(24)	-
	185	175

The following table summarises the financial information of Health 360 Ancillary Services W.L.L as included in its own financial statements. The results and share of net assets are based on management accounts as at 31 December 2021.

	2021	2020
Total assets	1,918	1,698
Total liabilities	(994)	(781)
Net assets (100%)	924	917
Company's share of net assets (20%)	185	183

8 TAKAFUL AND INSURANCE RECEIVABLES

	2021	2020
Due from:		
Participants and policyholders	4,722	6,341
Brokers	2,217	1,447
Takaful and insurance companies in relation to subrogation	1,519	1,948
Takaful/retakaful and insurance/reinsurance companies	606	658
	9,064	10,394
Less: provision for doubtful takaful and insurance receivables	(1,280)	(1,245)
	7,784	9,149

Included in the above insurance receivables are BD 185 thousand (2020: BD 246 thousand) held under conventional insurance run-off fund.

The Company assesses impairment on individual and specific basis. The Company assesses on a case by case basis whether there is any objective evidence that the outstanding balance is impaired for contribution due and claims recovery that are considered individually significant.

The Company records impairment allowance when the Company is satisfied that the recovery of the amount is not probable.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021**

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8 TAKAFUL AND INSURANCE RECEIVABLES (CONTINUED)**8.1** The movement in provision for doubtful takaful and insurance receivables is as follows:

	2021	2020
At the beginning of the year	1,245	1,389
Charge for the year	35	156
Write-off during the year	-	(300)
At the end of the year	1,280	1,245

8.2 At 31 December, the aging of unimpaired takaful and insurance receivables is as follows:

	Past due but not impaired			
	Neither past due nor impaired	181 to 365 days	More than 365 days	Total
2021	4,944	2,575	265	7,784
2020	5,937	2,749	463	9,149

NOTES TO THE FINANCIAL STATEMENTS

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9 TAKAFUL AND INSURANCE TECHNICAL LIABILITIES AND RETAKAFUL AND REINSURANCE SHARE OF TECHNICAL LIABILITIES

	2021		2020	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Gross				
Unearned contributions/premiums	15,449	8	14,529	10
Outstanding claims	11,842	683	10,669	1,318
	27,291	691	25,198	1,328
Retakaful/reinsurance				
Retakaful unearned contributions /reinsurance unearned premiums	(8,559)	(7)	(7,577)	(9)
Retakaful/reinsurance share of outstanding claims	(2,930)	(235)	(2,879)	(443)
	(11,489)	(242)	(10,456)	(452)
Net				
Unearned contributions/premiums	6,890	1	6,952	1
Outstanding claims	8,912	448	7,790	875
	15,802	449	14,742	876

9.1 Unearned contributions/premiums and their retakaful/reinsurance share

	2021		2020	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Unearned contributions/premiums				
Beginning of the year	14,529	10	15,184	33
Gross contributions/premiums written during the year	30,935	28	29,846	24
Gross contributions/premiums earned	(30,015)	(30)	(30,501)	(47)
Movement in unearned contributions/premiums	920	(2)	(655)	(23)
End of the year	15,449	8	14,529	10
Retakaful/reinsurance unearned contributions/premiums				
Beginning of the year	7,577	9	7,949	27
Retakaful/reinsurance contributions/ premiums ceded during the year	16,815	(70)	14,891	53
Retakaful/reinsurance contributions/premiums incurred	(15,833)	68	(15,263)	(71)
Movement in retakaful/reinsurance unearned contributions/premiums	982	(2)	(372)	(18)
End of the year	8,559	7	7,577	9
Net unearned contributions/premiums	6,890	1	6,952	1

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9 TAKAFUL AND INSURANCE TECHNICAL LIABILITIES AND RETAKAFUL AND REINSURANCE SHARE OF TECHNICAL LIABILITIES (CONTINUED)

9.2 Outstanding claims and their retakaful share

	2021		2020	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Outstanding claims				
At the beginning of the year				
- Claims incurred and reported	6,927	1,108	9,991	1,659
- Claims incurred but not reported (IBNR)	3,742	210	1,206	77
	10,669	1,318	11,197	1,736
Claims paid during the year	(9,360)	(147)	(9,495)	(220)
Claims incurred during the year	10,533	(488)	8,967	(198)
Movement in outstanding claims	1,173	(635)	(528)	(418)
At the end of the year	11,842	683	10,669	1,318
Represented by:				
- Claims incurred and reported	6,858	361	6,927	1,108
- Claims incurred but not reported (IBNR)	4,984	322	3,742	210
Retakaful/reinsurance share of outstanding claims				
At the beginning of the year				
- Retakaful/reinsurance share of claims incurred and reported	(2,031)	(443)	(4,486)	(396)
- Retakaful/reinsurance share of claims incurred but not reported (IBNR)	(848)	-	(175)	4
	(2,879)	(443)	(4,661)	(392)
Claims recovered during the year	1,794	101	1,139	58
Retakaful/reinsurance share of claims incurred during the year	(1,845)	107	643	(109)
Movement in retakaful/reinsurance share outstanding claims	(51)	208	1,782	(51)
At the end of the year	(2,930)	(235)	(2,879)	(443)
Represented by:				
- Retakaful/reinsurance share of claims incurred and reported	(1,834)	(228)	(2,031)	(443)
- Retakaful/reinsurance share of claims incurred but not reported (IBNR)	(1,096)	(7)	(848)	-
Net outstanding claims				
At the end of the year	8,912	448	7,790	875
Represented by				
- Net claims incurred and reported	5,024	133	4,896	665
- Net claims incurred but not reported (IBNR)	3,888	315	2,894	210

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10 DEFERRED ACQUISITION COSTS AND UNEARNED COMMISSION RESERVES**10.1 Deferred acquisition costs**

	2021		2020	
	Shareholders' fund	Conventional fund – run off	Shareholders' fund	Conventional fund – run off
At the beginning of the year	497	1	428	4
Commissions paid during the year	1,154	4	1,121	3
Commissions incurred during the year	(1,147)	(5)	(1,052)	(6)
At the end of the year	504	-	497	1

10.2 Unearned commission reserves

	2021		2020	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
At the beginning of the year	373	4	432	10
Commissions received during the year	1,028	8	786	8
Commissions earned during the year	(960)	(10)	(845)	(14)
At the end of the year	441	2	373	4

The commissions incurred and commissions earned under the conventional insurance (run-off) fund for the year ended 31 December 2021 is BD 5 thousand (2020: 6 thousand) and BD 10 thousand (2020: 14 thousand) respectively. Accordingly, net commissions earned is BD 5 thousand (2020: net commission earned BD 8 thousand) for the year ended 31 December 2021.

