

تعميم مجلس الإدارة المؤرخ 07 سبتمبر 2021

يعتبر هذا التعميم الصادر من مجلس الإدارة ("التعميم") مهماً لأنه يحتوي على توصية مجلس إدارة شركة سوليدرتي البحرين ش.م.ب ("سوليدرتي" أو "مقدم العرض"). يتطلب هذا التعميم انتباهكم الفوري ويرجى قراءته بعناية.

قبل اتخاذ القرار، يكون كل مستلم لهذا التعميم مسؤولاً عن الحصول على مشورة مستقلة للنظر في مدى ملائمة العرض فيما يتعلق بأهدافه واحتياجاته الاستثمارية.



سوليدرتي البحرين ش.م.ب

(تأسست في مملكة البحرين بموجب سجل تجاري رقم: 5091)

تعميم لمساهمي سوليدرتي البحرين ش.م.ب

فيما يتعلق بـ

عرض للاستحواذ على 100% من أصول، أعمال والتزامات عمليات البحرين (بما في ذلك فرع قطر قيد التصفية) لشركة تآزر ش.م.ب (م) نظير الاندماج عن طريق الاستحواذ مقابل إصدار 0.328 سهم عادي في سوليدرتي البحرين ش.م.ب لكل 1 سهم عادي في شركة تآزر ش.م.ب (م) ("تآزر" أو "متلقي العرض")

بيان إخلاء المسؤولية

لا يتحمل أي من مصرف البحرين المركزي وبورصة البحرين ووزارة الصناعة والتجارة والسياحة، في مملكة البحرين أي مسؤولية عن دقة وكمال البيانات والمعلومات الواردة في تعميم مجلس الإدارة المائل، ويخلي كل منهم صراحةً مسؤوليته من أي مسؤوليات أياً كانت تخص أي خسارة تنشأ عن أو بناءً على الاعتماد على كل أو أي جزء من محتويات هذا التعميم.

بيان أعضاء مجلس الإدارة

إن أعضاء مجلس إدارة شركة سوليدرتي البحرين ش.م.ب، الواردة أسمائهم في هذا التعميم، بإصدارهم له، يتحملون مجتمعين ومنفردين كامل المسؤولية عن دقة المعلومات الواردة في هذا التعميم وملحقاته. على حد علم ومعتقد أعضاء مجلس الإدارة، الذين اتخذوا العناية المعقولة للتأكد بأن المعلومات الواردة في هذا التعميم متفقة مع الحقائق ولا تحتوي على أي إغفالات قد تؤثر على الأرجح على أهمية وشمولية هذا التعميم.

بيان من مجلس إدارة سوليدرتي البحرين ش.م.ب

تم إعداد تعميم مجلس الإدارة هذا من قبل مجلس إدارة شركة سوليدرتي البحرين ش.م.ب لتوفير المعلومات لمساهميها فيما يتعلق بالعرض المقدم إلى شركة تآزر ش.م.ب (م) للاستحواذ على ١٠٠٪ من الأصول والأعمال والالتزامات لعمليات البحرين (بما في ذلك فرع قطر تحت التصفية) ("تطابق المعاملة") لشركة تآزر ش.م.ب. (م).

أعضاء مجلس الإدارة:

الصفة	إسم عضو مجلس الإدارة
الرئيس	السيد / توفيق شهاب
نائب الرئيس	السيد / أشرف بيسو
عضو مجلس إدارة	د. ناظم الصالح
عضو مجلس إدارة	السيد / شريف أحمد
عضو مجلس إدارة	السيد / فينكاتيسان مونيسوامي
عضو مجلس إدارة	السيد / بشار ناس
عضو مجلس إدارة	السيد / علي عيسى عبد الرحيم

بالنيابة عن مجلس الإدارة


نائب الرئيس
أشرف بيسو

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أسماء أعضاء مجلس إدارة سوليدرتي

السيد / توفيق شهاب	الرئيس
السيد / أشرف بسيسو	نائب الرئيس
د. ناظم الصالح	عضو مجلس إدارة
السيد / شريف أحمد	عضو مجلس إدارة
السيد / فينكاتيسان مونيسوامي	عضو مجلس إدارة
السيد / بشار ناس	عضو مجلس إدارة
السيد / علي عيسى عبد الرحيم	عضو مجلس إدارة

هيئة الرقابة الشرعية

الشيخ د. أسامة بحر
الشيخ محسن الشيخ عبد الحسين العصفور
الشيخ عبد الناصر المحمود

الإدارة

السيد / جواد محمد	الرئيس التنفيذي
السيد / ناندكومار دوريسوامي	نائب مدير عام العمليات
السيد / جاي براكاش باندي	المدير العام المساعد – تطوير الأعمال
السيد / محمد عواجي	المدير العام المساعد – الدعم المؤسسي
السيد / ياسر الحمادي	المدير العام المساعد – الامتثال وإدارة المخاطر و مسؤول الإبلاغ عن غسل الأموال
السيد / سانجيف أغاروال	رئيس الشؤون المالية

المكتب المسجل

الطابق السابع – برج السيف
شقة 71، مبنى 2080، طريق 2825، مجمع 428
ص.ب رقم 5282،
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مسجل الأسهم

شركة البحرين للمقاصة، مملكة البحرين.

ثانياً: التعريفات

يكون للكلمات والعبارات التي لم يتم تعريفها بخلاف ما ورد في هذه النشرة، وما لم يقتض السياق معنى آخر، المعاني التالية:

البحرين	مملكة البحرين
د.ب - BHD	دينار بحريني، العملة الرسمية لمملكة البحرين
يوم العمل	اليوم الذي تعمل فيه البنوك، والمؤسسات المالية و بورصة البحرين للأعمال العامة في مملكة البحرين.
التعميم - النشرة	هذا التعميم للمساهمين المؤرخ 07 سبتمبر 2021 فيما يتعلق بالعرض متضمناً، من بين أمور أخرى، توصية مجلس إدارة سوليدرتي.
قانون الشركات	قانون الشركات التجارية في البحرين الصادر بالمرسوم رقم 21 لسنة 2001 وأي تعديلات لاحقة طرأت عليه.
الموعد النهائي	الموعد النهائي للتقييم أو 30 سبتمبر 2020
تاريخ النفاذ	التاريخ الذي يتم فيه تسجيل التعديلات على عقد التأسيس والنظام الأساسي لشركة سوليدرتي، والتي تعكس صفقة الاندماج، لدى وزارة الصناعة والتجارة والسياحة، في مملكة البحرين.
النية المؤكدة	النية المؤكدة لتقديم عرض اندماج ملزم صادر عن سوليدرتي إلى مجلس إدارة تآزر في 18 يوليو 2021 وإشعار بالموافقة المبدئية على النية المؤكدة الذي تم نشره في بورصة البحرين في 8 أغسطس 2021.
اتفاقية الاندماج	اتفاقية وخطة الاندماج التي سيتم إبرامها بين سوليدرتي وتآزر، شريطة الموافقة عليها خلال اجتماع الجمعية العامة غير العادية لتآزر واجتماع الجمعية العامة غير العادية لسوليدرتي على التوالي.
العرض أو العرض سوليدرتي	العرض المقدم من شركة سوليدرتي، للاستحواذ على 100٪ من أصول وأعمال والتزامات عمليات البحرين (بما في ذلك فرع قطر تحت التصفية) لشركة تآزر ش.م.ب (م) وباستثناء ملكية الأخيرة لـ 70٪ من رأس المال المدفوع الخاص بشركة تآزر للتأمين التكافلي، ش.م.ب ك (م) الكويت، نظير الاندماج عن طريق الاستحواذ، مقابل إصدار 13,333,332 سهم عادي في شركة سوليدرتي البحرين ش.م.ب لما مجموعه 40,645,093 سهم عادي في شركة تآزر ش.م.ب (م).
متلقي العرض	شركة تآزر ش.م.ب (م)
مقدم العرض	سوليدرتي البحرين ش.م.ب
الولاية القضائية المقيدة	أي ولاية قضائية يكون فيها تقديم العرض بمثابة مخالفة لقوانينها.
تاريخ التسوية	التاريخ الذي يتم فيه تخصيص 13,333,332 سهم عادي جديد في شركة سوليدرتي البحرين ش.م.ب إلى مساهمي شركة تآزر من قبل مسجل الأسهم
مسجل الأسهم	بورصة البحرين
سوليدرتي	سوليدرتي البحرين ش.م.ب (م) ("مقدم العرض" أو "سوليدرتي") مسجلة لدى وزارة الصناعة والتجارة والسياحة برقم السجل التجاري 5091 كشركة مساهمة عامة تأسست بموجب قوانين البحرين. سوليدرتي مرخصة ومنظمة من قبل مصرف البحرين المركزي كشركة تكافل مسجلة محلياً - الفئة الرابعة.
مستشار الاكتواري	لوكس للخدمات والاستشارات الاكتوارية إف زي سي أو - Lux Actuaries & Consultants FZCO
موافقة سوليدرتي	قبول نسبة المبادلة واتفاقية الاندماج بالأغلبية المطلوبة من مساهمي سوليدرتي من خلال التصويت في اجتماع الجمعية العامة غير العادية للمساهمين وفقاً لعقد التأسيس والنظام الأساسي لسوليدرتي والقوانين واللوائح المعمول بها.
مجلس إدارة سوليدرتي	مجلس إدارة سوليدرتي البحرين ش.م.ب
اجتماع الجمعية العامة غير العادية لسوليدرتي	اجتماع الجمعية العامة غير العادية لسوليدرتي المقرر عقده في 29 سبتمبر 2021 للموافقة من بين بنود أخرى، على ما يلي من جدول الأعمال:
	1. الموافقة على الاندماج عن طريق نقل الأعمال والأصول والالتزامات لعمليات البحرين (بما في ذلك فرع قطر) من شركة تآزر ش.م.ب (م) وباستثناء ملكية تآزر لـ 70٪ من رأس المال المدفوع

المستشار للسوليدرتي	المالي	شركة تآزر للتأمين التكافلي، ش.م.ك (م) الكويت، إلى سوليدرتي مقابل إصدار 13,333,332 سهمًا عاديًا في سوليدرتي بنسب المبادلة المتفق عليها بشكل ثنائي، والموافقة على الاتفاقيات الضرورية بما في ذلك اتفاقية الاندماج بين تآزر وسوليدرتي المتعلقة بنقل الأصول والالتزامات وبنود العمليات حتى تاريخ النفاذ.
المستشار للسوليدرتي	القانوني	حسن رضي ومشاركوه
مساهم سوليدرتي	أي مساهم مسجل في سجل مساهمي سوليدرتي في تاريخ الجمعية العامة غير العادية	الأسهم العادية الصادرة والمدفوعة من سوليدرتي وبلغ إجماليها 120,000,000 سهم.
نسبة المبادلة	0.328 سهم من سوليدرتي مقابل كل سهم في تآزر.	معدل التبادل
تآزر	شركة تآزر ش.م.ب (م) ("متلقي العرض" أو "تآزر") مسجلة لدى وزارة التجارة والصناعة والتجارة تحت سجل تجاري رقم 66941. تآزر هي شركة مساهمة بحرينية مغلقة مرخصة كشركة تأمين محلية (حسب المبادئ الإسلامية) من قبل مصرف البحرين المركزي.	قبول نسبة المبادلة واتفاقية الاندماج بالأغلبية المطلوبة من مساهمي تآزر من خلال التصويت في الجمعية العامة غير العادية للمساهمين وفقًا لعقد التأسيس والنظام الأساسي لشركة تآزر والقوانين واللوائح المعمول بها.
مجلس إدارة تآزر	مجلس إدارة شركة تآزر ش.م.ب (م)	اجتماع الجمعية العامة غير العادية لتآزر المقرر عقده في 29 سبتمبر 2021 للموافقة من بين بنود أخرى على ما يلي من جدول الأعمال:
أشهم مبادلة تآزر	1. نقل ملكية تآزر القانونية والمنفعية بنسبة 70٪ من رأس المال الصادر والمدفوع لشركة تآزر للتأمين التكافلي إلى شركة تآزر ذات الغرض الخاص التابعة لها بنسبة 100٪، وتحويل 100٪ من الأسهم في شركة تآزر ذات الغرض الخاص إلى مساهمي تآزر بالتناسب مع ملكيتهم في تآزر كما في تاريخ اتفاقية الاندماج، وتخفيض رأس مال تآزر المدفوع إلى 40,645,093 دولارًا أمريكيًا من خلال إلغاء عدد 17,354,907 سهم من الأسهم الصادرة والمدفوعة بقيمة إسمية قدرها 1 دولار أمريكي.	2. الموافقة على عرض سوليدرتي لاتمام الاندماج عن طريق نقل الأعمال والأصول والالتزامات لعمليات البحرين (بما في ذلك فرع قطر) من شركة تآزر ش.م.ب (م) إلى سوليدرتي مقابل إصدار 13,333,332 سهمًا عاديًا جديدًا في سوليدرتي إلى مساهمي تآزر بنسبة المبادلة، والموافقة على الاتفاقيات الضرورية بما في ذلك اتفاقية الاندماج بين تآزر وسوليدرتي المتعلقة بنقل الأصول والالتزامات وبنود العمليات حتى تاريخ النفاذ.
مساهم تآزر	يبلغ عدد الأسهم الصادرة والمدفوعة في تآزر 40,645,093 بقيمة اسمية قدرها 1 دولار أمريكي، والتي تمثل رأس المال المدفوع المعدل لتآزر وتكون متاحة للتبادل بنسبة المبادلة المتفق عليها بشكل متبادل.	يحق لمن يحمل أسهم تآزر التصويت في اجتماع الجمعية العامة غير العادية في تآزر.
شركة تآزر ذات الغرض الخاص	شركة تي. كي القابضة ذ.م.م، شركة ذات مسؤولية محدودة مسجلة في البحرين بموجب سجل تجاري رقم 145624.	رأس المال المدفوع البالغ 40,645,093 دولار أمريكي لشركة تآزر ش.م.ب (م) بموجب التعديل المقترح المتعلق بتخفيض رأس المال من 58,000,000 دولار أمريكي نظير تحويل ملكية تآزر بنسبة 70٪ في شركة تآزر للتأمين التكافلي ش.م.ك (م) الكويت عن طريق تخصيص 100٪ من رأس مال شركة تآزر ذات الأغراض الخاصة لمساهمي تآزر.
المستشار المالي لتآزر	براييس واترهاوس كوبرز	المستشار القانوني لتآزر
	معاوية الطاهر النيل ومشاركوه	

نطاق الصفقة	يشمل نطاق الاندماج فقط عمليات البحرين (الأعمال والموجودات والالتزامات) لشركة تآزر ش.م.ب (م)، بما في ذلك فرع قطر تحت التصفية، باستثناء استثمار تآزر في شركة تآزر للتأمين التكافلي ش.م.ك (الكويت).
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ثالثاً: الجدول الزمني المختصر

الجدول الزمني للعرض

25 أكتوبر 2020	خطاب النوايا
02 نوفمبر 2020	قبول مبدئي لخطاب النوايا من قبل تآزر
18 يوليو 2021	خطاب النية المؤكدة لتقديم العرض
29 سبتمبر 2021	اجتماع الجمعية العامة غير العادية
سيعلن عنه لاحقاً	تاريخ التسوية
سيعلن عنه لاحقاً	تاريخ النفاذ
سيعلن عنه لاحقاً	إدراج أسهم سوليديرتي الجديدة التي سيتم إصدارها مقابل العرض.

رابعاً: رسالة للمساهمين



سوليدرتي البحرين ش.م.ب
(تأسست في مملكة البحرين)
(سجل تجاري رقم: 5091)

المكتب المسجل:

الطابق السابع – برج السيف
شقة 71، مبنى 2080، طريق 2825، مجمع 428
ص.ب رقم 5282
ضاحية السيف، المنامة – مملكة البحرين

07 سبتمبر 2021

إلى،
مساهمي سوليدرتي البحرين ش.م.ب

أعزائي المساهمين،
عرض سوليدرتي للاستحواذ على 100٪ من أصول وأعمال والتزامات عمليات البحرين (بما في ذلك فرع قطر تحت التصفية) لشركة تآزر ش.م.ب (م) تماشياً مع نطاق المعاملة، مقابل إصدار 13,333,332 سهم عادي في سوليدرتي البحرين ش.م.ب مقابل 40,645,093 سهم عادي في شركة تآزر ش.م.ب (م) وتمثل 100٪ من رأس مال تآزر المدفوع المعدل.

1. المقدمة

1.1 تعميم

الغرض من هذا التعميم هو توفير المعلومات ذات الصلة للمساهمين فيما يتعلق بعرض سوليدرتي ووضع توصيات مجلس سوليدرتي فيما يتعلق بالعرض.

1.2 خلفية

- 1.2.1 - في 25 أكتوبر 2020، قدمت سوليدرتي إلى تآزر خطاب نوايا غير ملزم لدمج 100٪ من أصول والتزامات وأعمال تآزر مع سوليدرتي، مقابل إصدار أسهم عادية في سوليدرتي بنسبة مبادلة تكون متفق عليها بصورة ثنائية. ذكر خطاب النوايا بأن هذا يستلزم قيام كل من سوليدرتي وتآزر بتحديد والموافقة على القيمة العادلة لصافي حقوق المساهمين والموافقة عليها لكلا الكيانين كما في تاريخ الموعد النهائي المتفق عليه. وذكر خطاب النوايا كذلك أن نطاق الاندماج المقترح يجب أن يشمل فقط عمليات البحرين (الأعمال والأصول والالتزامات) لشركة تآزر، بما في ذلك فرع قطر تحت التصفية. من المتوقع فصل استثمار تآزر في شركة تآزر للتأمين التكافلي ش.م.ك (الكويت) عن طريق عملية وهيكل مناسبين يتم اعتمادهما من قبل مصرف البحرين المركزي وأي جهات رقابية ذات صلة.
- 1.2.2 لتحديد القيمة العادلة لصافي حقوق المساهمين، اقترح خطاب النوايا تعيين مستشارين محترفين مستقلين من قبل كل من تآزر وسوليدرتي لإجراء العناية المالية الواجبة وممارسة التقييم نيابة عن كل من الشركتين في الكيان المقابل المعني.