11 PREPAYMENTS AND OTHER ASSETS

	2021	2020
Deposit with Third Party Administrator (TPA)	40	40
Statutory deposit	136	134
Accrued income	387	428
Prepaid expenses and other assets	1,592	1,416
	2,155	2,018

Included in the above prepayment and other assets are BD 142 thousand (2020: BD 71 thousand) that are held under conventional run-off fund.

Statutory deposits are maintained under the regulations of the Central Bank of Bahrain and Financial Institutions Law, 2006. Such deposits cannot be withdrawn except with the approval of the Central Bank of Bahrain.

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12 Inter fund receivables and payables

Interfund balances represents amount receivable or payable between General Takaful Fund, Family Takaful Fund, Conventional (Run-off) Fund and Shareholders Fund on account of transaction among these funds which are mainly related to Wakala fees, commission and other technical payments, transfer of net profits from conventional (run-off) fund to shareholders fund etc.

The receivables/payables balance among these funds as at 31 December 2021 have been fully settled in January 2022.

13 RIGHT-OF-USE ASSETS

	31 December 2021
Recognition of right-of-use assets on initial application of FAS 32	301
Additional during the period	36
Depreciation charge for the period	(207)
Balance as at 31 December	130

14 TAKAFUL PARTICIPANTS' ASSETS AND LIABILITIES – UNDER RUN OFF MANAGEMENT

In accordance with the approval from Central Bank of Bahrain, the shareholders of the SGT assumed assets and liabilities of Solidarity Family Takaful Participants Fund as at 1 July 2012 to manage the run-off of the fund and was accordingly transferred to the Company as part of the transfer of business, assets and liabilities from SGT. The Company did not accept any new risk relating to run-off portfolio, and surplus and deficit pertaining to assets and liabilities under run-off management are recorded within the fund balance at each reporting date.

The Parent company has committed to compensate the Company for any adverse development in the run-off of the fund. Therefore, the Company has no material financial or takaful risk on assets and liabilities under run-off management.

	2021	2020
Cash and bank balances	69	62
Other investments	87	77
Total assets under run-off management	156	139

	2021	2020
Unearned contribution and mortality reserves	32	33
Takaful and other payables	38	38
Unit linked reserve	47	30
	117	101
Participants' surplus assets over liabilities	39	38
Total liabilities under run-off management	156	139

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15 PROPERTY AND EQUIPMENT**2021****Cost**

At 1 January

Additions

At 31 December

Accumulated depreciation

At 1 January

Charge for the year

At 31 December

Net book amount

At 31 December

	Land and building	Furniture, fixtures office, software and computer equipment	Motor vehicles	Total
At 1 January	853	2,966	17	3,836
Additions	-	137	-	137
At 31 December	853	3,103	17	3,973
At 1 January	53	1,589	17	1,659
Charge for the year	-	274	-	274
At 31 December	53	1,863	17	1,933
At 31 December	800	1,240	-	2,040

2020**Cost**

At 1 January

Additions

At 31 December

Accumulated depreciation

At 1 January

Charge for the year

At 31 December

Net book amount

At 31 December

	Land and building	Furniture, fixtures office, software and computer equipment	Motor vehicles	Total
At 1 January	853	1,777	17	2,647
Additions	-	1,189	-	1,189
At 31 December	853	2,966	17	3,836
At 1 January	53	1,340	15	1,408
Charge for the year	-	249	2	251
At 31 December	53	1,589	17	1,659
At 31 December	800	1,377	-	2,177

16 FAMILY TAKAFUL TECHNICAL RESERVE

At the beginning of the year

Refund during the year

Net change during the year

At the end of the year

2021	2020
3,057	3,258
(110)	(92)
125	(109)
3,072	3,057

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17 TAKAFUL AND INSURANCE PAYABLES

	2021	2020
Due to participants and policyholders	605	705
Due to Takaful and insurance companies	6,819	6,584
Due to garages	606	846
	8,030	8,135

Included in the above takaful and insurance payables are BD 32 thousand (2020: BD 60 thousand) that are held under conventional run-off fund.

18 OTHER LIABILITIES

	2021	2020
Unclaimed dividends	29	32
Employees' end of service benefits (Note 18.b)	223	194
Accrued expenses and other payables	2,241	1,821
	2,493	2,047

Included in the above other liabilities are BD 51 (2020: BD 53 thousand) that are held under conventional run-off fund.

Employees' end of service benefits are as follows:

(a) Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2021 amounted to BD 156 thousand (2020: BD 151 thousand).

(b) Expatriate employees

The movement in employees' end of service benefits applicable to expatriate employees are as follows:

	2021	2020
At the beginning of the year	194	171
Charge for the year	34	30
Payments during the year	(5)	(7)
At the end of the year	223	194
Total number of staff employed by the Company	125	133

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19 IJARAH LIABILITIES

	31 December 2021
Maturity analysis – Gross Ijarah liabilities	
Less than one year	110
One to five years	27
Total gross Ijarah liabilities	137
Maturity analysis – Net Ijarah liabilities	
Less than one year	105
One to five years	29
Total net Ijarah liabilities	134

20 SHARE CAPITAL**20.1 Authorised**

Authorised shares of 150,000,000 at BD 0.100 each
 (2020: 150,000,000 shares of BD 0.100 each)

Number of shares (thousands)	Share capital
150,000	15,000

20.2 Issued and fully paid

At 31 December 2020

At 31 December 2021

Number of shares (thousands)	Share capital
120,000	12,000
120,000	12,000

The Company's total issued and fully paid share capital at 31 December 2021 comprises 120,000,000 shares at BD 0.100 each. The share capital of the Company is denominated in BD and these shares are traded on Bahrain Bourse in BD.

20.3 Additional information on shareholding pattern

- (a) The names and nationalities of the major shareholders, holding shareholding interest of 5% or more and the number of shares at 31 December 2021 and 2020 are as follows:

31 December 2021		
Nationality	Number of shares	Percentage of holding interest
Solidarity Group Holding B.S.C. (c)	101,005,461	84.17%
Others	18,994,539	15.83%
	120,000,000	100%

20 SHARE CAPITAL (CONTINUED)**20.3 Additional information on shareholding pattern (Continued)**

31 December 2020		
Nationality	Number of shares	Percentage of holding interest
Solidarity Group Holding B.S.C. (c)	101,005,461	84.17%
Others	18,994,539	15.83%
	120,000,000	100%

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

(c) The distribution of the Company's equity shares, i.e. the number of holders and their percentage shareholding as at 31 December 2021 and 2020 is set out below:

31 December 2021			
	Number of shareholders	Number of shares	Percentage of total Outstanding Shares
Less than 1%	2,153	14,417,825	12.01%
More than 1% up to less than 5%	2	4,576,714	3.82%
More than 5%	1	101,005,461	84.17%
	2,156	120,000,000	100%

31 December 2020			
	Number of shareholders	Number of shares	Percentage of total Outstanding Shares
Less than 1%	2,188	14,417,825	12.01%
More than 1% up to less than 5%	2	4,576,714	3.82%
More than 5%	1	101,005,461	84.17%
	2,191	120,000,000	100%

(d) Details of the Directors' interests in the Company's shares are as follows:

<u>Name of the Directors</u>	Number of shares	
	2021	2020
Ashraf Adnan Bseisu	26,812	26,812
Sharif Ahmadi	116,986	116,986
	143,798	143,798

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20 SHARE CAPITAL (CONTINUED)**20.3 Additional information on shareholding pattern (CONTINUED)**

Mr. Ashraf Adnan Bseisu holds 26,812 shares on behalf of and for the beneficial interest of Solidarity Group Holding B.S.C. (c).

Mr. Jawad Mohammed (Chief Executive Officer) holds 26,812 shares on behalf of and for the beneficial interest of Solidarity Group Holding B.S.C. (c).

The above shares held by Mr. Ashraf Adnan Bseisu and Mr. Jawad Mohammed have been transferred to Solidarity Group Holding in January 2022.

20.4 Treasury shares

The Company owned its own shares amounting to BD 4 thousand at 31 December 2021 (2020: BD 4 thousand). The shares are held as treasury shares and the Company has the right to reissue these shares at a later date.

21 STATUTORY RESERVE

In accordance with the provisions of the Bahrain Companies Commercial Law 2001, 10% of the net profit of the Company is transferred to a statutory reserve until such time the statutory reserve equals 50% of the paid-up share capital of the Company. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies law. The Company has transferred BD 289 thousand to the statutory reserve for the year ended 31 December 2021 (2020: BD 269 thousand).

22 BASIC AND DILUTED EARNINGS PER SHARE

	2021	2020
Net profit for the year	2,885	2,685
Weighted average number of shares outstanding	119,950,219	119,950,219
Basic and diluted earnings per 100 fils share	24.05 fils	22.38 fils

The earnings per share have been computed on the basis of net profit for the year divided by the weighted average number of shares outstanding for the year, net of treasury shares.

23 WAKALA FEE

The Company receives Wakala fee for administration of the takaful funds on behalf of the participants. The maximum chargeable Wakala fee which has been certified by Actuary and approved by the Shari'a Supervisory Board ("SSB") for the year ended 31 December 2021 is 25% (2020: 25%) for the general takaful fund and 25% (2020: 25%) for family takaful fund on the overall gross contributions.

The actual Wakala fees charged from General Takaful Fund and Family Takaful Fund for the year 2021 is 21.9% (2020: 21.7%) and 20.0% (2020: 25.0%) respectively which is within the capped Wakala fees approved by the SSB.

NOTES TO THE FINANCIAL STATEMENTS

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24 INVESTMENT INCOME, NET

	2021	2020
Income from placements with financial institutions	523	544
Income from debt instruments	624	845
Income from equity instruments	1,008	524
Impairment losses during the year	(255)	-
Investment management expenses	(28)	(34)
Net investment income	1,872	1,879
Mudarib share*	(115)	(108)
	1,757	1,771
Shareholders' fund investment income	1,413	1,447
General takaful fund investment income, net of Mudraib share	242	195
Family takaful fund investment income, net of Mudraib share	102	129
	1,757	1,771

**Mudarib share*

The shareholders manage the participants' investments and charge 25% for the year ended 31 December 2021 (2020: 25%) of the investment income earned by takaful funds as mudarib share, as approved by the Shari'a Supervisory Board. Mudarib share has been included in shareholders' statement of income.

25 TAKAFUL RISK MANAGEMENT

25.1 Overview

Takaful and financial risk management of the Company is managed within the overall framework of the Company's strategy for managing takaful and financial risk. The following sections describe the takaful risk faced by the Company and its takaful risk management strategies. The Company's Business Management Committee monitors aggregate risk data and take overall risk management decisions.

The Company accepts takaful risk through its written takaful contracts. The risk under a takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

25.2 Underwriting strategy

The Company's underwriting strategy for the participants' pool is driven by the general underwriting guidelines of the Company. The objective of this strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome. The underwriting strategy is set out in the annual business plan that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal. The Company's Executive Management Committee meets monthly to review certain management information including contribution income and key ratios by class of business.

25.3 Sensitivity analysis

The following tables provide an analysis of the sensitivity of participants' revenue and expenses and total participants' fund to changes in the expense rate and expected loss ratio used to measure general takaful and family takaful contract provisions and retakaful assets at the reporting date. The analysis has been prepared for a change in variable with other assumptions remaining constant. The effect is shown before and after retakaful on the net surplus during the year.