- 1.2.3 تم اقتراح الموعد النهائي للتقييم ليكون 30 سبتمبر 2020، ومن بين معلومات أخرى، طُلب من تآزر تقديم بيان بالمركز المالي لعمليات البحرين (بما في ذلك فرع قطر تحت التصفية) بشكل مستقل، مع مراجعته على النحو الواجب من قبل المدققين الخارجيين المعيّنين كما في تاريخ الموعد النهائي، والسنتين الماليتين الكاملتين قبل تاريخ الموعد النهائي.
- 1.2.4 في 02 نوفمبر 2020، استلمت شركة سوليدرتي من تآزر موافقة الأخيرة على خطاب النوايا، وبناءً عليه اتفق الطرفان على المضي قدماً في استكمال البيانات المالية المراجعة كما في الموعد النهائي، وفي حالة تأزر، سنتين ماليتين كاملتين قبل الموعد النهائي، وتعيين مستشارين محترفين مستقلين في الوقت المناسب.
- 1.2.5 وفقاً لما ورد أعلاه، عينت سوليدرتي شركة كي بي إم جي فخر للقيام بالعناية المالية والضريبية الواجبة، وحسن رضي ومشاركوه لإجراء العناية القانونية الواجبة، وشركة لوكس للخدمات والاستشارات الاكتوارية إف زي سي أو - Lux Actuaries & Consultants FZCO للقيام بالعناية الاكتوارية الواجبة. عينت تآزر شركة برايس ووترهاوس كوبرز للقيام بالعناية الواجبة المالية والضريبية والاكتوارية، ومعاوية الطاهر النيل ومشاركوه لتنفيذ إجراءات العناية الواجبة القانونية.
- 1.2.6 استناداً إلى تقارير المستشارين المستقلين، قام مجلس إدارة كل من سوليدرتي وتآزر بتحديد القيمة العادلة لصافي أصول صندوق المساهمين وحملة الوثائق والموافقة عليها على أساس مشترك لكلا الكيانين كما في تاريخ الموعد النهائي، عبر قبول تآزر لخطاب النوايا المؤكد من سوليدرتي بتاريخ 18 يوليو 2021.
- 1.2.7 بالنسبة لشركة سوليدرتي، تم تحديد القيمة الدفترية المعدلة / القيمة العادلة لصافي أصول صندوق المساهمين وحملة الوثائق على أساس مشترك، كما في تاريخ الموعد النهائي، على أنها 69,037,769 دولاراً أمريكياً.
- 1.2.8 بالنسبة إلى تآزر، تم تحديد القيمة الدفترية المعدلة / القيمة العادلة لصافي أصول صندوق المساهمين وحملة الوثائق على أساس مشترك كما في تاريخ الموعد النهائي بمبلغ 7,670,863 دولاراً أمريكياً.
- 1.2.9 بناءً على التقييمات المذكورة أعلاه، تم تحديد نسبة المبادلة لتكون 0.328 سهم من سوليدرتي مقابل كل سهم واحد من تآزر.
- 1.2.10 وفقاً لذلك، وشريطة الحصول على الموافقة في اجتماع الجمعية العمومية غير العادية لشركة تآزر وسوليدرتي، يتم تفعيل عرض سوليدرتي من خلال تحويل 100٪ من الأصول والالتزامات وأعمال عمليات البحرين (بما في ذلك فرع قطر تحت التصفية) من تآزر إلى سوليدرتي، ويتم إصدار 13,333,332 سهماً عادياً مدفوعاً من سوليدرتي البحرين ش.م.ب. لمساهمي تآزر مقابل 40,645,093 سهماً من تآزر تمثل 100٪ من رأس مال تآزر المدفوع المعدل.

2. خطة الاندماج

2.1 مع اعتبار الاندماج على النحو الوارد في اتفاقية الاندماج مكملاً في تاريخ النفاذ:

- 2.1.1 تتوقف تآزر ويتم نقل جميع الأصول والممتلكات والحقوق والامتيازات الملموسة وغير الملموسة المعينة في نطاق الصفقة إلى شركة سوليدرتي.
- 2.1.2 تقبل شركة سوليدرتي تنفيذ جميع الحقوق والواجبات والالتزامات الخاصة بتآزر فيما يتعلق بنطاق الصفقة والوفاء بها؛ و
- 2.1.3 سيتم نقل جميع التزامات وواجبات تآزر في حدود نطاق الصفقة إلى شركة سوليدرتي ويمكن تنفيذها في مواجهتها كما لو أن هذه الالتزامات والواجبات قد تكبدتها أو تعاقدت عليها سوليدرتي.

لمزيد من التفاصيل حول خطة الاندماج يراجع الملحق الثالث من هذا التعميم في اتفاقية الاندماج.

3. إصدار أسهم جديدة من قبل سوليدرتي وتخفيف رأس المال

- 3.1 عند إتمام العرض بنجاح، ستقوم سوليدرتي ش.م.ب. بإصدار 13,333,332 سهماً عادياً مدفوعاً ("أسهم سوليدرتي الجديدة") إلى مساهمي تآزر مقابل 40,645,093 سهماً في تآزر تمثل 100٪ من رأس مال تآزر المعدل المدفوع.

- 3.2 سيتم تسجيل أسهم سوليدرتي الجديدة حصرياً فقط لصالح جميع مساهمي تآزر مقابل جميع أسهمهم الصادرة في تآزر بنسبة المبادلة، دون أن يتلقى مساهمي تآزر أي مقابل نقدي من أي نوع فيما يتعلق بالاستحواذ على 100٪ من أصول وأعمال والتزامات تآزر وسيقرب أي استحقاق جزئي لمساهم تآزر في جزء من الأسهم الصادرة حديثاً من قبل سوليدرتي بالتخفيض إلى أقرب عدد صحيح من الأسهم المُصدرة حديثاً.
- 3.3 يمنح كل سهم سوليدرتي جديد مالكة حقوقاً والتزامات متساوية مع كل من أسهم سوليدرتي الصادرة والمدفوعة حالياً. يحق لكل سهم جديد في سوليدرتي ويخضع للحقوق والتزامات على المعرفة في المادة 10 والمادة 12 من النظام الأساسي المعدل والمعاد صياغته لسوليدرتي كما تم تقديمه إلى اجتماع سوليدرتي غير العادي للموافقة عليه.
- 3.4 وفقاً للإصدار المذكور أعلاه الخاص بأسهم سوليدرتي الجديدة وزيادة رأس المال المدفوع لشركة سوليدرتي، سيكون لمساهمي سوليدرتي ومساهمي تآزر الملكية التالية في سوليدرتي بعد الاندماج:
- الملكية المخفضة لمساهمي سوليدرتي من رأس المال الصادر والمدفوع: 90٪.
 - ملكية مساهمي تآزر من رأس المال الصادر والمدفوع: 10٪.

4. رأي مجلس إدارة سوليدرتي حول تأثير تحويل الاندماج على حاملي وثائق سوليدرتي

- 4.1 لن يكون لدمج تآزر مع سوليدرتي أي تأثير على عقود التأمين التي أبرمتها مجموعة سوليدرتي حتى تاريخ الاندماج الفعلي.

5. رأي مجلس إدارة سوليدرتي حول التأثيرات الأخرى للعرض و خطة الانتقال.

بعد إنجاز العرض بنجاح، ستستمر سوليدرتي بقيادة الرئيس التنفيذي الحالي السيد جواد محمد. بعد تاريخ النفاذ، سيقوم مجلس إدارة شركة سوليدرتي بمراجعة واعتماد خطة الانتقال لتفعيل التكامل الكامل بين تآزر مع شركة سوليدرتي وبالتالي إعادة تنظيم عمليات سوليدرتي وسياساتها وإجراءاتها وهيكلها التنظيمي وخطة العمل والتأمين وإعادة التأمين، الاستراتيجيات والموارد المالية وغيرها، وتقنية المعلومات والهيكل الإدارية، والأنشطة التشغيلية الأخرى ذات الصلة.

بخلاف ما ورد أعلاه وكجزء من استراتيجيتها متوسطة المدى، ستقوم سوليدرتي بعد الاندماج بتقييم كل من موظفي سوليدرتي وتآزر الرئيسيين لتقييم أفضلهم ملاءمة في ظل الهيكل الجديد. وسيستلزم تقييم الأدوار الوظيفية الحالية والأوصاف وتنفيذ الأدوار الموحدة الجديدة لتعظيم التظافر وتقليل أوجه القصور والازدواجية. قد تتخذ سوليدرتي أيضاً الخطوات اللازمة لضمان توحيد تعويضات الموظفين والمزايا والمكافآت التي تراها عادلة، تمتد عبر التسلسلات الهرمية وتغطي جميع موظفي سوليدرتي بعد تاريخ النفاذ. وبصفتها ذات عمليات كبيرة ومتوسعة، من المتوقع أن توفر سوليدرتي ما بعد الدمج والتكامل لموظفيها فرصاً محسنة للنمو الفردي، وتعزيز المهني، والأمن الوظيفي.

6. التبوير التجاري طويل الأمد للعرض

من المتوقع أن تحافظ سوليدرتي بعد الاندماج على مكانتها وتعزيزها كواحدة من شركات التأمين الرائدة في مملكة البحرين.

من المتوقع أن تستفيد "سوليدرتي" بعد الاندماج من عدد من العوامل التي تساهم في عمليات الدمج الشاملة. وتشمل هذه الفوائد القياسية المتأينة من اقتصاديات الحجم الكبير والتي يمكن تصنيفها على النحو التالي:

- تعزيز الصورة العامة للشركة؛
- بعد الاندماج، ستنتمتع سوليدرتي بحصة أكبر في السوق وقاعدة عملاء أكبر؛
- تتمتع سوليدرتي حالياً بتصنيف ائتماني طويل الأجل للمصدر بتقدير "bbb+" وتصنيف القوة المالية (FSR) بتقدير B++ (جيد)، مع نظرة مستقبلية مستقرة لكلا التصنيفين، الممنوحة من قبل إيه إم بيست يوروب لخدمات التصنيف المحدودة – A.M Best Europe. تسعى سوليدرتي للحفاظ على التصنيف بعد الدمج أو حتى تحسينه؛

- توفير العام والإداري وفي التكاليف الأخرى الخاصة بالعمليات؛
- رأس مال أعلى يؤدي إلى قدرة أعلى على تحمل المخاطر - نسبة احتفاظ أعلى؛
- هيكل إعادة التأمين المعزز الذي يؤدي إلى زيادة قدرة التأمين؛
- إمكانية تحقيق عائد أعلى على حقوق الملكية واستمرار توزيع الأرباح على المساهمين.

7. معلومات عن سوليدرتي

7.1 الملف

تأسست شركة سوليدرتي البحرين ش.م.ب، وهي شركة تابعة لمجموعة سوليدرتي القابضة ش.م.ب (مقفلة)، بموجب قوانين وأنظمة مملكة البحرين. تعود جذور سوليدرتي إلى عام 1976، مع تأسيس إحدى أولى شركات التأمين المزدوجة المحلية في المملكة. واليوم، سوليدرتي البحرين هي إحدى شركات التأمين الرائدة في المملكة، وأكبر مزود تأمين متوافق مع الشريعة الإسلامية.

تتميز الشركة بنهجها التجاري الأخلاقي، ومجموعة واسعة من المنتجات والحلول، وفريق من المهنيين ذوي الخبرة العالية والمؤهلين تأهيلاً جيداً. كما تشتهر سوليدرتي بمبادراتها المبتكرة في خدمة العملاء والتي تجمع اللمسة الإنسانية مع أحدث حلول تقنيات التأمين التي كانت أحد روادها في المملكة.

إن سوليدرتي، التي تتمتع برأس مال قوي وسيولة عالية وغير مثقلة بالديون، لذا فهي مؤسسة سليمة مالياً. تخضع عمليات سوليدرتي لإطار شامل لحوكمة الشركات وإدارة المخاطر؛ وقد تم التأكيد عليها من خلال نظام إدارة المعلومات والأمن المعتمد آيزو 27001.

وبصفقتها عضواً مؤسساً مستنيراً في المجتمعات التي تخدمها، تضع سوليدرتي أعلى قيمة للنزاهة والشفافية والابتكار والعمل الجماعي والشفافية والمسؤولية المجتمعية.

7.2 رأس المال وكبار المساهمين

يبلغ رأس مال سوليدرتي المصرح به حالياً 15,000,000 دينار بحريني برأس مال صادر ومدفوع قدره 12,000,000 دينار بحريني مقسم إلى 120,000,000 سهم عادي بقيمة اسمية تبلغ 0.100 دينار بحريني لكل منها يمتلك المساهمون التالون أكثر من 5% لكل منهم:

- مجموعة سوليدرتي القابضة ش.م.ب (مقفلة) (84.17%)
- مجموعة سوليدرتي القابضة ش.م.ب (مقفلة) هي شركة تابعة لشركة أي بي كابيتال ش.م.ب (مقفلة)، وهي شركة تابعة مملوكة بالكامل لشركة الإثمار القابضة ش.م.ب، شركة مدرجة في بورصة البحرين وسوق دبي المالي.

7.3 مجلس الإدارة

الرقم	عضو مجلس الإدارة	الصفة
1	السيد / توفيق شهاب	الرئيس
2	السيد / أشرف بسيسو	نائب الرئيس
3	د. ناظم الصالح	عضو مجلس إدارة
4	السيد / شريف أحمد	عضو مجلس إدارة
5	السيد / فينكاتيسان مونيسوامي	عضو مجلس إدارة
6	السيد / بشار ناس	عضو مجلس إدارة
7	السيد / علي عيسى عبد الرحيم	عضو مجلس إدارة

7.4 الرؤية والرسالة والقيم

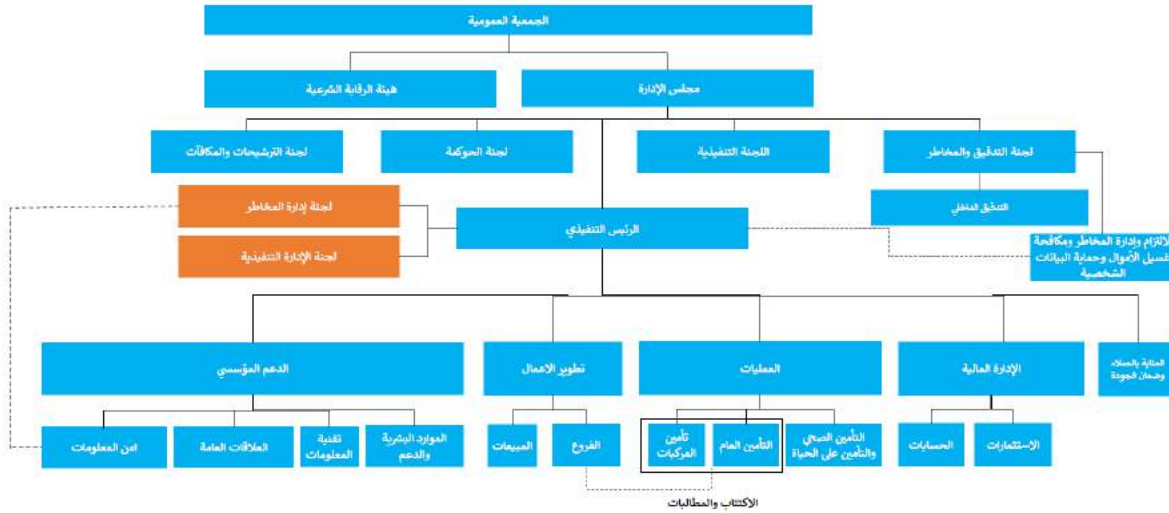
الرؤية: تتمثل رؤية سوليدرتي في أن تكون شركة التأمين الإسلامية الرائدة ذات التوجه المحلي والتي تولد قيمة عالية لجميع أصحاب المصلحة.

الرسالة: تتمثل مهمة سوليدرتي في توفير مجموعة واسعة من منتجات التأمين المتوافقة مع الشريعة الإسلامية مع خدمة عملاء عالية الجودة.

القيم: كعضو مؤسسي مسؤول في المجتمعات التي تخدمها، تتمثل قيم سوليدرتي في:

- الابتكار
- النزاهة
- المسؤولية المجتمعية
- العمل الجماعي والشفافية
- الشفافية

7.5 الهيكل التنظيمي



8. معلومات عن تآزر

8.5 الملف

تآزر هي شركة مساهمة بحرينية مقفلة تأسست بموجب قوانين مملكة البحرين ومرخصة ومنظمة من قبل مصرف البحرين المركزي. توفر تآزر منتجات التكافل العائلي والعام للأفراد والشركات. تلتزم جميع منتجات تآزر بمبادئ الشريعة الإسلامية وتخضع لإشراف هيئة الرقابة الشرعية التابعة لشركة تآزر.