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25 TAKAFUL RISK MANAGEMENT (CONTINUED)**25.3 Sensitivity analysis (Continued)**

2021	Participants' fund revenues and expenses		Conventional run-off fund revenues and expenses	
	Gross of retakaful	Net of retakaful	Gross of reinsurance	Net of reinsurance
Expense rate				
1 percent increase	249	267	489	488
1 percent decrease	598	579	479	480
Expected change in the net incurred claims				
1 percent increase	318	336	489	488
1 percent decrease	528	510	479	480

2020	Participants' fund revenues and expenses		Conventional run-off fund revenues and expenses	
	Gross of retakaful	Net of retakaful	Gross of reinsurance	Net of reinsurance
Expense rate				
1 percent increase	239	232	293	294
1 percent decrease	549	556	289	288
Expected change in the net incurred claims				
1 percent increase	304	298	293	294
1 percent decrease	484	490	289	288

25 TAKAFUL RISK MANAGEMENT (CONTINUED)
25.5 Terms and conditions of significant takaful contracts

An overview of the terms and conditions of significant takaful contracts written by the Company, and the key factors upon which the timing and uncertainty of future cash flows of these contracts depends are detailed in the table below.

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property & engineering	Property & engineering takaful indemnifies, subject to any limits or excesses, the participant against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Claims are generally notified promptly and can be settled without delay. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
General accident & liability	Under general accident & liability contracts, compensation is paid for injury suffered by individuals, including employees or members of public.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage, the policy provisions and the jurisdiction in which the contract is written. Typically, liability damage claims take a long period of time to finalise and settle. Estimating claims provisions for these claims involves uncertainties such as the reporting lag, the number of parties involved in the claim, whether the insured event is over multiple time periods and the potential amounts of the claim. The majority of bodily injury claims are decided based on the laws in force and court judgement, and are settled within two – three years.
Motor	Motor takaful contracts provide cover in respect of participants' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor takaful contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. Exposure to third party bodily injury is unlimited in accordance with statutory requirements.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in adverse weather conditions. The number of claims is also correlated with the economic activity, which affects the amount of traffic activity. The majority of bodily injury claims are decided based on the laws in force and court judgement, and are settled within two – three years.
Directors' & officers' liability	Directors' & Officers Liability Contracts indemnify directors for their wrongful and negligent act is their capacity as director of an entity.	By its nature it is a low frequency high severity class influenced by the jurisdiction, level of corporate governance regulations, legal environment and litigious nature of the public at large. It has a long tail and would generally take a long period to settle. Reserving is quite difficult due to time lag, number of people involved and the changes in the corporate laws.
Medical	These contracts reimburse costs for medical treatment and hospital expenses. The participant is indemnified for only part of the cost of medical treatment or benefits are fixed.	Claims under these contracts depend on both the incidence of participants becoming ill and the duration over which they remain ill. Claims are generally notified promptly and can be settled without delay. This permits contribution revisions to respond reasonably quickly to adverse claims experience.

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25 TAKAFUL RISK MANAGEMENT (CONTINUED)**25.4 Terms and conditions of significant takaful contracts (Continued)**

Type of contract	Terms and conditions	Key factors affecting future cash flows
Group life	Group life contracts cover the life of the employees of an organization. The benefits covered include death, partial and permanent disablement.	Claims are generally notified promptly and can be settled without delay. The dominant product style is an annually renewable takaful contract. This permits contribution revisions to respond reasonably quickly to adverse claims experience.
Mortgage (DTA)	Mortgage DTA contracts indemnify financing institutions for the value of the loan availed by a participant and takaful protection to participants. Exposure occurs on death, critical illness and total permanent disability.	Claims reporting lags are minor and claim complexity is relatively low. The amount of claim is limited to the reducing balance based on policy amortization schedule and sum assured against takaful protection policies. The majority of critical illness and total permanent disability claims are decided based on medical judgement, and are settled within six months.

25.5 Retakaful strategy

The Company retakaful a portion of the takaful risks it underwrites in order to control its exposure to losses and protect capital resources. Ceded retakaful contains credit risk, as in the financial risk management note. The Company's Management Committee decides the minimum security criteria for acceptable retakaful and monitoring the purchase of retakaful by the business units against those criteria. The Committee monitors developments in the retakaful programme and its ongoing adequacy. The business units buy a combination of proportionate and non-proportionate retakaful treaties to reduce the net exposure to the Company for any single event. In addition, underwriters are allowed to buy facultative retakaful in certain specified circumstances. All purchases of facultative retakaful are subject to business unit pre-approval, and the total expenditure on facultative retakaful is monitored on a policy basis at a business unit level.

25.6 Risk exposure and concentration of takaful risk

The following table shows the Company's exposure to general takaful and family takaful risk by category of business. The table also shows the geographical concentration of these risks and the extent to which the Company has covered these risks by retakaful.

2021	Non-Motor	Motor	Medical	Group Life	Family takaful	Total
Geographical area						
Gross Contribution						
Bahrain & GCC:	9,748	8,933	10,568	1,714	666	31,629
	9,748	8,933	10,568	1,714	666	31,629
Retakaful Contribution*						
Bahrain & GCC	3,169	-	3,883	1,033	1	8,086
Europe	4,813	150	1,957	-	-	6,920
Others	1,052	142	474	72	480	2,220
	9,034	292	6,314	1,105	481	17,226
Net of retakaful	714	8,641	4,254	609	185	14,403

* Retakaful contribution by geography is based on the location of the retakaful/reinsurance company.

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25 TAKAFUL RISK MANAGEMENT (CONTINUED)

25.6 Risk exposure and concentration of takaful risk (Continued)

2020	Non-Motor	Motor	Medical	Group Life	Family takaful	Total
Geographical area						
Gross Contribution						
Bahrain & GCC:	8,346	9,151	10,579	1,794	334	30,204
	8,346	9,151	10,579	1,794	334	30,204
Retakaful Contribution*						
Bahrain & GCC	1,393	-	4,443	1,150	2	6,988
Europe	4,335	189	1,124	-	-	5,648
Others	1,845	125	282	58	478	2,788
	7,573	314	5,849	1,208	480	15,424
Net of retakaful	773	8,837	4,730	586	(146)	14,780

* Retakaful contribution by geography is based on the location of the retakaful/reinsurance company.

25.7 Claims development

The development of takaful liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

(a) Takaful claims – Gross

Accident year	2017 & Prior	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:						
At end of reporting year	79,319	12,027	14,169	12,553	14,376	14,376
One year later	78,696	10,624	11,609	9,190		9,190
Two years later	78,320	10,234	11,539			11,539
Three years later	77,683	10,116				10,116
Four years later	77,391					77,391
Current estimate of cumulative claims	77,391	10,116	11,539	9,190	14,376	122,612
Cumulative payments to date	(76,019)	(9,346)	(10,565)	(8,242)	(6,598)	(110,770)
Total reserves included in the statement of financial position	1,372	770	974	948	7,778	11,842

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25 TAKAFUL RISK MANAGEMENT (CONTINUED)

25.7 Claims Development (Continued)

(b) Takaful claims – Net

Accident year	2017 & Prior	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:						
At end of reporting year	44,243	8,959	10,544	10,051	11,282	11,282
One year later	43,676	8,491	9,995	7,505		7,505
Two years later	43,689	8,566	10,002			10,002
Three years later	43,722	8,683				8,683
Four years later	43,550					43,550
Current estimate of net cumulative claims	43,550	8,683	10,002	7,505	11,282	81,022
Cumulative net payments to date	(42,565)	(8,061)	(9,333)	(7,020)	(5,131)	(72,110)
Total net reserves included in the statement of financial position	985	622	669	485	6,151	8,912

(c) Conventional insurance (run-off) claims – Gross

Accident year	2017 & Prior	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:						
At end of reporting year	44,148	3,285	224	236	452	452
One year later	40,970	3,009	145	36		36
Two years later	40,118	3,019	142			142
Three years later	39,597	2,844				2,844
Four years later	37,900					37,900
Current estimate of cumulative claims	37,900	2,844	142	36	452	41,374
Cumulative payments to date	(37,665)	(2,783)	(127)	(23)	(93)	(40,691)
Total reserves included in the statement of financial position	235	61	15	13	359	683

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25 TAKAFUL RISK MANAGEMENT (CONTINUED)**25.7 Claims Development (Continued)****(d) Conventional insurance (run-off) claims – Net**

Accident year	2017 & Prior	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:						
At end of reporting year	29,150	2,727	181	218	322	322
One year later	27,577	2,545	97	14		14
Two years later	27,415	2,562	96			96
Three years later	26,925	2,389				2,389
Four years later	25,969					25,969
Current estimate of net cumulative claims	25,969	2,389	96	14	322	28,790
Cumulative net payments to date	(25,904)	(2,331)	(90)	(12)	(5)	(28,342)
Total net reserves included in the statement of financial position	65	58	6	2	317	448

26 CAPITAL MANAGEMENT

The Company's management policy is to maintain a strong capital base so as to maintain investor, counterparty and market confidence and to sustain the future development of the business. The Company's objectives for managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company is supervised by the Central Bank of Bahrain (CBB) which sets out the minimum capital requirements. It is the Company's policy to hold capital as an aggregate of the capital requirement and a specified margin, to absorb changes in both capital and capital requirements. The Company manages the capital structure and makes adjustments within the framework of the Group's strategy, in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The CBB rulebook stipulates the solvency margin requirements for Takaful funds. The Company has met the above requirements of the CBB.

27 FINANCIAL RISK MANAGEMENT

27.1 Overview

The Company's financial risk management policies are within the overall framework of the Group's strategy for managing financial risk. The Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Company's Board of Directors has established the Risk Management Committee, which is responsible for implementing and monitoring the Company's risk management policies. The Committee reports regularly to the Company's Board Audit and Risk Committee on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company has established an Audit and Risk Committee that oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit and Risk Committee is assisted in its oversight role by Company's Internal Audit.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)**27.2 Credit risk**

Credit risk is the risk of financial loss to the Company if counterparty fails to meet its contractual obligations. The Company's key areas of exposure to credit risk include:

- placements with financial institutions, investments, and cash and cash equivalents.
- receivables, including amounts due from takaful contracts, participants, brokers, retakaful operators' share of takaful liabilities, amounts due from retakaful operators in respect of payments already made to participants.

The nature of the Company's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

(i) Management of credit risk

The Company manages its credit risk in respect of its deposits, placements and investments by placing limits on its exposure to a single counterparty. The Company has a policy of investing after evaluating the credit quality of investments, reviewing public rating information and internal investigations about investments.

The Company's exposure to individual participants and groups of participants is monitored by the individual business units as part of its credit control process. Financial analyses are conducted for significant exposures to individual participants or homogenous groups of participants. The Company's retakaful counterparty exposures are managed by the Company which assesses the creditworthiness of all retakaful operators by reviewing public rating information and from internal investigations. The impact of retakaful operator default is measured regularly and managed accordingly.

(ii) Maximum exposure to credit risk

The carrying amount of financial assets (net of impairment) represents the maximum credit exposure at the reporting date:

	2021	2020
Cash and cash equivalents	4,949	4,336
Placements with financial institutions	19,177	16,412
Investments	13,197	15,127
Takaful and insurance receivables	7,784	9,149
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	2,062	2,474
Other assets	2,155	2,018
	49,324	49,516

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)**27.2 Credit risk (continued)**(iii) *Analysis of receivable from takaful and retakaful operators:*

2021	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Provision for doubtful takaful and insurance receivables	Total
Takaful and insurance receivables	4,944	2,840	1,280	(1,280)	7,784
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	2,062	-	-	-	2,062
	7,006	2,840	1,280	(1,280)	9,846

2020	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Provision for doubtful takaful and insurance receivables	Total
Takaful and insurance receivables	5,937	3,212	1,245	(1,245)	9,149
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	2,474	-	-	-	2,474
	8,411	3,212	1,245	(1,245)	11,623

(iv) *Age analysis (Takaful and insurance receivables)*

	2021		2020	
	Gross	Provisions	Gross	Provisions
0 to 6 months	4,944	-	5,937	-
6 to 12 months	2,575	-	2,749	-
More than 12 months	1,545	1,280	1,708	1,245
	9,064	1,280	10,394	1,245

27 FINANCIAL RISK MANAGEMENT (CONTINUED)**27.3 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial and takaful liabilities that are settled by delivering cash or another financial asset. The Company is exposed to daily calls on its available cash resources mainly from claims arising from takaful contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims.

(i) Management of liquidity risk

The Company's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The Company's approach to managing its liquidity risk is as follows:

- Budgets are prepared and revised on a regular basis to predict cash outflows from takaful contracts over the short, medium and long term;
- Assets purchased by the Company are required to satisfy specified marketability requirements;
- The Company maintains cash and liquid assets to meet daily calls on its takaful contracts.