رأس المال وكبار المساهمين

يبلغ رأس المال المصرح به لشركة تآزر حاليًا 500,000,000 دولار أمريكي برأس مال صادر ومدفوع قدره 58,000,000 دولار أمريكي مقسم إلى 58,000,000 سهم عادي بقيمة اسمية قدرها 1.00 دولار أمريكي لكل منها مع المساهمين التاليين الذين يمتلكون أكثر من 5% لكل منهم:

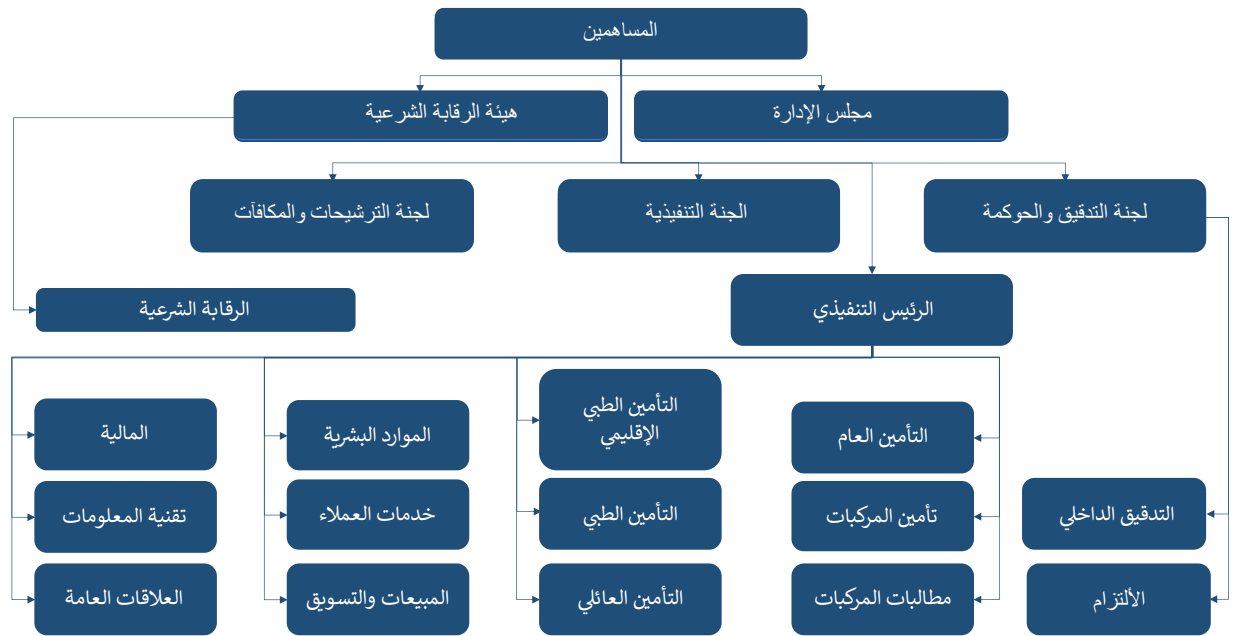
- شركة الأمان للاستثمار ش.م.ك (م) - 8.621%
- ديمه كابيتال للاستثمار - 17.241%
- الهيئة العامة للتقاعد والمعاشات - 5.172%
- شركة المستثمر الأول - 8.621%
- بيت الأوراق المالية ش.م.ك (م) - 8.621%
- شركة تراست - 25.862%
- زلال الدولية للاستثمار والتنمية التجارية - 25.862%

تماشياً مع نطاق الصفقة وكما هو مفصل في اتفاقية الاندماج، يتعين على مساهمي تآزر الموافقة في اجتماع الجمعية العامة غير العادية لتآزر على فصل ملكية تآزر بنسبة 70% من رأس المال المصدر والمدفوع الخاص بشركة تآزر للتأمين التكافلي، مقابل تخفيض رأس المال المدفوع بقيمة تبلغ 17,354,907 دولار أمريكي. سيؤدي هذا إلى إعادة هيكلة هيكل رأس مال تآزر على النحو التالي، قبل دخول الاندماج حيز التنفيذ:

الرقم	التغيير في هيكل رأس مال تآزر	التفاصيل
1	الأسهم الحالية المصدرة والمدفوعة	58,000,000 سهم
2	القيمة الاسمية / للسهم	1 دولار أمريكي
3	إجمالي رأس المال المدفوع	58,000,000 دولار أمريكي
4	تخفيض رأس المال المدفوع - عوضاً عن فصل ملكية 70% من أسهم تآزر الكويت	17,354,907 دولار أمريكي
5	إلغاء عدد من الأسهم الصادرة والمدفوعة	17,354,907 سهم
6	رأس المال المدفوع المعدل لشركة تآزر	40,465,093 دولار أمريكي
7	عدد الأسهم في رأس المال الصادر والمدفوع المعدل لشركة تآزر	40,465,093 سهم

8.6 مجلس الإدارة

الرقم	عضو مجلس الإدارة	الصفة
1	د. أحمد صالح الدحيان	الرئيس
2	السيد / خالد شاهين	نائب الرئيس
3	السيد / زياد الشعار	عضو مجلس إدارة
4	السيد / أيهم غرابية	عضو مجلس إدارة
5	السيد / ماضي طلال الخميس	عضو مجلس إدارة
6	السيد / تصديق أمين باشا	عضو مجلس إدارة
7	السيد / خالد عبد الله السعيد	عضو مجلس إدارة



9. معلومات حول المركز المالي لـ سوليدرتي كما في تاريخ الموعد النهائي

تم تضمين المعلومات ذات الصلة حول المركز المالي لسوليدرتي كما في تاريخ الموعد النهائي والسنتين الماليتين الكاملتين قبل تاريخ الموعد النهائي في الملحق الأول من هذا التعميم.

10. معلومات حول المركز المالي لتأزر كما في تاريخ الموعد النهائي

تم تضمين المعلومات ذات الصلة حول الوضع المالي لشركة تأزر (عمليات البحرين بما في ذلك فرع قطر تحت التصفية) كما في تاريخ الموعد النهائي والسنتين الماليتين الكاملتين قبل تاريخ الموعد النهائي في الملحق الثاني من هذا التعميم.

11. توصيات مجلس الإدارة

11.1 توصيات مجلس إدارة سوليدرتي

مع أخذ آراء فريق إدارة سوليدرتي ومحتويات تقارير المستشارين المستقلين في الاعتبار، يقيّم مجلس الإدارة أن نسبة المبادلة عادلة ومعقولة. ووفقاً لذلك، يوصي مجلس الإدارة بالإجماع بأن يوافق مساهمي سوليدرتي على الاستحواذ على 100٪ من أصول وأعمال والتزامات عمليات البحرين (بما في ذلك فرع قطر تحت التصفية) واستبعاد ملكية الأخيرة لـ 70 ٪ من رأس المال المدفوع لشركة تأزر للتأمين التكافلي، (الاندماج عن طريق الاستحواذ) مقابل إصدار 13,333,332 سهم عادي في سوليدرتي. علاوة على ذلك، يوافق المساهمون ويقبلون بنسبة المبادلة، واتفاقية الاندماج وتفويض إصدار الأسهم الجديدة والزيادة الناتجة في رأس المال.

11.2 القيود

عند تقديم توصياته، لم يأخذ مجلس إدارة سوليدرتي في الاعتبار أهداف الاستثمار العامة أو المحددة أو الوضع المالي أو المركز أو الوضع الضريبي أو ملفات المخاطر أو الاحتياجات والقيود والظروف الخاصة لأي مساهم فردي أو مجموعة من المساهمين. يخضع الإتمام الناجح للعرض للموافقة على بنود جدول الأعمال ذات الصلة خلال اجتماع الجمعية العمومية غير العادية في كل من تأزر وسوليدرتي. يؤدي عدم الموافقة على العرض من قبل مساهمي تأزر أو سوليدرتي في اجتماعات الجمعية العامة غير العادية المعنية إلى فشل العرض.

12. مسؤوليات المساهمين

12.1 نسخة من تقارير التقييم

يجوز للمساهمين الحصول على نسخة من تقارير المستشارين المستقلين لشركة سوليدرتي، والتعميم وأي مستندات أخرى ذات صلة، خلال ساعات العمل العادية وحتى تاريخ اجتماع الجمعية العمومية لسوليدرتي في مكاتب سوليدرتي، الطابق السابع - برج السيف، شقة 71، مبنى 2080، طريق 2825، مجمع 428، منطقة السيف، المنامة - مملكة البحرين.

12.2 ملاحظة

سيتم الإعلان عن أي أمور تتعلق بصفقة الاندماج، بما في ذلك حقيقة تقديم العرض، لمساهمي سوليدرتي وفقاً لمتطلبات القوانين واللوائح المعمول بها، وفي هذه الحالة، يُعتبر هذا الإشعار قد تم تقديمه بشكل كافٍ على الرغم من أي إخفاق من قبل أي مساهم في سوليدرتي بالإحاطة علماً بهذا الإعلان.

13. الإجراء الذي يتعين على مساهمي سوليدرتي اتخاذه

مساهمي سوليدرتي الذين يرغبون في قبول أو رفض حيازة 100٪ من الأصول والأعمال والالتزامات لعمليات البحرين (بما في ذلك فرع قطر تحت التصفية) من تأزر باستثناء ملكية الأخيرة لـ 70٪ من المبلغ المدفوع رأس مال شركة تأزر

للتأمين التكافلي TTIC (الاندماج عن طريق الإستحواذ)، مقابل إصدار ١٣,٣٣٣,٣٣٢ سهمًا عاديًا في سوليدرتي، ونسبة المبادلة و / أو اتفاقية الاندماج القيام بذلك عن طريق التصويت في اجتماع الجمعية العامة غير العادية لشركة سوليدرتي إما من خلال الحضور الشخصي أو من خلال مناب معتمد.

وتفضلوا بقبول فائق التقدير والاحترام.


نائب الرئيس
أشرف بيسيـسو

بالنيابة عن مجلس إدارة سوليدرتي البحرين ش.م.ب

الملحق الأول

Solidarity Bahrain B.S.C.

**Condensed interim financial information
Period ended 30 September 2020**

Solidarity Bahrain B.S.C.

Condensed interim financial information
Period ended 30 September 2019

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Solidarity Bahrain B.S.C.

General information

Commercial registration

5091 obtained on 17 August 1976

Board of Directors

Tawfeeq Shehab

Chairman of the Board, member of the Audit & Risk Committee and Chairman of Nomination & Remuneration 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 Sameer 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

Dr. Nadhem Al Saleh – Chairman
Tawfeeq Shehab
Bashar Nass

Nomination and Remuneration Committee

Tawfeeq Shehab – Chairman
Dr. Nadhem Al Saleh
Ashraf Bseisu

Solidarity Bahrain B.S.C.

General information (continued)

Corporate Governance Committee

Sharif Ahmadi – Chairman
Dr. Nadhem Al Saleh
Shaikh Dr. Osama Bahar – Member of the Sharia Supervisory Board

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
Head of Compliance and Risk Management & MLRO
Sanjeev Aggarwal
Head of Finance

Address

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

Principal bankers

Itthmaar 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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Directors
Solidarity Bahrain B.S.C.
Kingdom of Bahrain

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Solidarity Bahrain B.S.C. (the "Company") as at September 30, 2020 and the related condensed interim statements of income and participants' revenue and expenses, participants' surplus and deficit, changes in shareholders' equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and explanatory notes. The Directors of the Company are responsible for the preparation and presentation of this condensed interim financial information in accordance with the basis of preparation stated in note 2 to the condensed interim financial information. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information has not been properly prepared, in all material respect, in accordance with the basis of preparation stated in note 2 to the condensed interim financial information.



Deloitte and Touche – Middle East
Partner Registration No. 157
Manama, Kingdom of Bahrain

November 11, 2020

Solidarity Bahrain B.S.C.

Condensed interim statement of financial position

As at 30 September 2020

In thousands of Bahraini Dinars

Note	General takaful fund		Family takaful fund		Conventional (run-off) fund		Shareholders' fund		Total	
	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2020 (unaudited)	31 December 2019 (audited)
Assets										
Cash and cash equivalents	2,556	2,061	177	116	493	597	598	1,139	26,273	28,150
Placements with financial institutions	7,089	6,238	1,364	1,040	129	619	6,625	8,897	373	442
Investments	811	815	2,698	2,820	-	-	17,929	16,824	3,207	3,256
Takaful and insurance receivables	9,631	9,716	21	89	299	374	-	-	8,514	7,177
Residual and reinsurance share of technical liabilities	10,281	12,293	319	317	454	419	-	-	3,395	4,711
Deferred acquisition costs	-	-	-	-	2	4	486	428	131	119
Prepayments and other assets	1,446	2,598	48	70	377	171	1,593	1,683	1,990	1,239
Takaful participants' assets - under run-off management	-	-	-	-	-	-	131	119	67,857	68,488
Property and equipment	-	-	-	-	-	-	1,950	1,239	-	-
Total assets	31,814	32,723	4,527	4,252	1,754	2,184	29,762	30,329	67,857	68,488
Liabilities, participants' funds and shareholders' equity										
Liabilities										
Takaful and insurance technical liabilities	24,266	25,942	432	429	1,575	1,769	-	-	26,273	28,150
Unearned commission reserves	368	432	-	-	5	10	-	-	373	442
Family takaful technical reserve	-	-	3,207	3,258	-	-	-	-	3,207	3,256
Takaful and insurance payables	8,307	7,038	110	-	97	139	-	-	8,514	7,177
Other liabilities	541	1,221	589	281	77	286	2,188	2,943	3,395	4,711
Takaful participants' liabilities - under run-off management	-	-	-	-	-	-	131	119	131	119
Total liabilities	33,482	34,643	4,338	3,988	1,754	2,184	2,319	3,062	41,693	43,867
Participants' funds	(1,668)	(1,920)	189	284	-	-	-	-	(1,479)	(1,636)
Shareholders' equity										
Share capital	-	-	-	-	-	-	12,000	12,000	12,000	12,000
Treasury shares	-	-	-	-	-	-	(4)	(4)	(4)	(4)
Statutory reserve	-	-	-	-	-	-	2,913	2,913	2,913	2,913
Share premium	-	-	-	-	-	-	4,182	4,182	4,182	4,182
Property revaluation reserve	-	-	-	-	-	-	747	747	747	747
Investment fair value reserve	-	-	-	-	-	-	1,888	1,888	1,888	1,888
Retained earnings	-	-	-	-	-	-	5,716	5,540	5,716	5,540
Total shareholders' equity	-	-	-	-	-	-	27,443	27,267	27,443	27,267
Total liabilities, participants' funds and shareholders' equity	31,814	32,723	4,527	4,252	1,754	2,184	29,762	30,329	67,857	68,488

This condensed interim financial information was approved and authorized for issue on 11 November 2020 and signed on behalf of the Board by:


Tawfiq Shethab
Chairman


Jawad Mohammed
Chief Executive Officer

Notes 1 to 23 form an integral part of this condensed interim financial information.

**Condensed interim statement of income and participants' revenues and expenses (unaudited)
Nine-month period ended 30 September 2020**

In thousands of Bahraini Dinars

Basic and diluted earnings per share 13

Basic and diluted earnings per share 13

Jawad Mohtaman
Chief Executive Officer

Solidarity Bahrain B.S.C.

**Condensed interim statement of income and participants' revenues and expenses (unaudited)
Three-month period ended 30 September 2020**

	General takaful fund		Family takaful fund		Conventional (run-off) fund		Shareholders' fund		Total	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Takaful/conventional revenues										
Gross contributions/premiums	6,701	6,643	99	54	4	18	-	-	6,804	6,715
Retakaful contributions/reinsurance premiums	(3,700)	(3,105)	(119)	(125)	(5)	(22)	-	-	(3,824)	(3,252)
Retained contributions/premiums	3,001	3,538	(20)	(71)	(1)	(4)	-	-	2,960	3,463
Movement in unearned contributions/premiums, net	504	238	-	-	1	-	-	-	505	238
Net contributions/premiums earned	3,505	3,774	(20)	(71)	-	(4)	-	-	3,505	3,699
Net commission earned/(incurred)	206	212	-	-	1	4	-	-	207	218
Profit commission and other income	59	10	-	-	-	-	-	-	59	10
Total takaful/conventional revenues	3,850	3,996	(20)	(71)	1	-	-	-	3,831	3,925
Takaful/conventional expenses										
Gross claims paid	(2,871)	(2,259)	(29)	(176)	(59)	(354)	-	-	(2,759)	(2,789)
Claims recovered from retakaful/reinsurance and other parties	437	231	10	120	16	68	-	-	483	417
Net claims paid	(2,234)	(2,028)	(19)	(56)	(43)	(286)	-	-	(2,236)	(2,372)
Movement in outstanding claims - gross	328	(360)	54	57	133	943	-	-	513	580
Movement in outstanding claims - reinsurance/reinsurance	(233)	(70)	(36)	(60)	(13)	(328)	-	-	(282)	(456)
Net claims incurred	(2,141)	(2,456)	(1)	(19)	77	229	-	-	(2,065)	(2,248)
Transfer to family takaful technical reserve	-	-	(22)	33	-	-	-	-	(22)	33
Total takaful/conventional expenses	(2,141)	(2,456)	(23)	14	77	229	-	-	(2,087)	(2,215)
Technical surplus/(deficit)	1,709	1,538	(43)	(87)	76	229	-	-	1,744	1,710
Waikala fee expense	(1,616)	(1,443)	(26)	(13)	-	-	-	-	(1,644)	(1,456)
Surplus/(deficit) from takaful/conventional operations	90	95	(68)	(70)	76	229	-	-	100	264
Waikala fee income	-	-	-	-	-	-	1,644	1,456	1,644	1,456
Investment income, net	46	38	33	31	-	-	237	451	319	500
Technical surplus transferred from conventional (run-off) fund	-	-	-	-	(76)	(229)	76	229	-	-
Mudarib share	-	-	-	-	-	-	27	23	27	23
Employee costs	-	-	-	-	-	-	(579)	(839)	(579)	(839)
Commission expenses incurred	-	-	-	-	-	-	(261)	(261)	(261)	(261)
TPA fees	-	-	-	-	-	-	(98)	(103)	(98)	(103)
Other operating expenses	-	-	-	-	-	-	(433)	(375)	(433)	(375)
Provision for doubtful receivables, net	-	-	-	-	-	-	-	(175)	-	(175)
Net profit and surplus/(deficit) for the period	138	133	(35)	(39)	-	-	615	607	719	701
Basic and diluted earnings per share							6.13 Fils	5.06 Fils		

This condensed interim financial information was approved and authorised for issue on 11 November 2020 and signed on behalf of the Board by:


Tawfiq Shereab
Chairman


Jawad Mohammed
Chief Executive Officer

Notes 1 to 23 form an integral part of this condensed interim financial information.

Solidarity Bahrain B.S.C.

Condensed interim statement of participants' surplus and deficit

Period ended 30 September 2020

In thousands of Bahraini Dinars

	Accumulated (deficit)/surplus	
	General Takaful	Family Takaful
2020		
At 1 January (audited)	(1,920)	284
Surplus/(deficit) for the period	252	(95)
At 30 September (unaudited)	(1,668)	189
	Accumulated (deficit)/surplus	
	General Takaful	Family Takaful
2019		
At 1 January (audited)	(2,128)	205
Surplus/(deficit) for the period	308	(200)
At 30 September (unaudited)	(1,820)	5

Solidarity Bahrain B.S.C.