(ii) Exposure to liquidity risk

An analysis of the contractual maturities of the Company's financial liabilities (including contractual undiscounted profit payments) is presented follows:

2021

Takaful and insurance technical liabilities
Takaful and insurance payables
Other liabilities

Contractual undiscounted cash flows	
Carrying amount	Total cash outflows
27,982	27,982
8,030	8,030
3,689	3,689
39,701	39,701

2020

Takaful and insurance technical liabilities
Takaful and insurance payables
Other liabilities

Contractual undiscounted cash flows	
Carrying amount	Total cash outflows
26,526	26,526
8,135	8,135
2,047	2,047
36,708	36,708

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021**

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)**27.4 Market risks**

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices which will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on its financial assets, including those held to back linked contracts to the extent that the fees earned by the Company on these contracts are often dependent on the market value of the underlying portfolio.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risks and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

The Company manages its market risk, locally in accordance with its asset liability management framework. The Investment Committee of the Company manages and monitors market risks. This committee was established by the Board of Directors of the Company and consists of both executive and non-executive members. The Investment Committee reports regularly to the Company's Board of Directors on its activities.

For each of the major components of market risk the Company has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Company at the reporting date to each major risk are addressed below.

(i) Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Floating rate instruments expose the Company to cash flow profit rate, whereas fixed profit rate instruments expose the company to fair value profit risks. The Company has no significant concentration of the profit rate risk.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's currency risk is related to changes in exchange rates applicable to the settlements in foreign currencies. The Company's exposure to currency risk is not significant as the majority of its investments, receivables and payables are denominated in Bahraini Dinars or denominated in currencies which are pegged to US Dollar.

(iii) Equity price risk

The Company is exposed to equity price risk which arises from equity type instruments. The primary goal of the Company's investment strategy is to ensure risk free returns and invest excess surplus fund available with the Company in risk free securities. Equity price risk arises from investment held by the Company. The Company's Investment Committee monitors its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Company's Investment Committee. Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company has an unquoted equity investment carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired and then the income statement will be impacted.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021**

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)**27.4 Market risks (continued)***(iv) Sensitivity analysis to profit rate risk*

The table below shows the results of sensitivity testing on the Company's combined profit and surplus and the equity. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Company's financial assets and liabilities and its takaful assets and liabilities.

2021	Combined profit and surplus	Equity
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	3,628	3,628
- 100 basis points shift in yield curves	2,988	2,988
2020	Combined profit and surplus	Equity
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	3,223	3,223
- 100 basis points shift in yield curves	2,583	2,583

28 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant shareholder and entities over which the Company and the shareholder exercises significant influence, directors and executive management of the Company.

28.1 Transactions with key management personnel

Key management personnel of the Company comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Board remuneration of BD 63 thousand is paid to the Board of Directors of the Company during the year (2020: BD 63). Sitting fees paid to the members of the Committees of the Board of Directors amounting BD 34 thousand (2020: BD 37 thousand) and salaries and benefits paid to key members of management amounting to BD 497 thousand (2020: BD 475 thousand). End of service benefits due to key management personnel as at 31 December 2021 amounting to BD 198 thousand (2020: BD 177 thousand).

28 RELATED PARTIES (CONTINUED)**28.2 Transactions and balances with related parties****a) Transactions with related parties***Gross contributions:*

Parent company

Entities under common control

Retakaful contributions:

Entities under common control

Income from placements:

Entities under common control

Gross paid claims:

Entities under common control

	2021	2020
Parent company	37	48
Entities under common control	2,765	2,446
Entities under common control	23	17
Entities under common control	54	98
Entities under common control	724	315

b) Balances*Payables:*

Parent company

Entities under common control

Placements with financial institutions:

Entities under common control

Receivables:

Parent company

Entities under common control

Claims outstanding:

Entities under common control

Cash and cash equivalents:

Entities under common control

	2021	2020
Parent company	8	-
Entities under common control	18	15
Entities under common control	2,003	2,013
Entities under common control	-	2
Entities under common control	733	654
Entities under common control	810	642
Entities under common control	1,122	1,495

29 SHARI'A SUPERVISORY BOARD

The Company's business activities are subject to the supervision of the Shari'a Board consisting of three scholars appointed by the General Assembly annually. The Shari'a Supervisory Board has the power to review the Company's business operations and activities in order to confirm that the Company is complying with Shari'a rules and principles. The Shari'a Supervisory Board will have access to all the Company's records, transactions and information sources.

30 EARNINGS PROHIBITED BY SHARI'A

There were no earnings (2020: BD nil) realised during the year from transactions which are not permitted by Sharia Supervisory Board.

NOTES TO THE FINANCIAL STATEMENTS

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31 ZAKAH

Zakah of BD 110 thousand (2020: BD 82 thousand) at the rate of 1 fils (2020: 1 fils) per share is to be directly borne by the shareholder and, accordingly, the financial statements include no provision for Zakah. Zakah base is calculated using the 'Net Invested Funds' method. The components used in Zakah computation are share capital, statutory reserve, retained earnings and fair value reserves reduced by participants' equity, investments held not for trading and property and equipment. The basis of computation is approved by the Sharia Supervisory Board and the amounts payable are notified to shareholder.

32 SEGMENTAL INFORMATION

The Company makes operating decisions on a combined basis for general takaful, family takaful and conventional insurance run-off fund. Management monitors the underwriting results and performance of the Company using the following business segments:

- Non-motor which includes fire, marine, general accident, liability, Aviation and engineering lines of business.
- Motor.
- Medical.
- Group Life which includes group life and credit life business.
- Family Takaful which includes long-term decreasing term and level term business.