Condensed interim statement of changes in shareholders' equity
Period ended 30 September 2020

In thousands of Bahraini Dinars

2020	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January (audited)	12,000	(4)	2,913	4,182	747	1,889	5,540	27,267
Net profit for the period	-	-	-	-	-	-	1,975	1,975
Dividends declared	-	-	-	-	-	-	(1,799)	(1,799)
Change in fair value of equity investments	-	-	-	-	-	(30)	-	(30)
Transferred to investment income on disposal of equity instruments	-	-	-	-	-	30	-	30
At 30 September (unaudited)	12,000	(4)	2,913	4,182	747	1,889	5,716	27,443

2019	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January (audited)	12,000	(4)	2,651	4,182	747	1,646	4,685	25,907
Net profit for the period	-	-	-	-	-	-	1,896	1,896
Dividends declared	-	-	-	-	-	-	(1,499)	(1,499)
Change in fair value of equity investments	-	-	-	-	-	275	-	275
At 30 September (unaudited)	12,000	(4)	2,651	4,182	747	1,921	5,082	26,579

Notes 1 to 23 form an integral part of the condensed interim financial information.

Solidarity Bahrain B.S.C.

Condensed interim statement of cash flows (unaudited)
Period ended 30 September 2020

In thousands of Bahraini Dinars

	Note	30 September 2020	30 September 2019
OPERATING ACTIVITIES			
Combined net profit & surplus for the period		2,132	2,004
<i>Adjustments for:</i>			
Depreciation		180	105
Provision for employees end of service benefits		17	26
Investment income, net	15	(1,282)	(1,428)
Amortisation during the period, net	5.1	37	19
Provision for doubtful receivables, net	6.1	99	248
Operating cash flows before working capital changes		1,183	974
<i>Changes in working capital:</i>			
Decrease/(increase) in takaful and insurance receivables		131	(1,875)
Decrease in retakaful and reinsurance share of technical liabilities		1,975	2,115
Increase in deferred acquisition costs		(66)	(80)
Decrease/(increase) in prepayments and other assets		975	(2,055)
Decrease in takaful and insurance technical liabilities		(1,877)	(2,687)
(Decrease)/increase in unearned commission reserves		(69)	66
Decrease in family takaful technical reserves		(51)	(205)
Increase in takaful and insurance payables		1,337	2,233
(Decrease)/increase in other liabilities		(978)	1,356
Working capital changes		1,377	(1,132)
Payment towards employees end of service benefits		-	(31)
Net cash generated from/(used in) operating activities		2,560	(189)
INVESTING ACTIVITIES			
Purchase of equipment		(931)	(186)
Purchase of investments	5.1 & 5.2	(2,204)	(5,233)
Placements with financial institutions, net		587	755
Proceeds from disposal of investments carried at amortised cost		1,123	6,171
Investment income received		1,330	1,161
Net cash (used in)/generated from investing activities		(95)	2,668
FINANCING ACTIVITY			
Dividends paid during the period		(2,154)	(1,429)
Net cash used in financing activity		(2,154)	(1,429)
Net increase in cash and cash equivalents		311	1,050
Cash and cash equivalents at the beginning of the period		3,913	1,895
Cash and cash equivalents at the end of the period		4,224	2,945
Shareholders' fund		998	830
Participants' fund		2,733	1,591
Conventional (run-off) fund		493	524
Cash and cash equivalents at the end of the period		4,224	2,945

Notes 1 to 23 form an integral part of this condensed interim financial information.

Solidarity Bahrain B.S.C.

Notes to the condensed interim financial information

Period ended 30 September 2020

In thousands of Bahraini Dinars

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").

The Company is licensed by the Central Bank of Bahrain (the "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 family takaful fund.

2 BASIS OF PREPARATION

The condensed interim financial information has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In line with the requirement of AAOIFI and the CBB Rule Book Volume 3, for matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Accordingly, the interim financial information has been presented in condensed form in accordance with International Accounting Standard 34 – Interim Financial Reporting, which permits the interim financial information to be in summarised form and do not include all of the information required for full annual financial statements. The condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2019.

3 ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Company and the condensed interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the latest audited financial statements of the Company for the year ended 31 December 2019. The following new standards were issued by AAOIFI initially effective from 1 January 2020 however in the wake of the COVID-19 pandemic, the Accounting Board (AAB) of AAOIFI in its meeting held on 22 - 23 June 2020 decided to provide one year extension of the effective date to 1 January 2021, with early adoption permitted, of the recently issued AAOIFI FASs as mentioned below:

- FAS 30: Impairment, credit losses and onerous commitments
- FAS 31: Investment agency (Al-Wakala Bi Al-Istithmar)
- FAS 33: Investment in sukuk, shares and similar instruments
- FAS 34: Financial reporting for sukuk-holders

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

4 CYCLICAL VARIABILITY

The condensed interim results may not represent a proportionate share of the annual profits due to cyclical variability in contributions and uncertainty of claims occurrences.

Solidarity Bahrain B.S.C.

Notes to the condensed interim financial information
Period ended 30 September 2020

In thousands of Bahraini Dinars

5 INVESTMENTS

	30 September 2020 (unaudited)	31 December 2019 (audited)
Debt type instruments		
Amortised cost:		
Quoted instruments (note 5.1)	15,665	15,238
Equity type instruments		
Fair value through equity:		
Quoted instruments	4,023	3,371
Unquoted instruments	1,650	1,650
	21,338	20,259

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

	30 September 2020 (unaudited)	31 December 2019 (audited)
At the beginning of the period/year	15,238	15,865
Additions during the period/year	1,364	5,597
Disposals during the period/year	(900)	(6,193)
Amortisation during the period/year, net	(37)	(31)
At the end of the period/year	15,665	15,238

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

	30 September 2020 (unaudited)	31 December 2019 (audited)
At the beginning of the period/year	5,021	4,593
Additions during the period/year	840	185
Disposals during the period/year	(188)	-
Transferred to investment income on disposal of equity instruments	(30)	-
Change in fair value, net	30	243
At the end of the period/year	5,673	5,021

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

	30 September 2020 (unaudited)	31 December 2019 (audited)
Quoted equity instruments	4,023	3,371
Unquoted equity instruments	1,650	1,650
	5,673	5,021

6 TAKAFUL AND INSURANCE RECEIVABLES

	30 September 2020 (unaudited)	31 December 2019 (audited)
Due from:		
Participants and policyholders	5,998	5,793
Brokers	1,698	2,397
Takaful and insurance companies in relation to subrogation	2,574	2,818
Takaful/retakaful and insurance/reinsurance companies	869	562
	11,139	11,570
Less: provision for doubtful receivables (note 6.1)	(1,188)	(1,389)
	9,951	10,181

Included in the above takaful and insurance receivables are BD 299 thousand (31 December 2019: BD 374 thousand) that are held under conventional (run-off) fund.

The Company assesses impairment on an 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.

6.1 The movement in provision for doubtful receivables on takaful and insurance receivables is as follows:

	30 September 2020 (unaudited)	31 December 2019 (audited)
At the beginning of the period/year	1,389	1,031
Charge for the period/year	99	358
Write-off during the period/year	(300)	-
At the end of the period/year	1,188	1,389

6.2 The aging of unimpaired takaful and insurance receivables is as follows:

	Neither past due nor impaired	Past due but not impaired		Total
		181 to 365 days	More than 365 days	
30 September 2020 (unaudited)	5,266	3,069	1,616	9,951
31 December 2019 (audited)	5,982	3,117	1,082	10,181

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

	30 September 2020 (unaudited)		31 December 2019 (audited)	
	Takaful	Conventional	Takaful	Conventional
Gross				
Unearned contributions/premium	13,651	15	15,184	33
Outstanding claims	11,047	1,560	11,197	1,736
	24,698	1,575	26,381	1,769
Retakaful/reinsurance				
Retakaful unearned contributions /reinsurance unearned premiums	(6,762)	(13)	(7,949)	(27)
Retakaful/reinsurance outstanding claims	(3,838)	(441)	(4,661)	(392)
	(10,600)	(454)	(12,610)	(419)
Net				
Unearned contributions	6,889	2	7,235	6
Outstanding claims	7,209	1,119	6,536	1,344
	14,098	1,121	13,771	1,350

8 DEFERRED ACQUISITION COSTS AND UNEARNED COMMISSION RESERVES

8.1 Deferred acquisition costs

	30 September 2020 (unaudited)		31 December 2019 (audited)	
	Shareholders' fund	Conventional	Shareholders' fund	Conventional
At the beginning of the period/year	428	4	402	5
Commissions paid during the period/year	853	4	484	8
Commissions incurred during the period/year	(785)	(6)	(458)	(9)
At the end of the period/year	496	2	428	4

8.2 Unearned commission reserves

	30 September 2020 (unaudited)		31 December 2019 (audited)	
	Takaful	Conventional	Takaful	Conventional
At the beginning of the period/year	432	10	363	24
Commissions received during the period/year	587	6	913	20
Commissions earned during the period/year	(651)	(11)	(844)	(34)
At the end of the period/year	368	5	432	10

Solidarity Bahrain B.S.C.

Notes to the condensed interim financial Information Period ended 30 September 2020

In thousands of Bahraini Dinars

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

In accordance with the approval from the CBB, the shareholders of the Solidarity General Takaful B.S.C. (c) ("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.

	30 September 2020 (unaudited)	31 December 2019 (audited)
Cash and bank balances	60	57
Other investments	71	62
Total assets under run-off management	131	119

	30 September 2020 (unaudited)	31 December 2019 (audited)
Unearned contribution and mortality reserves	32	33
Takaful and other payables	38	39
Unit linked reserve	23	9
	93	81
Participants' surplus assets over liabilities	38	38
Total liabilities under run-off management	131	119

10 FAMILY TAKAFUL TECHNICAL RESERVE

	30 September 2020 (unaudited)	31 December 2019 (audited)
At the beginning of the period/year	3,258	3,567
Refund paid during the period/year	(66)	(160)
Net increase/(decrease) during the period/year	15	(149)
At the end of the period/year	3,207	3,258

Solidarity Bahrain B.S.C.

Notes to the condensed interim financial information Period ended 30 September 2020

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11 TAKAFUL AND INSURANCE PAYABLES

	30 September 2020 (unaudited)	31 December 2019 (audited)
Due to participants and policyholders	541	514
Due to Takaful and insurance companies	6,986	6,039
Due to garages	987	624
	8,514	7,177

Included in the above takaful and insurance payables are BD 97 thousand (31 December 2019: BD 139 thousand) that are held under conventional (run-off) fund.

12 SHARE CAPITAL

12.1 Authorised

	Number of shares (thousands)	Share capital
Authorised shares of 150,000,000 at BD 0.100 each (2019: 150,000,000 shares of BD 0.100 each)	150,000	15,000

12.2 Issued and fully paid

	Number of shares (thousands)	Share capital
Issued and fully paid shares of 120,000,000 at BD 0.100 each (31 December 2019: 120,000,000 shares of BD 0.100 each)	120,000	12,000

The share capital of the Company is denominated in BD and these shares are traded on Bahrain Bourse in BD.

12.3 Treasury shares

The Company owned its own shares amounting to BD 4 thousand at 30 September 2020 (31 December 2019: BD 4 thousand). The shares are held as treasury shares and the Company has the right to reissue these shares at a later date.

13 BASIC AND DILUTED EARNINGS PER SHARE

	Nine-month ended		Three-month ended	
	30 September 2020 (unaudited)	30 September 2019 (unaudited)	30 September 2020 (unaudited)	30 September 2019 (unaudited)
Net profit for the period	1,975	1,896	615	607
Weighted average number of shares outstanding	119,950,219	119,950,219	119,950,219	119,950,219
Basic and diluted earnings per 100 fils share	16.47 fils	15.81 fils	5.13 fils	5.06 fils

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

14 WAKALA FEE

The Company receives Wakala fee for administration of the takaful funds on behalf of the participants in accordance with the contracts of the respective takaful funds. The maximum chargeable Wakala fee which has been certified by Actuary and approved by the Shari'a Supervisory Board is 25% (2019: 25%) for the general Takaful fund and 25% (2019: 25%) for family Takaful fund of the overall gross contributions.

15 INVESTMENT INCOME, NET

	Nine-month ended		Three-month ended	
	30 September 2020 (unaudited)	30 September 2019 (unaudited)	30 September 2020 (unaudited)	30 September 2019 (unaudited)
Income from placements with financial institutions	414	444	139	144
Income from debt instruments	553	617	178	235
Income from equity instruments	417	460	35	150
Investment management expenses	(24)	(20)	(6)	(6)
Net investment income	1,360	1,501	346	523
Mudarib share*	(78)	(73)	(27)	(23)
	1,282	1,428	319	500
Shareholders' investment income	1,048	1,208	237	431
General takaful investment income	136	128	49	38
Family takaful investment income	98	92	33	31
	1,282	1,428	319	500

*Mudarib share

The shareholders manage the participants' investments and charges 25% (30 September 2019: 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 condensed interim statement of income.

16 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.

16.1 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. Remuneration paid to the Board of Directors of the Company during the period amounted to BD 63 thousand (30 September 2019: BD 52 thousand). Sitting fees paid to the members of the Committees of the Board of Directors amounting BD 20 thousand (30 September 2019: BD 19 thousand) and salaries and benefits paid to key members of management amounting to BD 286 thousand (30 September 2019: BD 262 thousand). End of service benefits due to key management personnel as at 30 September 2020 amounted to BD185 thousand (30 September 2019: BD 163 thousand).

16.2 Transactions and balances with related parties**a) Transactions with related parties***Gross contributions:*

Parent company	36	22
Entities under common control	3,044	905

Retakaful contributions:

Entities under common control	7	7
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Income from placement:

Entities under common control	59	36
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Gross paid claims:

Entities under common control	206	421
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b) Balances with related parties*Payables:*

Entities under common control	62	96
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Placements with financial institutions:

Entities under common control	2,013	1,282
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Receivables:

Parent company	59	48
Entities under common control	529	332

Claims outstanding:

Entities under common control	641	685
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Cash and cash equivalents:

Entities under common control	2,086	1,191
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17 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 period and their reconciliation to the total income and profit for the period of the Company.

17 SEGMENTAL INFORMATION (continued)

	30 September 2020 (unaudited)						30 September 2019 (unaudited)					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional revenues												
Gross contributions/premium Retakaful contributions /reinsurance premium	4,381 (3,781)	6,787 (230)	8,776 (5,367)	2,111 (1,653)	232 (362)	22,287 (11,393)	3,906 (3,454)	7,281 (214)	9,452 (6,024)	1,285 (864)	185 (383)	22,109 (10,939)
Retained contributions/premium Movement in unearned contributions/premium, net	600 (97)	6,557 493	3,409 (23)	458 (23)	(130) -	10,894 350	452 (11)	7,067 430	3,428 (293)	421 (15)	(198) -	11,170 111
Net contributions/premium earned	503	7,050	3,386	435	(130)	11,244	441	7,497	3,135	406	(198)	11,281
Commission income	401	16	173	-	-	590	649	19	45	-	-	713
Movement in unearned commission, net	156	2	(92)	-	-	66	(51)	8	(26)	-	-	(69)
Profit commission and other income	97	28	-	6	29	160	43	32	18	-	-	93
Net commission earned	654	46	81	6	29	816	641	59	37	-	-	737
Total takaful/conventional revenues	1,157	7,096	3,467	441	(101)	12,060	1,082	7,556	3,172	406	(198)	12,018

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

17 SEGMENTAL INFORMATION (continued)

	30 September 2020 (unaudited)					30 September 2019 (unaudited)						
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional expenses												
Gross claims paid	(256)	(4,101)	(2,446)	(651)	(29)	(7,483)	(1,232)	(5,290)	(2,425)	(876)	(491)	(10,314)
Claims recovered from retakaful /reinsurance and other parties	219	(1)	6	555	10	789	1,035	222	80	738	360	2,435
Net claims paid	(37)	(4,102)	(2,440)	(96)	(19)	(6,694)	(197)	(5,068)	(2,345)	(138)	(131)	(7,879)
Movement in outstanding claims – gross	(653)	884	(61)	157	(1)	326	2,365	(230)	74	(237)	119	2,091
Movement in outstanding claims – retakaful/reinsurance	404	(957)	(10)	(212)	1	(774)	(2,198)	541	(21)	167	(119)	(1,630)
Net claims (recovered)/incurred	(286)	(4,175)	(2,511)	(151)	(19)	(7,142)	(30)	(4,757)	(2,292)	(208)	(131)	(7,418)
Transfer (to)/from Family Takaful technical reserve	-	-	-	-	(15)	(15)	-	-	-	-	82	82
Technical surplus/(deficit)	871	2,921	956	290	(135)	4,903	1,052	2,799	880	198	(247)	4,682

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

NOTES TO THIS CONDENSED INTERIM FINANCIAL INFORMATION

Period ended 30 September 2020

In thousands of Bahraini Dinars

18 CONTINGENT LIABILITIES AND COMMITMENTS

The Company is a defendant in a number of cases brought by policyholders 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 commitments as at 30 September 2020 (31 December 2019: nil).

19 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:

30 September 2020 (unaudited)

Investments carried at fair value through equity

Level 1	Level 2	Level 3	Total
4,023	-	1,650	5,673
4,023	-	1,650	5,673

31 December 2019 (audited)

Investments carried at fair value through equity

Level 1	Level 2	Level 3	Total
3,371	-	1,650	5,021
3,371	-	1,650	5,021

No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30 September 2020 (31 December 2019: nil).

NOTES TO THIS CONDENSED INTERIM FINANCIAL INFORMATION

Period ended 30 September 2020

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19 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:

30 September 2020 (unaudited)	Fair value through equity	Amortised cost	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	4,224	4,224	4,224
Placements with financial institutions	-	-	15,207	15,207	15,207
Investments	5,673	15,665	-	21,338	21,580
Takaful and insurance receivables	-	-	9,951	9,951	9,951
Retakaful and reinsurance share of technical liabilities	-	-	10,983	10,983	10,983
Other assets	-	-	2,408	2,408	2,408
Total financial assets	5,673	15,665	42,773	64,111	64,353
Takaful and insurance technical liabilities	-	-	23,453	23,453	23,453
Takaful and insurance payables	-	-	8,514	8,514	8,514
Other liabilities	-	-	2,339	2,339	2,339
Total financial liabilities	-	-	34,306	34,306	34,306

31 December 2019 (audited)	Fair value through equity	Amortised cost	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	3,913	3,913	3,913
Placements with financial institutions	-	-	15,794	15,794	15,794
Investments	5,021	15,238	-	20,259	20,682
Takaful and insurance receivables	-	-	10,181	10,181	10,181
Retakaful and reinsurance share of technical liabilities	-	-	12,858	12,858	12,858
Other assets	-	-	2,592	2,592	2,592
Total financial assets	5,021	15,238	45,338	65,597	66,020
Takaful and insurance technical liabilities	-	-	26,867	26,867	26,867
Takaful and insurance payables	-	-	7,177	7,177	7,177
Other liabilities	-	-	2,955	2,955	2,955
Total financial liabilities	-	-	36,999	36,999	36,999

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.

NOTES TO THIS CONDENSED INTERIM FINANCIAL INFORMATION

Period ended 30 September 2020

In thousands of Bahraini Dinars

20 TOTAL COMPREHENSIVE INCOME

	Nine-month period ended 30 September 2020 (unaudited)					Nine-month period ended 30 September 2019 (unaudited)				
	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/(deficit) for the period	252	(95)	-	1,975	2,132	308	(200)	-	1,896	2,004
Other comprehensive income to be reclassified to statement of income and participants' revenues and expenses in subsequent period:										
Fair value changes arising during the period	-	-	-	30	30	-	-	-	275	275
Transferred to investment income on disposal of equity instruments	-	-	-	(30)	(30)	-	-	-	-	-
Other comprehensive income for the period to be reclassified to condensed interim statement of income and participants' revenues and expenses in subsequent periods	-	-	-	-	-	-	-	-	-	-
Total Comprehensive income for the period	252	(95)	-	1,975	2,132	308	(200)	-	2,171	2,279

NOTES TO THIS CONDENSED INTERIM FINANCIAL INFORMATION

Period ended 30 September 2020

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20 TOTAL COMPREHENSIVE INCOME (continued)

	Three-month period ended 30 September 2020 (unaudited)					Three-month period ended 30 September 2019 (unaudited)				
	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/(deficit) for the period	139	(35)	-	615	719	133	(39)	-	607	701
Other comprehensive income to be reclassified to statement of income and participants' revenues and expenses in subsequent period:										
Fair value changes arising during the period	-	-	-	437	437	-	-	-	(101)	(101)
Transferred to investment income on disposal of equity instruments	-	-	-	(30)	(30)	-	-	-	-	-
Other comprehensive income for the period to be reclassified to condensed interim statement of income and participants' revenues and expenses in subsequent periods	-	-	-	407	407	-	-	-	(101)	(101)
Total Comprehensive Income for the period	139	(35)	-	1,022	1,126	133	(39)	-	506	600

NOTES TO THIS CONDENSED INTERIM FINANCIAL INFORMATION

Period ended 30 September 2020

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21 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 condensed interim financial information. 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 condensed interim 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.

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 period against corresponding prior period 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 form of waiver of Electricity and Water Authority utility bills and partial reimbursement of salaries of employees from the Unemployment Fund.

Included in condensed interim statement of income is BD 298 thousands of government support received relating to supporting the payroll of Company's employees and utility bills.

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 condensed interim financial information. As a result, this condensed financial information has been appropriately prepared on a going concern basis.

NOTES TO THIS CONDENSED INTERIM FINANCIAL INFORMATION

Period ended 30 September 2020

In thousands of Bahraini Dinars

22 SUBSEQUENT EVENTS

On 25 October 2020, the Company issued Letter of Intent (LoI) to T'azur Bahrain B.S.C. (c) ("T'azur") to confirm its interest in the merger of T'azur Bahrain operations with Solidarity Bahrain and on 2 November 2020, the Board of Directors of T'azur has provided in-principle acceptance to the LoI and the same has been duly signed and executed by both the parties. The merger would be executed via a transfer of business, assets and liabilities from T'azur to Solidarity Bahrain, in exchange for shares in Solidarity Bahrain at a mutually agreed swap ratio. The scope of the proposed merger includes primarily the Bahrain operations (assets and liabilities) of T'azur as well as certain specific assets and or investments relating to its operational presence outside Bahrain. The proposed merger is subject to obtaining Shareholders approval, Central Bank of Bahrain's approval and other regulatory approvals.

There is no other significant events subsequent to 30 September 2020 and occurring before the date of signing of the condensed interim financial information that would have a significant impact on the condensed interim financial information.

23 COMPARATIVES

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

Solidarity Bahrain B.S.C.

Supplementary disclosure – COVID-19 impact (Unaudited and not reviewed)

Period ended 30 September 2020

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

On 21 February 2020, Kingdom of Bahrain confirmed the first case of COVID-19 whilst Health Ministry in Bahrain was on high alert and started implementing pre-emptive measures from January 2020. On 11 March 2020, World Health Organization (WHO) declared COVID-19 outbreak a global pandemic and asserted the threat posed by this virus. 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.

Solidarity Bahrain has also benefitted from the stimulus package in form of wage support and waiver of utility bills for three months totalling BD 298 thousand, and to display its sincere solidarity with the nationwide efforts during this challenging time, the Company made a modest contribution of BD 75 thousand to Feena Khair Bahrain COVID-19 Fund.

Despite the current economic challenges, Solidarity Bahrain has so far shown great resilience and managed to achieve modest growth compared to the same period previous year. Although it is very difficult to ascertain the full financial impact, the impact on some of the key fundamentals of the Company for nine months period ended 30 September 2020 is as follows:

- Achieved modest growth in gross contributions indicating no major loss of business.
- No material impact of the value of equity investment portfolio measured at fair value and therefore no impairment was warranted as at 30 September 2020.
- No major impact on the receivables position 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 30 September 2020 is 4.2 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.

Solidarity Bahrain B.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2019

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Solidarity Bahrain B.S.C.

General information

For the year ended 31 December 2019

Commercial registration

5091 obtained on 17 August 1976

Board of Directors

Tawfeeq Shehab

Chairman of the Board, member of the Audit & Risk Committee and Chairman of Nomination & Remuneration 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, member of Nomination & Remuneration Committee and member of the Executive Committee (Independent Non-Executive Director)

Venkatesan Muniswamy

Board Member and member of the Executive Committee (Executive Director)

Bashar Sameer Nass

Board member and member of Audit & Risk Committee (Non-Independent Non-Executive Director)-

Ali Isa Ahmed Abdulrahim

Board member (Non-Independent Non-Executive Director) - Effective 4 February 2019

Executive Committee

Ashraf Bseisu – Chairman
Sharif Ahmadi
Venkatesan Muniswamy

Audit and Risk Committee

Nadhem Al Saleh – Chairman
Tawfeeq Shehab
Bashar Sameer Nass

Nomination and Remuneration Committee

Tawfeeq Shehab – Chairman
Sharif Ahmadi
Nadhem Al Saleh
Ashraf Bseisu

Solidarity Bahrain B.S.C.

General information (continued)

For the year ended 31 December 2019

Corporate Governance Committee

Mr. Sharif Ahmadi – Chairman
Dr. Nadhem Al Saleh
Shaikh Dr. Osama Bahar – Member of the Sharia Supervisory Board

Sharia Supervisory Board

Shaikh Dr. Abdul Satar Abugudda
Shaikh Mohsin Shaikh A. Hussain Al
Asfoor
Shaikh Dr. Osama Bahar

Chairman of Sharia Supervisory Board
Member of Sharia Supervisory Board

Member of Sharia Supervisory Board and Member of Corporate
Governance Committee

Management

Jawad Mohammed
Nandakumar Duraiswamy
Jai Prakash Pandey
Mohammed Awachi
Yaser Al Hammadi
Sanjeev Aggarwal

Chief Executive Officer
Deputy General Manager – Operations
Assistant General Manager – Business Development
Assistant General Manager – Corporate Support
Head of Compliance, Risk Management and MLRO
Head of Finance

Address

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

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

On behalf of the Board of Directors, we take pleasure in presenting the annual report and financial statements of Solidarity Bahrain BSC (the Company) for the year ended 31 December 2019. This proved to be another successful year for the Company, marked by positive financial results, sound strategic progress and significant operational developments.

Financial Results

Despite ongoing economic volatility, challenging market conditions, and an increasingly competitive insurance sector, Solidarity Bahrain posted a positive financial performance in 2019. Key highlights include an increase of 2.6 per cent in gross contributions to BD 30.85 million from BD 30.07 million in 2018; while net profit grew by 13 per cent to BD 2.90 million compared with BD 2.58 million the previous year. The overall takaful loss ratio of 67 per cent remained on par with the ratio for 2018. As at 31 December 2019, total shareholders' equity had grown to BD 27.27 million from BD 25.91 million at the end of 2018; with earnings per share rising to Bahraini fils 21.81 versus 19.22 fils for the prior year. Based on these results, the Board of Directors is proposing a cash dividend for 2019 of 15 per cent for approval by Shareholders at the Annual General Meeting to be held on 26 March 2020.

The Company maintained its compliance with Rulebook Volume 3 of the Central Bank of Bahrain, and has determined the solvency margin and available capital as at 31 December 2019. The capital available to cover the solvency margin is BD 15.50 million; while the minimum solvency margin required is BD 2.95 million for general takaful business, BD 551 thousand for family takaful business, and BD 657 thousand for conventional insurance run-off business. The available capital is over three times that of the required margin.

Rating Upgrade

In December 2019, AM Best upgraded the Company's Long-Term Issuer Credit Rating (Long-Term ICR) to "bbb+" from "bbb" and affirmed its Financial Strength Rating (FSR) of B++ (Good). The outlook of the Long-Term ICR has been revised to Stable from Positive, while the outlook of the FSR remains Stable. The Long-Term ICR upgrade reflects the improvement in the business profile, achieved through a stronger competitive position in Bahrain, following the integration of Al Ahlia Insurance Company, which was acquired in 2016 by Solidarity Group Holding BSC(c). The current rating reflects the Company's balance sheet strength which is underpinned by its risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), its good liquidity and its financial flexibility, with access to the debt and the equity markets.

We view these latest ratings, which are the highest among insurance companies with operations limited to the Kingdom of Bahrain, as an important independent validation of the successful actions we are taking to ensure the Company's continued strategic growth, business development and sustainable profitability.

Strategic Progress

We are pleased to report that Solidarity Bahrain made excellent progress during 2019 in implementing its current three-year strategy. The objective is to differentiate the Company in a price-driven and highly-competitive insurance sector, by focusing on quality, digital innovation, superior customer care, and a unique employee experience.

Notable strategic achievements include the successful commissioning of the TCS BaNCS core insurance system, and accreditation to ISO 27001; plus the launch of a new Digital branch in Seef Mall and Video Conferencing Insurance Service, both of which are additional industry firsts for the Company 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 all front and back office staff, while continuing to enhance brand awareness and perception through expanded public relations activities and increased use of social media channels.

Changes to the Board

During the year, Mr. Abhijit Singh retired from the Board of Directors, and we take this opportunity to thank him for his valuable contribution during his term of office with Solidarity Bahrain. In turn, we welcome Mr. Ali Isa Abdulrahim, who joined the Board in February 2019, and whose diversified financial and commercial experience will benefit the Company.

Future Outlook

Forecasts of improved GDP growth for Bahrain's economy in 2020, together with increased investment in infrastructure and construction projects, and the introduction of compulsory medical insurance, will benefit the Kingdom's insurance sector next year. With this positive outlook and our solid achievements in 2019, we are optimistic about the prospects for the Company in the short to medium term.

Acknowledgements

On behalf of the Board of Directors, we extend our sincere appreciation to His Majesty King Hamad Bin Isa Al Khalifa, the King of Bahrain, His Royal Highness Prince Khalifa Bin Salman Al Khalifa, the Prime Minister, and His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince and First Deputy Prime Minister, for their wise leadership and reform programme, and their support for the Kingdom's Takaful and 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

We would like to express our gratitude to the shareholders of Solidarity Bahrain for their unwavering encouragement and assistance; and to the Company's management and staff, and the executive management of Solidarity Group Holding, for their dedicated efforts and contributions during 2019. We also thank the Company's participants, business partners and other stakeholders, for their continued support and confidence.



Tawfeeq Shebab
Chairman



Ashraf Bseisu
Vice Chairman

25 February 2020

Solidarity Bahrain B.S.C.

Board of Directors profile For the year ended 31 December 2019

Tawfeeq Shehab

Chairman

Independent Non-Executive Director

Effective 27 December 2017

Chairman of Nomination & Remuneration Committee and Member of Audit & Risk Committee

Bahraini National

Over 3 1years' experience in insurance and financial services

Key Positions & Directorships

Board Member of Motor Compensation Fund, Bahrain

Former Positions & Directorships

General Manager, Al Ahlia Insurance Company BSC, Bahrain

Director, Insurance Supervision Directorate - Central Bank of Bahrain

Director, Insurance Directorate - Ministry of Industry, Commerce and Tourism, Bahrain

Qualifications

Associate Member of the Chartered Insurance Institute, UK

MBA from University of Pennsylvania, Indiana, USA

Ashraf Bseisu

Vice Chairman

Executive Director

Effective 27 December 2017

Chairman of the Executive Committee and Member of the Nomination & Remuneration Committee

Bahraini National

30years' experience in insurance and financial services

Key Positions & Directorships

Group Chief Executive Officer, Solidarity Group Holding BSC(c), Bahrain

Chairman, Solidarity Takaful S.A, Luxembourg

Chairman, Solid Ventures W.L.L., Bahrain

Chairman, Solid Capital W.L.L., Bahrain

Chairman, and Chairman of the Executive Committee, and Member of Nomination & Remuneration Committee:

First Insurance Company Plc., Jordan

Chairman, Al Moazarah Investment Company, Jordan

Chairman, Al Somood Investment Company, Jordan

Vice Chairman, and Chairman of the Executive Committee, and Member of the Investment Committee:

Solidarity Saudi Takaful Company, KSA

Board Member and Member of the Executive Committee: BBK, Bahrain

Board Member and Member of Audit Committee, United Insurance Company BSC(c), Bahrain

Board Member and Chairman of Remuneration Committee, Bahrain Institute of Banking & Finance

Solidarity Bahrain B.S.C.

Board of Directors profile (continued) **For the year ended 31 December 2019**

Ashraf Bseisu (continued)

Former Positions & Directorships

President, General Arab Insurance Federation
Chairman, Bahrain Insurance Association
Chairman, Arab War Risk Insurance Syndicate
Member, Executive Council, Gulf insurance Federation
Chief Financial & Administrative Officer, Trust International Insurance Company, Bahrain

Qualifications

Associate Member of the Chartered Insurance Institute, UK
Associate Member of the American Institute of Management Accountants
Associate Member of American Society of Civil Engineers
Member of Bahrain Computer Society, Chartered Institute for IT, UK
MSc in Business in Analysis, Design and Management of Information Systems from the London School of Economics, UK
BSc in Civil Engineering (Minor in Applied Mathematics & Finance) from the Southern Methodist University, Dallas, Texas, USA

Dr. Nadhem Al Saleh

Board Member
Independent Non-Executive Director
Effective 27 December 2017
Chairman of Audit & Risk Committee, Member of Corporate Governance Committee and Member of Nomination & Remuneration Committee
Bahraini National
46 years' experience in academia and commerce

Key Positions & Directorships

Board Member, and Chairman of Audit, Risk & Compliance Committee, and Member of Nomination & Remuneration Committee: APM Terminals BSC, Bahrain
Member of Finance & Administration Committee, Higher Education Council, Bahrain
Member, Board of Trustees of Kanoo Award for Creativity & Excellence, and Member of the Award Executive Committee

Former Positions & Directorships

Assistant Professor of Finance, University of Bahrain
Dean of Scientific Research, University of Bahrain
Faculty Member, College of Business Administration, University of Bahrain
Member, Higher Education Council, Bahrain
Member, University of Bahrain Committee to Review the Budget
Member, National Charter Action Committee, Bahrain
Member, Association of Arab Human Resource Development
General Manager, Saleh Al-Saleh Company, Bahrain

Solidarity Bahrain B.S.C.

Board of Directors profile (continued) For the year ended 31 December 2019

Dr. Nadhem Al Saleh (continued)

Qualifications

PhD in Finance from Brunel University London, Uxbridge, UK
MBA from University of Pennsylvania, Indiana, USA
Bachelor's degree in Petroleum Engineering from University of Baghdad, Iraq

Sharif Ahmadi

Board Member
Independent Non-Executive Director
Effective 27 December 2017
Chairman of Corporate Governance Committee, Member of Nomination & Remuneration Committee and Member of the Executive Committee
Bahraini National
42 years' experience in commerce and industry

Key Positions & Directorships

Board Member and Managing Director, Paper Arts Product Company, Bahrain
Board Member and Managing Director, Dar Al Khaleej for Trading & Contracting, Bahrain
Board Member and Joint Managing Director, Bahrain Waste Treatment Company
Executive Director, National Institute for Industrial Training, Bahrain

Qualifications

BSc in Electrical Engineering and Electronics from the UK

Venkatesan Muniswamy

Board Member
Executive Director
Effective 27 December 2017
Member of the Executive Committee
Indian National
33 years' experience in the insurance industry covering finance, accounting, investments, mergers & acquisitions, internal audit, reinsurance, compliance, corporate governance, risk management and operations management.

Key Positions & Directorships

Chief Operating Officer, Solidarity Group Holding BSC(c), Bahrain
Vice-Chairman, Solid Ventures W.L.L., Bahrain
Vice-Chairman, Solid Capital W.L.L., Bahrain
Board Member, Solidarity Takaful SA, Luxembourg
Board Member, Al Somood Investment Company, Jordan
Board Member, Al Moazarah Investment Company, Jordan

Former Positions & Directorships

Board Member and Member of Audit Committee: First Insurance Company Plc., Jordan
Board Member, Mulkiyat Investment Company, Jordan
Finance Manager, Al Ahlia Insurance Company, Bahrain
Administrative Officer, United India Insurance Co Ltd., Chennai, India

Solidarity Bahrain B.S.C.