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

NOTES TO THE FINANCIAL STATEMENTS
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32 SEGMENTAL INFORMATION (CONTINUED)

	2021					2020						
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional revenues												
Gross contributions/premiums	9,748	8,933	10,568	1,714	666	31,629	8,346	9,151	10,579	1,794	334	30,204
Retakaful/reinsurance contributions/premiums	(9,034)	(292)	(6,314)	(1,105)	(481)	(17,226)	(7,573)	(314)	(5,849)	(1,208)	(480)	(15,424)
Retained contributions/premiums	714	8,641	4,254	609	185	14,403	773	8,837	4,730	586	(146)	14,780
Movement in unearned contributions/premiums, net	(29)	-	97	(6)	-	62	(96)	458	(74)	-	-	288
Net contributions/premiums earned	685	8,641	4,351	603	185	14,465	677	9,295	4,656	586	(146)	15,068
Commission income, net	792	36	204	-	-	1,032	568	25	198	-	-	791
Movement in unearned commission, net	(79)	(3)	15	-	-	(67)	133	-	(71)	-	-	62
Profit commission and other income	392	41	7	5	37	482	112	40	7	6	29	194
Net commission earned/(incurred)	1,105	74	226	5	37	1,447	813	65	134	6	29	1,047
Total takaful/conventional revenues	1,790	8,715	4,577	608	222	15,912	1,490	9,360	4,790	592	(117)	16,115

(*) Non - motor includes fire, marine, aviation, general accident, liability and engineering.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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32 SEGMENTAL INFORMATION (CONTINUED)

	2021						2020					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional expenses												
Gross claims paid	512	3,851	3,689	1,323	132	9,507	318	5,080	3,267	912	138	9,715
Claims recovered from retakaful/reinsurance and others	(406)	(27)	(327)	(1,045)	(90)	(1,895)	(267)	(18)	(6)	(787)	(119)	(1,197)
Net claims paid	106	3,824	3,362	278	42	7,612	51	5,062	3,261	125	19	8,518
Movement in outstanding claims – gross	58	619	38	(163)	(14)	538	969	(2,627)	235	476	1	(946)
Movement in outstanding claims – retakaful/reinsurance	20	(53)	(30)	194	26	157	(556)	2,619	19	(350)	(1)	1,731
Net claims incurred/(recovered)	184	4,390	3,370	309	54	8,307	464	5,054	3,515	251	19	9,303
Transfer to family takaful technical reserve	-	-	-	-	125	125	-	-	-	-	(109)	(109)
Technical surplus	1,606	4,325	1,207	299	43	7,480	1,026	4,306	1,275	341	(27)	6,921
Identifiable assets	6,998	2,174	3,306	1,189	4,047	17,714	6,344	2,543	5,164	1,413	3,932	19,396
Identifiable liabilities	8,930	12,905	5,672	1,563	3,766	32,836	7,904	12,504	5,415	1,750	3,629	31,202

(*) Non - motor includes fire, marine, aviation, general accident, liability and engineering.

Assets amounting to BD 54.926 million (2020: BD 48.743 million) and liabilities amounting to 10.670 million (2020: BD 9.851 million) are not specifically identifiable.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included with in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring:

	Level 1	Level 2	Level 3	Total
31 December 2021				
Investments at fair value	7,786	-	1,650	9,436
	7,786	-	1,650	9,436
 31 December 2020				
Investments at fair value	4,778	-	1,650	6,428
	4,778	-	1,650	6,428

No transfers out of, or into, the level 3 measurement classification occurred during the year ended 31 December 2021 (31 December 2020: 0).

NOTES TO THE FINANCIAL STATEMENTS
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33 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values:

2021	Fair value through equity	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	4,949	4,949	4,949
Placements with financial institutions	-	-	19,177	19,177	19,177
Investments	9,436	13,197	-	22,633	23,071
Takaful and insurance receivables	-	-	7,784	7,784	7,784
Retakaful and reinsurance share of technical liabilities	-	-	10,628	10,628	10,628
Other assets	-	-	2,285	2,285	2,285
Total financial assets	9,436	13,197	44,823	67,456	67,894
Takaful and insurance technical liabilities	-	-	22,676	22,676	22,676
Takaful and insurance payables	-	-	8,030	8,030	8,030
Other liabilities	-	-	2,627	2,627	2,627
Total financial liabilities	-	-	33,333	33,333	33,333

2020	Fair value through equity	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	4,336	4,336	4,336
Placements with financial institutions	-	-	16,412	16,412	16,412
Investments	6,428	15,127	-	21,555	21,753
Takaful and insurance receivables	-	-	9,149	9,149	9,149
Retakaful and reinsurance share of technical liabilities	-	-	10,060	10,060	10,060
Other assets	-	-	2,018	2,018	2,018
Total financial assets	6,428	15,127	41,975	63,530	63,728
Takaful and insurance technical liabilities	-	-	22,574	22,574	22,574
Takaful and insurance payables	-	-	8,135	8,135	8,135
Other liabilities	-	-	2,047	2,047	2,047
Total financial liabilities	-	-	32,756	32,756	32,756

The carrying value of the Company's financial instruments except investments were deemed to approximate fair value due to the immediate or short-term maturities of those financial instruments.

34 CAPITAL ADEQUACY AND SOLVENCY MARGIN

The Central Bank of Bahrain (CBB) rulebook stipulates that solvency margin requirements are determined on a combined basis of both participants' and the shareholder's funds together. The capital available to cover solvency margin required is as follows:

	2021	2020
Margin required for Family Takaful fund	568	533
Margin required for General Takaful fund	2,969	2,876
Total margin required	3,537	3,409
Capital available to cover solvency margin	16,708	17,299
Excess capital	13,171	13,890

35 CONTINGENT LIABILITIES AND COMMITMENTS

The Company is a defendant in a number of cases brought by policyholders and third parties in respect of claims which the Company disputes. While it is not possible to predict the eventual outcome of such legal actions, the management has made provisions which, in their opinion, are adequate. There are no material commitments as at the year ended 31 December 2021 (2020: nil).

36 MERGER OF T'AZUR WITH SOLIDARITY BAHRAIN

The Company notified the board of directors of T'azur Company B.S.C. (c) ("T'azur") through a letter dated 18 July 2021, after trading hours, that it has a firm intention to make an offer to acquire 100% of the assets, business, and liabilities of the Bahrain operations (including Qatar branch in run-off) of T'azur and excluding latter's ownership of 70% of the paid-up share capital of T'azur Takaful Insurance Company K.S.C. (Kuwait) ("Merger Offer"). As of 5 August 2021, T'azur's Board of Directors resolved to accept and countersign the Firm Intention letter dated 18 July 2021 ("Firm Intention").