Board of Directors profile (continued) For the year ended 31 December 2019

Venkatesan Muniswamy (continued)

Qualifications

Fellow of the Institute of Chartered Accountants of India
Associate Member of the Insurance Institute of India
Bachelors' degree in Commerce from University of Madras, India

Bashar Sameer Nass

Board Member
Non-Independent Non-Executive Director
Effective 19 February 2018
Member of the Audit & Risk Committee
Bahraini National
12 years' experience in construction management and commerce

Key Positions & Directorships

Board Member, Nass the Group and Nass Corporation BSC, Bahrain
Board Member and Managing Director, Nass International Trading, Bahrain
Board Member, Nass Commercial, Bahrain
Board Member, Abrasive Technology Industries, Bahrain
Chief Executive Officer, Nass Procurement & Logistics, Bahrain

Former Positions & Directorships

Board Member, American Chamber of Commerce, Bahrain

Qualifications

Bachelor's degree in Construction Management from University of Westminster, London, UK

Ali Isa Ahmed Abdulrahim

Board Member
Non-Independent Non-Executive Director
Effective 4 February 2019
Bahraini National
8 years' experience in investments, F&B, Marine, Active Entertainment, Sports, and Real Estate

Key Positions & Directorships

Board Member and Managing Director, Rahim Holdings, Bahrain

Qualifications

Master of Business Administration (Majored in Marketing & Management) - McCallum Graduate School of Business – Boston, USA.
Bachelor of Science (Majored in Economic & Finance with a minor in Politics) – Bentley University – Boston, USA.
Boot Camp (Negotiations & Bargaining) – London School of Economics (LSE) – London, UK.
Certified Financial Modeler (CFM) – International Academy of Business and Financial Management (IABFM).

Solidarity Bahrain B.S.C.

Executive management profile

For the year ended 31 December 2019

Jawad Mohammed

Chief Executive Officer

Jawad Mohammed has 25 years' experience in business management and insurance industry. He joined Solidarity Bahrain from its inception, having previously worked for Bahrain National Holding and the Ministry of Education 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 and Chairman of the Risk Committee, and Member of the Nomination & Remuneration Committee, of Solidarity Saudi Takaful Company; and Board Member, and Chairman of the Risk Committee and IT Committee, of First Insurance Company, Jordan. His other Board Memberships include Solid Ventures WLL, Bahrain; Solid Capital WLL, Bahrain; Al Somood Investment Company, Jordan; and Al Moazarah Investment Company, Jordan. He is also Vice-Chairman of the Bahrain Insurance Association.

Jawad is an Associate of the Chartered Insurance Institute, UK; and a Certified Anti-Money 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 attended the Gulf Executive Development Program at the Darden School of Business, University of Virginia, USA.

D. Nandakumar

Deputy General Manager - Operations

D. Nandakumar has 40 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, D. 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 24 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 2019**

Mohammed Awachi

Assistant General Manager - Corporate Support

Mohammed Awachi has 21 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

Head of Compliance and Risk Management & Money Laundering Reporting Officer (MLRO), and Secretary to the Board of Directors

Yaser Al Hammadi has 15 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 and 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; 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.

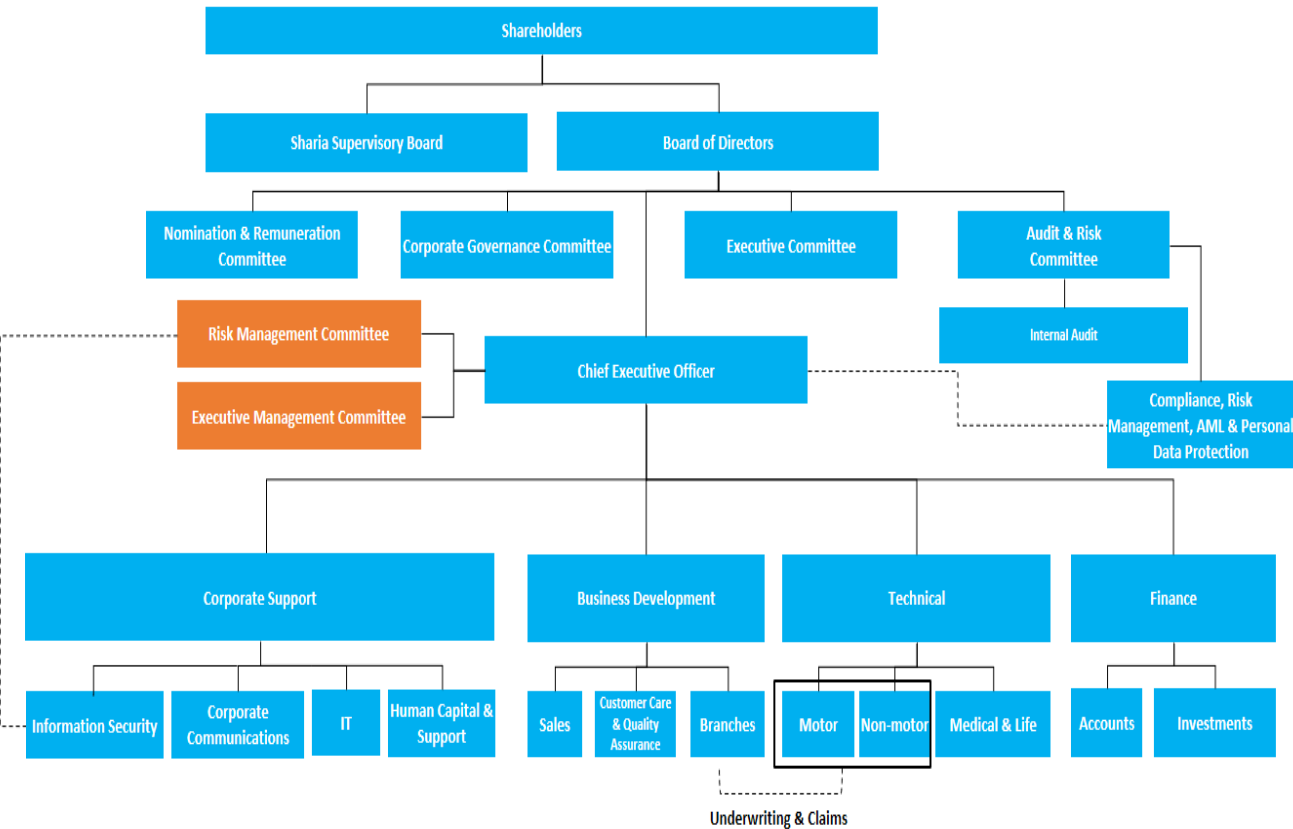
Sanjeev Aggarwal

Head of Finance

Sanjeev Aggarwal has 15 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 a Member of the Finance Committee of the Bahrain Insurance Association.

Organisational chart
For the year ended 31 December 2019



Solidarity Bahrain B.S.C.

Corporate Governance

For the year ended 31 December 2019

Solidarity Bahrain is committed to upholding the highest standards of corporate governance in line with international best practice, in order to maximise operational effectiveness, enhance shareholder value, and protect the interests of all stakeholders.

The Company has put in place a robust and comprehensive Corporate Governance Framework (the Framework) in full compliance with local governing laws and regulations. These comprise the Bahrain Commercial Companies Law and the Company's Articles of Association; the Bahrain Corporate Governance Code issued by the Ministry of Industry, Commerce & Tourism and embraced by the Central Bank of Bahrain (CBB); and the CBB Rulebook Volume 3, incorporating the Higher Controls Module.

The adoption and implementation of such regulations, along with the continuous review and adherence to the Company's Corporate Governance Framework, is the responsibility of the Board of Directors.

The Framework reflects Solidarity Bahrain's culture, policies, stakeholder relationships, and its corporate values of responsibility, accountability, fairness and transparency.

OWNERSHIP STRUCTURE

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

THE BOARD

The Board of the Company consists of seven (7) members. At least half of the Board should be Non-Executive directors and at least three (3) of those persons should be Independent Directors.

The Board of Directors 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.

BOARD RESPONSIBILITIES

The specific responsibilities of the Board include the following:

- 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.

BOARD MEETINGS AND ATTENDANCE POLICY

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

Board Meetings and Attendance in 2019

(All Board meeting were convened in the Kingdom of Bahrain)

Board Members	25 Feb	12 May	06 Aug	12 Nov	12 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)	✓	✓	X	✓	✓
Mr. Venkatesan M. (Executive Director)	✓	✓	✓	✓	✓
Mr. Bashar Nass (Non-Executive)	✓	✓	X	✓	✓
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, 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 judgements, taking into account the views of the external auditors. In addition, the Audit and Risk Committee is responsible for ensuring compliance with all relevant laws and regulations.

Audit and Risk Committee Meetings and Attendance in 2019

Audit and Risk Committee Members	25 Feb	12 May	06 Aug	12 Nov
Dr. Nadhem Al Saleh (Independent Non-Executive)	✓	✓	✓	✓
Tawfeeq Shehab (Independent Non-Executive)	✓	✓	✓	✓
Bashar Nass (Non-Independent Non-Executive)	✓	✓	X	✓

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 to assist in proposing for the appointment of new/additional Directors to the Board. The Committee shall also assist the Board in the consideration of personnel and remuneration issues within the Company.

Nomination and Remuneration Committee Meetings and Attendance in 2019

Nomination & Remuneration Committee	25 Feb	19 Nov
Tawfeeq Shehab (Independent Non-Executive)	✓	✓
Nadhem Al Saleh (Independent Non-Executive)	✓	✓
Sharif Ahmadi (Independent Non-Executive)	✓	✓
Ashraf Bseisu (Executive Director)	✓	✓

Corporate Governance Committee

The Corporate Governance Committee shall consist of at least three members who must be Independent Directors. One of the members shall be a Shari'a Scholar who is a member of the Company's Shari'a Supervisory Board (SSB), 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 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.

Corporate Governance Committee Meetings and Attendance in 2019

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

Executive Committee

The Executive Committee has the following responsibilities:

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

Executive Committee Meetings and Attendance in 2019

Executive Committee	28 Jan	25 Mar	06 May	30 Jun	30 Sep	03 Dec
Ashraf Bseisu – Chairman	✓	✓	✓	✓	✓	✓
Sharif Ahmadi	X	✓	✓	✓	✓	✓
Venkatesan Muniswamy	✓	✓	✓	✓	✓	✓

Other Directorships of Board Members

Board Members	Number of Other Directorships in Bahrain
Tawfeeq Shehab – Chairman (<i>Independent Non-Executive</i>)	-
Ashraf Bseisu – Vice Chairman (<i>Executive Director</i>)	4
Dr. Nadhem Al Saleh (<i>Independent Non-Executive</i>)	1
Sharif Ahmadi (<i>Independent Non-Executive</i>)	-
Venkatesan M. (<i>Executive Director</i>)	2
Bashar Sameer Nass (<i>Non-Independent Non-Executive</i>)	2
Mr. Ali Isa Abdulrahim (<i>Non-Independent Non-Executive</i>) (Effective 4 February 2019)	1

INDEPENDENCE OF DIRECTORS

As defined by the Bahrain Corporate Governance Code, and embraced by the CBB, an 'independent director' is a Director whom the Board has specifically determined to have no material relationship which could affect his independence of judgement, taking into account all known facts. As at 31 December 2019, three Directors of Solidarity Bahrain were classified as Independent Directors.

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 will invite members of Management to address particular subjects of interest to the Board, in order to assist members in remaining aware of current issues, trends and concerns.

Election of Directors

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

COMPLIANCE & ANTI-MONEY LAUNDERING

The Head of Compliance and Risk Management & Money Laundering Reporting Officer (MLRO) – an independent role reporting directly to the Board Audit & Risk Committee and administratively to the Chief Executive Officer – is responsible for ensuring the Company's compliance with the rules, regulations and guidelines of the Central Bank of Bahrain and other regulatory authorities. These cover corporate governance and risk management; personal data protection; customer due diligence, beneficial ownership and know your customer (KYC); and anti-money laundering and combating the financing of terrorism.

MANAGEMENT

The Chief Executive Officer (CEO) is delegated by the Board of Directors with responsibility for the day-to-day management of the Company. The CEO is supported by a well-qualified and experienced Executive Management team, and by two committees: Executive Management Committee and Risk Management Committee.

Executive Management Committee

The Executive Management Committee members shall comprise the Chief Executive Officer and 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 Committee shall meet at least four times a year.

The Executive Management Committee is an advisory body. It acts as 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 CEO. The 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.

REMUNERATION

Directors' Remuneration

Members of the Board of Directors are paid sitting fees for Board and 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 the 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 policy, salaries and benefits are reviewed periodically, and accordingly, suitable revisions are made. A Training Need Analysis is carried out annually, and accordingly, required training programmes are arranged for 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 of Senior Management. Employees are provided with benefits such as medical and group life insurance cover, 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 forms part of the Board Charter. Directors will adhere to the Code in respect to their behaviour that outlines areas such as conflict of interest, confidentiality, and their scope of responsibilities. They will act with honesty, integrity and in good faith, and with due diligence and care, with a view to acting in 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 employees of the Company. The Code covers, amongst other things, conflicts of interest, disclosure, and confidentiality of information including the media.

WHISTLE-BLOWING POLICY

A whistle-blowing policy is in place as approved by the Board. It is designed to enable the airing of genuine concerns regarding suspected malpractice within Solidarity Bahrain, enhancing transparency, and safeguarding the Company's integrity.

COMMUNICATIONS WITH STAKEHOLDERS

Solidarity is committed to communicating with all stakeholders in a professional, transparent, accurate and timely manner. Main communications channels include the annual general meeting, annual reports and quarterly financial reports, corporate website, and regular announcements in the local media.

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 for the Company in 2019.

In the name of Allah, the Merciful, the Compassionate

Report of the Shari'a Supervisory Board

For the financial year ended 31 December 2019

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

To the Shareholders and 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 31.12.2019. 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 26 Jumada Al-Akhirah 1441 H, corresponding to 20 February 2020

Members of the Shari'a Supervisory Board:

Shaikh Dr. Abdul Satar Abughuddah
Chairman

Shaikh Mohsin Abdul Hussain Al Asfoor
Member

Shaikh Dr. Osama Bahar
Member

INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

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, 2019 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 a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to operate in accordance with Islamic Shari'a rules and principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and the results of its operations, changes in participants' surplus and deficit, changes in shareholders' equity and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on regulatory requirements and other matters

As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments) 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 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 Bahrain Commercial Companies Law of 2001 (and subsequent amendments), 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, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association, having occurred 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 Directors in response to all our requests.

The Company has also complied with the Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Company.

Deloitte & Touche,

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 157
Manama, Kingdom of Bahrain

February 25, 2020

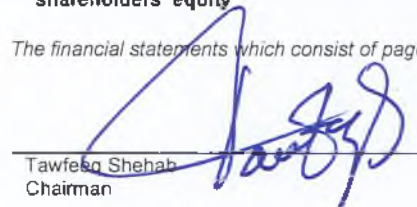
STATEMENT OF FINANCIAL POSITION

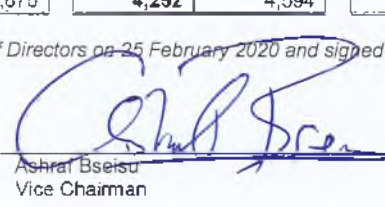
As at 31 December 2019

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Conventional (run-off) fund		Shareholders' fund		Total	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Assets											
Cash and cash equivalents	4	2,061	655	116	371	597	283	1,139	586	3,913	1,895
Placements with financial institutions	5	5,238	5,830	1,040	722	619	314	8,897	9,326	15,794	16,192
Investments	6	815	741	2,620	2,573	-	1,195	16,824	15,949	20,259	20,458
Takaful and insurance receivables	7	9,718	8,327	89	154	374	1,948	-	-	10,181	10,429
Retakaful and reinsurance share of technical liabilities	8	12,293	10,771	317	436	419	2,621	-	-	13,029	13,828
Deferred acquisition costs	9.1	-	-	-	-	4	5	602	575	606	580
Prepayments and other assets	10	2,598	1,551	70	338	171	817	1,509	1,189	4,348	3,895
Takaful participants' assets – under run-off management	11	-	-	-	-	-	-	119	226	119	226
Property and equipment	12	-	-	-	-	-	-	1,239	1,111	1,239	1,111
Total assets		32,723	27,875	4,252	4,594	2,184	7,183	30,329	28,962	69,488	68,614
Liabilities, participants' funds and shareholders' equity											
Liabilities											
Takaful and insurance technical liabilities	8	25,952	24,200	429	549	1,769	5,931	-	-	28,150	30,680
Unearned commission reserves	9.2	432	363	-	-	10	24	-	-	442	387
Family takaful technical reserve	13	-	-	3,258	3,567	-	-	-	-	3,258	3,567
Takaful and insurance payables	14	7,038	4,957	-	-	139	506	-	-	7,177	5,463
Other liabilities	15	1,221	483	281	273	266	722	2,943	2,829	4,711	4,307
Takaful participants' liabilities – under run-off management	11	-	-	-	-	-	-	119	226	119	226
Total liabilities		34,643	30,003	3,968	4,389	2,184	7,183	3,062	3,055	43,857	44,630
Participants' funds		(1,920)	(2,128)	284	205	-	-	-	-	(1,636)	(1,923)
Shareholders' equity											
Share capital	16	-	-	-	-	-	-	12,000	12,000	12,000	12,000
Treasury shares	16.4	-	-	-	-	-	-	(4)	(4)	(4)	(4)
Statutory reserve	17	-	-	-	-	-	-	2,913	2,651	2,913	2,651
Share premium		-	-	-	-	-	-	4,182	4,182	4,182	4,182
Property revaluation reserve		-	-	-	-	-	-	747	747	747	747
Investment fair value reserve		-	-	-	-	-	-	1,889	1,646	1,889	1,646
Retained earnings		-	-	-	-	-	-	5,540	4,685	5,540	4,685
Total shareholders' equity		-	-	-	-	-	-	27,267	25,907	27,267	25,907
Total liabilities, participants' funds and shareholders' equity		32,723	27,875	4,252	4,594	2,184	7,183	30,329	28,962	69,488	68,614

The financial statements which consist of pages 23 to 73 were approved by the Board of Directors on 25 February 2020 and signed on its behalf by:


 Tawfeeq Shehab
 Chairman


 Ashraf Bseiso
 Vice Chairman


 Jawad Mohammed
 Chief Executive Officer

The notes 1 to 35 on pages 28 to 73 form an integral part of the financial statements.

STATEMENT OF INCOME AND PARTICIPANTS' REVENUES AND EXPENSES

For the year ended 31 December 2019

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Conventional (run-off) fund		Shareholders' fund		Total	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Takaful/conventional revenues											
Gross contributions/premium		30,531	29,433	256	562	65	77	-	-	30,852	30,072
Relakaful share of gross contributions/premium		(15,605)	(14,126)	(505)	(531)	(84)	(84)	-	-	(16,194)	(14,741)
Retained contributions/premium		14,926	15,307	(249)	31	(19)	(7)	-	-	14,658	15,331
Movement in unearned contributions/premium, net		312	(2,889)	-	-	4	2,549	-	-	316	(340)
Net contributions/premium earned		15,238	12,418	(249)	31	(15)	2,542	-	-	14,974	14,991
Net commission earned/(incurred)		844	737	-	-	25	(1)	-	-	869	736
Profit commission and other income		110	207	249	364	-	63	-	-	359	634
Total takaful/conventional revenues		16,192	13,362	-	395	10	2,604	-	-	16,202	16,361
Takaful/conventional expenses											
Gross claims paid		(10,839)	(9,330)	(491)	(33)	(2,554)	(5,180)	-	-	(13,884)	(14,543)
Claims recovered from retakaful/reinsurance and other parties		1,421	2,393	360	14	982	1,326	-	-	2,763	3,733
Net claims paid		(9,418)	(6,937)	(131)	(19)	(1,572)	(3,854)	-	-	(11,121)	(10,810)
Movement in outstanding claims – gross		(1,179)	(1,677)	119	(363)	4,145	3,464	-	-	3,085	1,424
Movement in outstanding claims – retakaful/reinsurance		638	299	(119)	307	(2,189)	(1,769)	-	-	(1,670)	(1,163)
Net claims incurred		(9,959)	(8,315)	(131)	(75)	384	(2,159)	-	-	(9,706)	(10,549)
Transfer to family takaful technical reserve	13	-	-	149	(103)	-	-	-	-	149	(103)
Total takaful/conventional expenses		(9,959)	(8,315)	18	(178)	384	(2,159)	-	-	(9,557)	(10,652)
Technical surplus		6,233	5,047	18	217	394	445	-	-	6,645	5,709
Wakala fee	19	(6,207)	(5,084)	(63)	(140)	-	-	-	-	(6,270)	(5,224)
Surplus/(deficit) from takaful/conventional operations		26	(37)	(45)	77	394	445	-	-	375	485
Wakala fee	19	-	-	-	-	-	-	6,270	5,224	6,270	5,224
Investment income, net	20	182	122	124	108	-	-	1,530	1,444	1,836	1,674
Technical surplus transferred from conventional (run-off) fund		-	-	-	-	(394)	(445)	394	445	-	-
Mudarib share	20	-	-	-	-	-	-	102	77	102	77
Employee costs		-	-	-	-	-	-	(2,350)	(2,220)	(2,350)	(2,220)
Commission expenses incurred	9	-	-	-	-	-	-	(1,404)	(1,111)	(1,404)	(1,111)
Other operating expenses		-	-	-	-	-	-	(1,568)	(1,517)	(1,568)	(1,517)
Provision for doubtful receivables, net	7.1	-	-	-	-	-	-	(358)	(36)	(358)	(36)
Net profit and surplus for the year		208	85	79	185	-	-	2,616	2,306	2,903	2,576
Basic and diluted earnings per share	18							21.81 Fils	19.22 fils		

The financial statements which consist of pages 23 to 73 were approved by the Board of Directors on 25 February 2020 and signed on its behalf by:

Tawfeeq Shehab
ChairmanAshraf Bseisi
Vice ChairmanJawad Mohammed
Chief Executive Officer

The notes 1 to 35 on pages 28 to 73 form an integral part of the financial statements.

STATEMENT OF PARTICIPANTS' SURPLUS AND DEFICIT
For the year ended 31 December 2019

In thousands of Bahraini Dinars

2019

At 1 January
 Surplus for the year

At 31 December

Accumulated (deficit)/surplus	
General Takaful	Family Takaful
(2,128)	205
208	79
(1,920)	284

2018

At 1 January
 Surplus for the year

At 31 December

Accumulated (deficit)/surplus	
General Takaful	Family Takaful
(2,213)	20
85	185
(2,128)	205

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**For the year ended 31 December 2019**

In thousands of Bahraini Dinars

2019

	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	12,000	(4)	2,651	4,182	747	1,646	4,685	25,907
Net profit for the year	-	-	-	-	-	-	2,616	2,616
Dividends declared	-	-	-	-	-	-	(1,499)	(1,499)
Transfer to statutory reserve (Note 17)	-	-	262	-	-	-	(262)	-
Change in fair value of equity investments	-	-	-	-	-	243	-	243
At 31 December	12,000	(4)	2,913	4,182	747	1,889	5,540	27,267

2018

	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	11,189	(4)	2,420	4,993	747	1,553	2,610	23,508
Bonus shares issued during the year (Note 16.2)	811	-	-	(811)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	2,306	2,306
Transfer to statutory reserve (Note 17)	-	-	231	-	-	-	(231)	-
Change in fair value of investments	-	-	-	-	-	93	-	93
At 31 December	12,000	(4)	2,651	4,182	747	1,646	4,685	25,907

The notes 1 to 35 on pages 28 to 73 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS**For the year ended 31 December 2019**

In thousands of Bahraini Dinars

	Note	2019	2018
OPERATING ACTIVITIES			
Combined profit & surplus for the year		2,903	2,576
<i>Adjustments for non-cash items:</i>			
Depreciation	12	154	95
Provision for employees end of service benefits	15 (b)	32	30
Investment income, net	20	(1,836)	(1,729)
Provision for impairment in investment securities	20	-	55
Amortisation during the year, net	20	31	47
Provision for doubtful receivables, net	7.1	358	36
Operating cash flows before working capital changes		1,642	1,110
<i>Changes in working capital:</i>			
Increase in takaful and insurance receivables		(110)	(277)
Decrease in retakaful and reinsurance share of technical liabilities		799	1,163
Increase/(decrease) in deferred acquisition costs		(26)	31
Increase in prepayments and other assets		(251)	(815)
Decrease in takaful and insurance technical liabilities		(2,530)	(1,084)
Increase/(decrease) in unearned commission reserves		55	(143)
Decrease in family takaful technical reserves		(309)	(11)
Increase in takaful and insurance liabilities		1,714	726
Increase in other liabilities		334	907
Working capital changes		(324)	497
Payment towards employees end of service benefits	15 (b)	(31)	(65)
Net cash generated from operating activities		1,287	1,542
INVESTING ACTIVITIES			
Purchase of equipment	12	(282)	(282)
Purchase of investments		(5,782)	(5,335)
Placements with financial institutions, net		398	(2,974)
Proceeds from disposal of investments carried at amortised cost		6,265	2,343
Investment income received		1,562	1,303
Net cash generated from/(used in) investing activities		2,161	(4,945)
FINANCING ACTIVITY			
Dividends paid during the year		(1,430)	(13)
Net cash used in financing activity		(1,430)	(13)
Net increase/(decrease) in cash and cash equivalents		2,018	(3,416)
Cash and cash equivalents at the beginning of the year	4	1,895	5,311
Cash and cash equivalents at the end of the year	4	3,913	1,895
Shareholders' fund		1,139	586
Participants' fund		2,177	1,026
Conventional (run-off) fund		597	283
Cash and cash equivalents at the end of the year	4	3,913	1,895

The notes 1 to 35 on pages 28 to 73 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 Parent Company acquired 71.46% of the total issued and paid up ordinary shares of the Company on 27 December 2016, via a voluntary conditional offer. During 2017, the shareholders of the Company and Solidarity General Takaful B.S.C. (c) ("SGT"), a wholly owned subsidiary of the Parent Company resolved to approve the transfer of business, assets and liabilities from SGT to the Company through a share swap transaction. The Shareholders of the Company held an Extraordinary General Meeting on 3 August 2017 and approved the conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed a Shari'a Supervisory Board for overseeing the compliance with Shari'a. The pre-existing conventional portfolio was accordingly put under run-off.

On 3 December 2017, Solidarity General Takaful B.S.C. (c) ("SGT") transferred its business, assets and liabilities to Al Ahlia Insurance Company B.S.C. ("AAIC"). Subsequently, on 27 December 2017, AAIC changed its name to Solidarity Bahrain B.S.C.

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 family takaful fund.

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 2019 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 for additional three years in December 2019.

The financial statements for the year ended 31 December 2019 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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)**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.

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 believe that the underlying assumptions are appropriate and that the Company's financial statements therefore fairly present its financial position as at 31 December 2019 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 2019

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**

The following new AAOIFI accounting standards, amendments to standards and interpretations, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements.

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.

(a) FAS 28 "Murabaha and other deferred payment sales" (effective 1 January 2019)

FAS 28 prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transaction and different elements of such transaction. The adoption of this standard has no material impact on the financial statements.

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

The following new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and are expected to be relevant to the Company:

(a) FAS 30 "Impairment and credit losses and liabilities expected to result in losses" (effective 1 January 2020)

This Standard sets out the accounting treatment of expected impairment and credit losses for financing, investments and high risk commitments in Islamic financial institutions. The requirements of this Standard with respect to expected credit losses is substantially similar to the requirements of IFRS 9 Financial Instruments (IFRS 9). The Company has implemented the Central Bank's instructions in this regard and has been implemented on the financial statements, as the mandatory application of the Islamic Financial Accounting Standard No. Date (30) is the first in January 2020 with earlier application permitted.

(b) FAS 31, "Investment Agency"

The Standard aims at determining the requirements for the preparation of reports related to the Investment Agency and the transactions that are in line with best practices of both the agent and the client. The mandatory implementation date of the Standard is January 1, 2020.

(c) FAS 32 "Ijarah" (effective 1 January 2021)

This supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek" sets out principle for classification, measurement and presentation and disclosure of Ijarah. It defines new measurement and recognition principles for initial recognition for right-of-use assets, requirements to identify and separate Ijarah and non-Ijarah components and new measurement and recognition principles for Ijarah.

(d) FAS 33 "Investments in sukuk, shares and similar instruments" (effective 1 January 2020)

FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IF's / the institutions), in line with Shari'a principles. It defines the key types of instruments of Sharita compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

(e) FAS 34 "Financial reporting for sukuk-holders" (effective 1 January 2020)

FAS 34 aims to establish the principles of accounting and financial reporting for assets and businesses underlying the sukuk to ensure transparent and fair reporting to all relevant stakeholders, particularly including sukuk-holders.

(f) FAS 35 "Risk reserves" (effective 1 January 2021)

This accounting standard and financial reporting on risk reserves have been developed to mitigate the various risks faced by stakeholders, particularly investors. The mandatory date for applying IFRS 35 is January 1, 2021, with early application allowed.

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

2 BASIS OF PREPARATION (CONTINUED)**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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

In thousands of Bahraini Dinars

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

(e) *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.

(f) *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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

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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) 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.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

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

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 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 and equipment 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 and equipment 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.

(vii) 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.

(viii) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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)****(xiii) 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.

(xiv) 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. Wakala fee rates are approved by the Shari'a Supervisory Board. Wakala fee from takaful funds are recognised in accordance with the takaful contracts and as per the wakala fee structure approved by the Shari'a Supervisory Board.

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)

(xv) 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.

(xvi) 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.

(xvii) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

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4 CASH AND CASH EQUIVALENTS

	2019	2018
Cash and bank balances	3,376	1,712
Placements with maturities less than three months	537	183
	3,913	1,895

Bank balances are held in non-profit bearing current accounts.

Placements are held with financial institutions in Bahrain with an original maturity of three months or less with average profit rate of 1.76% (2018: 3.25%).

5 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2019	2018
Placements held with a related party (Note 24.2)	1,282	1,502
Placements held with other financial institutions	14,512	14,690
	15,794	16,192

Placements are held with financial institutions in Bahrain with an original maturity of more than three months with average profit rate of 3.83% (2018: 3.70%).

6 INVESTMENTS

	2019	2018
Debt type instruments		
Amortised cost:		
Quoted instruments	15,238	15,865
Equity type instruments		
Fair value through equity:		
Quoted instruments	3,371	2,943
Unquoted instruments	1,650	1,650
	20,259	20,458

Included in investments are BD Nil (2018: BD 1.195 Million) held under conventional insurance run-off fund.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

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6 INVESTMENTS (CONTINUED)

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

	2019	2018
At the beginning of the year	15,865	13,139
Additions during the year	5,597	5,167
Disposals during the year	(6,193)	(2,343)
Amortisation during the year, net	(31)	(47)
Provision for impairment during the year	-	(51)
At the end of the year	15,238	15,865

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

	2019	2018
At the beginning of the year	4,593	4,336
Additions during the year	185	168
Provision for impairment during the year	-	(4)
Change in fair value, net	243	93
At the end of the year	5,021	4,593

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

	2019	2018
Quoted equity instruments	3,371	2,943
Unquoted equity instruments	1,650	1,650
	5,021	4,593

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7 TAKAFUL AND INSURANCE RECEIVABLES

	2019	2018
Due from:		
Participants and policyholders	5,793	4,502
Brokers	2,397	1,986
Takaful and insurance companies in relation to subrogation	2,818	4,151
Takaful/retakaful and insurance/reinsurance companies	562	821
	11,570	11,460
Less: provision for doubtful takaful and insurance receivables	(1,389)	(1,031)
	10,181	10,429

Included in the above insurance receivables are BD 0.374 Million (2018: BD 1.948 Million) 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.

7.1 The movement in provision for doubtful takaful and insurance receivables is as follows:

	2019	2018
At the beginning of the year	1,031	995
Charge for the year	358	36
At the end of the year	1,389	1,031

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

	Past due but not impaired			Total
	Neither past due nor impaired	181 to 365 days	More than 365 days	
2019	5,982	3,117	1,082	10,181
2018	6,041	2,433	1,955	10,429

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

	2019		2018	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Gross				
Unearned contributions/premiums	15,184	33	14,612	50
Outstanding claims	11,197	1,736	10,137	5,881
	26,381	1,769	24,749	5,931
Retakaful/reinsurance				
Retakaful unearned contributions /reinsurance unearned premiums	(7,949)	(27)	(7,065)	(40)
Retakaful/reinsurance share of outstanding claims	(4,661)	(392)	(4,142)	(2,581)
	(12,610)	(419)	(11,207)	(2,621)
Net				
Unearned contributions/premiums	7,235	6	7,547	10
Outstanding claims	6,536	1,344	5,995	3,300
	13,771	1,350	13,542	3,310

8.1 Unearned contributions/premiums and their retakaful/reinsurance share

	2019		2018	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Unearned contributions/premiums				
Beginning of the year	14,612	50	8,774	5,548
Gross contributions/premiums written during the year	30,531	65	29,433	77
Gross contributions/premiums earned	(29,959)	(82)	(23,595)	(5,575)
Movement in unearned contributions/premiums	572	(17)	5,838	(5,498)
End of the year	15,184	33	14,612	50
Retakaful/reinsurance unearned contributions/premiums				
Beginning of the year	7,065	40	4,116	2,989
Retakaful/reinsurance contributions/ premiums ceded during the year	15,605	84	14,126	84
Retakaful/reinsurance contributions/premiums incurred	(14,721)	(97)	(11,177)	(3,033)
Movement in retakaful/reinsurance unearned contributions/premiums	884	(13)	2,949	(2,949)
End of the year	7,949	27	7,065	40
Net unearned contributions/premiums	7,235	6	7,547	10

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

8.2 Outstanding claims and their retakaful share

	2019		2018	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Outstanding claims				
At the beginning of the year				
- Claims incurred and reported	8,620	5,602	7,137	7,893
- Claims incurred but not reported (IBNR)	1,517	279	960	1,452
	10,137	5,881	8,097	9,345
Claims paid during the year	(11,330)	(2,554)	(9,363)	(5,180)
Claims incurred during the year	12,390	(1,591)	11,403	1,716
Movement in outstanding claims	1,060	(4,145)	2,040	(3,464)
At the end of the year	11,197	1,736	10,137	5,881
Represented by:				
- Claims incurred and reported	9,991	1,659	8,620	5,602
- Claims incurred but not reported (IBNR)	1,206	77	1,517	279
Retakaful/reinsurance share of outstanding claims				
At the beginning of the year				
- Retakaful/reinsurance share of claims incurred and reported	(3,923)	(2,563)	(3,374)	(3,674)
- Retakaful/reinsurance share of claims incurred but not reported (IBNR)	(219)	(18)	(162)	(676)
	(4,142)	(2,581)	(3,536)	(4,350)
Claims recovered during the year	1,781	982	2,407	1,326
Retakaful/reinsurance share of claims incurred during the year	(2,300)	1,207	(3,013)	443
Movement in retakaful/reinsurance share outstanding claims	(519)	2,189	(606)	1,769
At the end of the year	(4,661)	(392)	(4,142)	(2,581)
Represented by:				
- Retakaful/reinsurance share of claims incurred and reported	(4,486)	(396)	(3,923)	(2,563)
- Retakaful/reinsurance share of claims incurred but not reported (IBNR)	(175)	4	(219)	(18)
Net outstanding claims				
At the end of the year	6,536	1,344	5,995	3,300
Represented by				
- Net claims incurred and reported	5,505	1,263	4,697	3,039
- Net claims incurred but not reported (IBNR)	1,031	81	1,298	261

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9 DEFERRED ACQUISITION COSTS AND UNEARNED COMMISSION RESERVES**9.1 Deferred acquisition costs**

	2019		2018	
	Shareholders' fund	Conventional fund – run off	Shareholders' fund	Conventional fund – run off
At the beginning of the year	575	5	402	209
Commissions paid during the year	1,431	8	1,284	6
Commissions incurred during the year	(1,404)	(9)	(1,111)	(210)
At the end of the year	602	4	575	5

9.2 Unearned commission reserves

	2019		2018	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
At the beginning of the year	363	24	324	206
Commissions received during the year	913	20	776	27
Commissions earned during the year	(844)	(34)	(737)	(209)
At the end of the year	432	10	363	24

The commissions incurred and commissions earned under the conventional insurance (run-off) fund for the year ended 31 December 2019 is BD 9 thousand (2018: 210 thousand) and BD 34 thousand (2018: 209 thousand) respectively. Accordingly, net commissions earned is BD 25 thousand (2018: net commission incurred BD 1 thousand) for the year ended 31 December 2019.