Subsequently, the Merger Offer and related steps were approved by the shareholders of the Company as well as T'azur in a duly convened Extraordinary General Meeting ("EGM") held on 29th September 2021 with the shareholder approval remaining subject to regulatory consent. On 21 October 2021, the Central Bank of Bahrain (CBB) published in the official gazette the receipt of request for approval of the Merger Offer from T'azur, requesting any stakeholder who has an objection to this merger to submit their written objection to the CBB within 90 days from the date of the announcement. The mandatory notice period of 90 days from the date of publication of announcement, has culminated on 20th January 2022 and subsequently CBB approval on transfer of T'azur whole business related to its Bahrain operations (including Qatar branch run-off) to Solidarity Bahrain was published in the official gazette on 27th January 2022 which constitutes the effectiveness of merger.

The consideration for the Merger Offer has been determined based on the two parties' fair valuation as at the Cut-off Date of 30 September 2020, as determined through a comprehensive due-diligence exercise and translates to 13,333,332 new ordinary shares to be issued by the Company to T'azur shareholders via increase of the Company's paid-up capital in-lieu of the Merger.

NOTES TO THE FINANCIAL STATEMENTS

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35 MERGER WITH T'AZUR COMPANY B.S.C. (C) (CONTINUED)

Currently, the administrative and regulatory procedures related to amendment and notarization of the company Memorandum and Articles of Association, increase in share capital and issuance of new shares to T'azur shareholders are underway which are expected to be concluded during first quarter of 2022.

37 SUBSEQUENT EVENTS

There were no other significant events, than those disclosed under Note 35 subsequent to 31 December 2021 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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38 TOTAL COMPREHENSIVE INCOME

	2021					2020				
	General takaful fund	Family takaful fund	Conventional (run-off) fund	Shareholders' fund	Total	General takaful fund	Family takaful fund	Conventional (run-off) fund	Shareholders' fund	Total
Net profit and surplus for the year	411	12	-	2,885	3,308	375	19	-	2,685	3,079
Other comprehensive income to be reclassified to statement of income and participants' revenues and expenses in subsequent year:										
Fair value changes arising during the year	-	-	-	866	866	-	-	-	205	205
Transferred to investment income on disposal of equity instruments	-	-	-	(28)	(28)	-	-	-	(30)	(30)
Other comprehensive income for the year to be reclassified to statement of income and participants' revenues and expenses in subsequent years	-	-	-	838	838	-	-	-	175	175
Total comprehensive income for the year	411	12	-	3,723	4,146	375	19	-	2,860	3,254

39 DIRECTORS' REMUNERATION AND DIVIDENDS

Directors' remuneration

Proposed by the Board of Directors

The Board of Directors of the Company propose to pay BD 70 thousand towards directors' remuneration apart from the regular sitting fees for the year ended 31 December 2021 (2020: BD 63 thousand for the year ended 31 December 2020 paid in 2021). This is subject to the approval of shareholders in the Annual General Meeting.

Dividends

Declared and paid

Cash dividend amounted to BD 2.098 million (17.5% of the paid up capital) was declared and paid in 2021 for the year ended 31 December 2020 (2020: Cash dividend of BD 1.799 million representing 15% of the paid capital)

Proposed by the Board of Directors

The Board of Directors of the Company proposes to pay cash dividend of 20% of the paid up capital for the year ended 31 December 2021 (2020: Cash dividend of 17.5% of the paid up capital). The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these financial statements.

40 COMPARATIVES

Certain prior year figures have also been reclassified to conform to the current year presentation. This did not affect the financial position or results for the year.

41 IMPACT OF COVID-19

The outbreak of the novel Coronavirus (COVID-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact.

In light of COVID-19, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the financial information:

Impairment of financial assets:

The Company has assessed the impairment of its financial assets based on judgement, by considering the relevant macroeconomic factors relative to the economic climate of the respective markets in which it operates. The Company has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

41 IMPACT OF COVID-19 (CONTINUED)

Impairment of non-financial assets:

The Company has performed a qualitative assessment, considering the minimal impact of COVID-19 on entities operating in the insurance sector, and compared the actual results for the current year against corresponding prior year and industry benchmarks to conclude there is no material impact on account of COVID-19.

Commitment and contingent liabilities:

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Company and customers, with a view of potential increase in contingent liabilities and commitments, no issues were noted.

Government support:

The Government of Kingdom of Bahrain has announced various economic stimulus programmes to support businesses in these challenging times. The Company has received benefits in the year 2020 in the form of waiver of Electricity and Water Authority utility bills and partial reimbursement of salaries of employees from the Unemployment Fund.

Included in statement of income under other income is BD 298 thousands of government support received in 2020.

Going concern:

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged as of the date of approval of these financial statement. As a result, this financial statement has been appropriately prepared on a going concern basis.

Supplementary disclosure to the financial statements related to the financial impact of COVID-19

With reference to the CBB circular OG/259/2020 dated 14th July 2020 on supplementary disclosure on the financial impact of COVID-19, Solidarity Bahrain would like to provide the following information:

On 21st 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 11th March 2020, World Health Organization (WHO) declared COVID-19 outbreak a global pandemic and asserted the threat posed by this virus. This pandemic is an unprecedented event, which has resulted in a global shutdown and caused severe repercussions for economies across the globe. To deter the spread, countries across the globe have taken several measures; complete and partial lockdown, travel restrictions, quarantine measures, closure of public facilities, restriction on certain business activities among many others.

To ease out the financial impact of COVID-19, Bahrain government announced generous stimulus packages to support the citizens, residents, private sector and local businesses to withstand the financial burdens caused by the current situation. All such measures had a positive impact, directly or indirectly across all the sectors and boosted the confidence in this challenging time.

Despite the current economic challenges, Solidarity Bahrain has so far shown great resilience and managed to achieve modest growth compared to last year. Although it is very difficult to ascertain the full financial impact, the impact on some of the key fundamentals of the Company for year ended 31 December 2021 is as follows:

- Achieved modest growth in net profits and gross contributions compared to last year.
- No material impact of the value of equity investment portfolio measured at fair value.
- No major impact on the receivable recoverability and the Company's liquidity position is very strong and there is no adverse impact on its working capital.
- The Company hold strong solvency position and its net available capital as at 31 December 2021 is over 4 times of the solvency margin required as per CBB regulations.

The above information does not represent the 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.