10 PREPAYMENTS AND OTHER ASSETS

	2019	2018
Deposit with Third Party Administrator (TPA)	40	41
Statutory deposit	129	125
Accrued income	506	426
Prepaid expenses and other assets	1,917	669
Receivable from takaful/conventional funds (Note 15)	1,756	2,634
	4,348	3,895

Included in the above other assets are BD 171 thousand (2018: BD 817 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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11 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.

	2019	2018
Cash and bank balances	57	78
Other investments	62	148
Total assets under run-off management	119	226

	2019	2018
Unearned contribution and mortality reserves	33	33
Takaful and other payables	39	114
Unit linked reserve	9	41
	81	188
Participants' surplus assets over liabilities	38	38
Total liabilities under run-off management	119	226

12 PROPERTY AND EQUIPMENT

2019	Land and building	Furniture, fixtures office and computer equipment	Motor vehicles	Total
Cost				
At 1 January	853	1,495	17	2,365
Additions	-	282	-	282
At 31 December	853	1,777	17	2,647
Accumulated depreciation				
At 1 January	53	1,190	11	1,254
Charge for the year	-	150	4	154
At 31 December	53	1,340	15	1,408
Net book amount				
At 31 December	800	437	2	1,239

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12 PROPERTY AND EQUIPMENT (CONTINUED)

2018	Land and building	Furniture, fixtures office and computer equipment	Motor vehicles	Total
Cost				
At 1 January	853	1,213	17	2,083
Additions	-	282	-	282
At 31 December	853	1,495	17	2,365
Accumulated depreciation				
At 1 January	53	1,099	7	1,159
Charge for the year	-	91	4	95
At 31 December	53	1,190	11	1,254
Net book amount				
At 31 December	800	305	6	1,111

13 FAMILY TAKAFUL TECHNICAL RESERVE

	2019	2018
At the beginning of the year	3,567	3,578
Refund during the year	(160)	(114)
Net (decrease)/increase during the year	(149)	103
At the end of the year	3,258	3,567

14 TAKAFUL AND INSURANCE PAYABLES

	2019	2018
Due to participants and policyholders	514	732
Due to Takaful and insurance companies	6,039	3,782
Due to garages	624	949
	7,177	5,463

Included in the above takaful and insurance payables are BD 139 thousand (2018: BD 506 thousand) that are held under conventional run-off fund.

15 OTHER LIABILITIES

	2019	2018
Unclaimed dividends	461	392
Employees' end of service benefits (Note 15.b)	171	170
Accrued expenses and other payables	2,323	1,111
Payable to takaful/conventional funds (Note 10)	1,756	2,634
	4,711	4,307

Included in the above other liabilities are BD 266 thousand (2018: BD 722 thousand) that are held under conventional run-off fund.

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15 OTHER LIABILITIES (CONTINUED)

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 2019 amounted to BD 145 thousand (2018: BD 116 thousand).

(b) Expatriate employees

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

	2019	2018
At the beginning of the year	170	205
Charge for the year	32	30
Payments during the year	(31)	(65)
At the end of the year	171	170
Total number of staff employed by the Company	131	129

16 SHARE CAPITAL**16.1 Authorised**

Authorised shares of 150,000,000 at BD 0.100 each
 (2018: 150,000,000 shares of BD 0.100 each)

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

16.2 Issued and fully paid

At 1 January 2018
 Bonus shares issued during the year

At 31 December 2018

At 1 January 2019 and At 31 December 2019

Number of shares (thousands)	Share capital
111,886	11,189
8,114	811
120,000	12,000
120,000	12,000

The Company's total issued and fully paid share capital at 31 December 2019 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.

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16 SHARE CAPITAL (CONTINUED)**16.3 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 2019 and 2018 are as follows:

31 December 2019		
	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%

31 December 2018		
	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 2019 and 2018 is set out below:

31 December 2019		
	Number of shareholders	Percentage of total Outstanding Shares
Less than 1%	2,195	12.01%
More than 1% up to less than 5%	2	3.82%
More than 5%	1	84.17%
	2,198	100%

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16 SHARE CAPITAL (CONTINUED)**16.3 Additional information on shareholding pattern (continued)**

- (c) The distribution of the Company's equity shares, i.e. the number of holders and their percentage shareholding as at 31 December 2019 and 2018 is set out below (continued):

31 December 2018		
	Number of shareholders	Number of shares
Less than 1%	2,195	14,562,173
More than 1% up to less than 5%	2	4,432,366
More than 5%	1	101,005,461
	2,198	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	
	2019	2018
Ashraf Adnan Bseisu	26,812	26,812
Sharif Ahmadi	116,986	116,986
	143,798	143,798

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).

16.4 Treasury shares

The Company owned its own shares amounting to BD 4 thousand at 31 December 2019 (2018: BD 4 thousand). The shares are held as treasury shares and the Company has the right to reissue these shares at a later date.

17 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 262 thousand to the statutory reserve for the year ended 31 December 2019 (2018: BD 231 thousand).

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18 BASIC AND DILUTED EARNINGS PER SHARE

	2019	2018
Net profit for the year	2,616	2,306
Weighted average number of shares outstanding	119,950,219	119,950,219
Basic and diluted earnings per 100 fils share	21.81 fils	19.22 fils

The earnings per share has 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.

19 WAKALA FEE

The Company receives Wakala fee for administration of the takaful funds on behalf of the participants in accordance with the contracts of the respective takaful funds. The maximum chargeable Wakala fee which has been certified by Actuary and approved by the Shari'a Supervisory Board for the year ended 31 December 2019 is 25% (2018: 22%) for the general takaful fund and 25% (2018: 25%) for family takaful fund of the overall gross contributions.

20 INVESTMENT INCOME, NET

	2019	2018
Income from placements with financial institutions	613	548
Income from debt instruments	831	702
Income from equity instruments	553	623
Amortisation during the year, net	(31)	(47)
Provision for impairment on equity instruments	-	(51)
Provision for impairment on debt instruments	-	(4)
Investment management expenses	(28)	(20)
Net investment income	1,938	1,751
Mudarib share*	(102)	(77)
	1,836	1,674
Shareholders' fund investment income	1,530	1,444
General takaful fund investment income	182	122
Family takaful fund investment income	124	108
	1,836	1,674

**Mudarib share*

The shareholders manage the participants' investments and charge 25% for the year ended 31 December 2019 (2018: 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.

21 TAKAFUL RISK MANAGEMENT

21.1 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.

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.1 Overview (continued)**

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.

21.2 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.

21.3 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.

2019	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	100	123	410	398
1 percent decrease	474	451	378	390
Expected loss ratio				
1 percent increase	163	186	410	398
1 percent decrease	411	388	378	390

2018	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	104	134	428	423
1 percent decrease	436	406	462	467
Expected loss ratio				
1 percent increase	156	186	428	423
1 percent decrease	384	354	462	467

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.4 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 in 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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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.4 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.

21.5 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.

21.6 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.

2019	Non-Motor	Motor	Medical	Group Life	Family takaful	Total
Geographical area						
Bahrain & GCC:						
Gross	7,872	9,953	11,101	1,670	256	30,852
Net of retakaful	598	9,673	4,091	545	(249)	14,658
2018						
Geographical area						
Bahrain & GCC:						
Gross	6,617	10,492	10,842	1,559	562	30,072
Net of retakaful	586	10,129	4,075	510	31	15,331

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)

21.7 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	2015 and Prior	2016	2017	2018	2019	Total
Estimate of ultimate claims costs:						
At end of reporting year	155,510	27,954	28,077	31,901	14,168	14,168
One year later	154,421	27,815	24,507	19,714		19,714
Two years later	154,501	30,749	21,925			21,925
Three years later	153,485	29,786				29,786
Four years later	150,683					150,683
Current estimate of cumulative claims	150,683	29,786	21,925	19,714	14,168	236,276
Cumulative payments to date	(149,551)	(29,354)	(21,021)	(17,568)	(7,585)	(225,079)
Total reserves included in the statement of financial position	1,132	432	904	2,146	6,583	11,197

(b) Takaful claims – Net

Accident year	2015 and Prior	2016	2017	2018	2019	Total
Estimate of ultimate claims costs:						
At end of reporting year	86,845	16,743	17,098	23,762	10,542	10,542
One year later	84,478	15,645	16,245	16,379		16,379
Two years later	84,608	15,247	15,103			15,103
Three years later	84,358	14,713				14,713
Four years later	83,052					83,052
Current estimate of net cumulative claims	83,052	14,713	15,103	16,379	10,542	139,789
Cumulative net payments to date	(82,442)	(14,472)	(14,671)	(15,160)	(6,508)	(133,253)
Total net reserves included in the statement of financial position	610	241	432	1,219	4,034	6,536

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)

21.7 Claims development (continued)

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

Accident year	2015 and Prior	2016	2017	2018	2019	Total
Estimate of ultimate claims costs:						
At end of reporting year	22,760	10,698	10,690	3,285	224	224
One year later	20,952	10,360	9,657	3,012		3,012
Two years later	21,029	10,137	8,953			8,953
Three years later	20,866	10,105				10,105
Four years later	19,798					19,798
Current estimate of cumulative claims	19,798	10,105	8,953	3,012	224	42,092
Cumulative payments to date	(19,450)	(9,844)	(8,259)	(2,687)	(116)	(40,356)
Total reserves included in the statement of financial position	348	261	694	325	108	1,736

(d) Conventional insurance (run-off) claims – Net

Accident year	2015 and Prior	2016	2017	2018	2019	Total
Estimate of ultimate claims costs:						
At end of reporting year	14,891	7,737	6,521	2,727	180	180
One year later	13,836	7,601	6,139	2,546		2,546
Two years later	13,877	7,370	6,168			6,168
Three years later	13,668	7,412				7,412
Four years later	13,174					13,174
Current estimate of net cumulative claims	13,174	7,412	6,168	2,546	180	29,480
Cumulative net payments to date	(12,990)	(7,265)	(5,545)	(2,251)	(85)	(28,136)
Total net reserves included in the statement of financial position	184	147	623	295	95	1,344

22 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.

23 FINANCIAL RISK MANAGEMENT

23.1 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.

NOTES TO THE FINANCIAL STATEMENTS

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)

23.2 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:

	2019	2018
Cash and cash equivalents	3,913	1,895
Placements with financial institutions	15,794	16,192
Investments	15,238	15,865
Takaful and insurance receivables	10,181	10,429
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	4,882	6,486
Other assets	2,592	1,261
	52,600	52,128

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)

23.2 Credit risk (continued)

(iii) Analysis of receivable from takaful and retakaful operators:

2019	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	5,982	4,199	1,389	(1,389)	10,181
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	4,882	-	-	-	4,882
	10,864	4,199	1,389	(1,389)	15,063

2018	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	6,041	4,388	1,031	(1,031)	10,429
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	6,486	-	-	-	6,486
	12,527	4,388	1,031	(1,031)	16,915

(iv) Age analysis (Takaful and insurance receivables)

	2019		2018	
	Gross	Provisions	Gross	Provisions
0 to 6 months	5,982	-	6,041	-
6 to 12 months	3,787	335	2,433	-
More than 12 months	1,801	1,054	2,986	1,031
	11,570	1,389	11,460	1,031

NOTES TO THE FINANCIAL STATEMENTS

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)

23.3 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:

2019

Takaful and insurance technical liabilities
Takaful and insurance payables
Other liabilities

Contractual undiscounted cash flows	
Carrying amount	Total cash outflows
28,150	28,150
7,177	7,177
2,955	2,955
38,282	38,282

2018

Takaful and insurance technical liabilities
Takaful and insurance payables
Other liabilities

Contractual undiscounted cash flows	
Carrying amount	Total cash outflows
30,680	30,680
5,463	5,463
1,673	1,673
37,816	37,816

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)

23.4 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) Other market 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. Market 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 2019**

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)**23.4 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.

2019	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
 2018		
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	2,880	2,880
- 100 basis points shift in yield curves	2,272	2,272

24 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.

24.1 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 52 thousand is paid to the Board of Directors of the Company during the year (2018: nil). Sitting fees paid to the members of the Committees of the Board of Directors amounting BD 32 thousand (2018: BD 37 thousand) and salaries and benefits paid to key members of management amounting to BD 333 thousand (2018: BD 391 thousand). End of service benefits due to key management personnel as at 31 December 2019 amounting to BD 132 thousand (2018: BD 114 thousand).

24 RELATED PARTIES (CONTINUED)**24.2 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

2019	2018
22	15
1,065	1,844
13	20
50	105
522	209

b) Balances*Payables:*

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

2019	2018
96	77
1,282	1,502
48	226
21	-
685	466
1,191	544

25 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.

26 EARNINGS PROHIBITED BY SHARI'A

There were no earnings (2018: 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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27 ZAKAH

Zakah of BD 107 thousand (2018: BD 62 thousand) at the rate of 1 fils (2018: 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.

28 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.

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28 SEGMENTAL INFORMATION (CONTINUED)

	2019					2018						
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional revenues												
Gross contributions/premiums	7,872	9,953	11,101	1,670	256	30,852	6,617	10,492	10,842	1,559	562	30,072
Retakaful/reinsurance contributions/premiums	(7,274)	(280)	(7,010)	(1,125)	(505)	(16,194)	(6,031)	(363)	(6,767)	(1,049)	(531)	(14,741)
Retained contributions/premiums	598	9,673	4,091	545	(249)	14,658	586	10,129	4,075	510	31	15,331
Movement in unearned contributions/premiums, net	(13)	296	34	(1)	-	316	(98)	(71)	(153)	(18)	-	(340)
Net contributions/premiums earned	585	9,969	4,125	544	(249)	14,974	488	10,058	3,922	492	31	14,991
Commission income/(expense)	850	26	49	-	-	925	768	27	2	-	-	797
Movement in unearned commission, net	(46)	8	(18)	-	-	(56)	22	(51)	(62)	30	-	(61)
Profit commission and other income	49	44	17	-	249	359	80	84	82	24	364	634
Net commission earned/(incurred)	853	78	48	-	249	1,228	870	60	22	54	364	1,370
Total takaful/conventional revenues	1,438	10,047	4,173	544	-	16,202	1,358	10,118	3,944	546	395	16,361

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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28 SEGMENTAL INFORMATION (CONTINUED)

	2019						2018					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional expenses												
Gross claims paid	1,334	7,450	3,620	989	491	13,884	2,741	8,172	2,913	684	33	14,543
Claims recovered from retakaful/reinsurance and others	(1,104)	(270)	(202)	(827)	(360)	(2,763)	(2,535)	(313)	(364)	(507)	(14)	(3,733)
Net claims paid	230	7,180	3,418	162	131	11,121	206	7,859	2,549	177	19	10,810
Movement in outstanding claims – gross	(2,367)	(425)	(344)	170	(119)	(3,085)	(1,054)	(821)	340	(252)	363	(1,424)
Movement in outstanding claims – retakaful/reinsurance	2,193	(559)	21	(104)	119	1,670	1,186	129	60	95	(307)	1,163
Net claims incurred/(recovered)	56	6,196	3,095	228	131	9,706	338	7,167	2,949	20	75	10,549
Transfer to family takaful technical reserve	-	-	-	-	(149)	(149)	-	-	-	-	103	103
Technical surplus	1,382	3,851	1,078	316	18	6,645	1,020	2,951	995	526	217	5,709
Identifiable assets	5,698	6,054	7,017	1,033	4,252	24,054	6,858	6,782	3,527	956	590	18,713
Identifiable liabilities	6,896	14,749	5,540	1,244	3,968	32,397	8,264	15,504	6,025	1,089	4,390	35,272

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

Assets amounting to BD 45.434 million (2018: BD 49.90 million) and liabilities amounting to 11.460 million (2018: BD 9.36 million) are not specifically identifiable.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

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29 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 2019				
Investments at fair value	3,371	-	1,650	5,021
	3,371	-	1,650	5,021
 31 December 2018				
Investments at fair value	2,943	-	1,650	4,593
	2,943	-	1,650	4,593

No transfers out of, or into, the level 3 measurement classification occurred during the year ended 31 December 2019 (31 December 2018: 3).

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29 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:

2019	Fair value through equity	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	3,913	3,913	3,913
Placements with financial institutions	-	-	15,794	15,794	15,794
Investments	5,021	15,238	-	20,259	20,682
Takaful and insurance receivables	-	-	10,181	10,181	10,181
Retakaful and reinsurance share of technical liabilities	-	-	12,858	12,858	12,858
Other assets	-	-	2,592	2,592	2,592
Total financial assets	5,021	15,238	45,338	65,597	66,020
Takaful and insurance technical liabilities	-	-	26,867	26,867	26,867
Takaful and insurance payables	-	-	7,177	7,177	7,177
Other liabilities	-	-	2,955	2,955	2,955
Total financial liabilities	-	-	36,999	36,999	36,999

2018	Fair value through equity	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	1,895	1,895	1,895
Placements with financial institutions	-	-	16,192	16,192	16,192
Investments	4,593	15,865	-	20,458	19,738
Takaful and insurance receivables	-	-	10,429	10,429	10,429
Retakaful and reinsurance share of technical liabilities	-	-	13,591	13,591	13,591
Other assets	-	-	1,261	1,261	1,261
Total financial assets	4,593	15,865	43,368	63,826	63,106
Takaful and insurance technical liabilities	-	-	28,883	28,883	28,883
Takaful and insurance payables	-	-	5,463	5,463	5,463
Other liabilities	-	-	1,673	1,673	1,673
Total financial liabilities	-	-	36,019	36,019	36,019

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.

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30 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:

	2019	2018
Margin required for Conventional Insurance run-off fund	657	1,228
Margin required for Family Takaful fund	551	590
Margin required for General Takaful fund	2,951	2,967
Total margin required	4,159	4,785
Capital available to cover solvency margin	15,501	15,069
Excess capital	11,342	10,284

31 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 2019 (2018: nil).

32 SUBSEQUENT EVENTS

There were no significant events subsequent to 31 December 2019 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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33 TOTAL COMPREHENSIVE INCOME

	2019					2018				
	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	208	79	-	2,616	2,903	85	185	-	2,306	2,576
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	-	-	-	243	243	-	-	-	93	93
Other comprehensive income for the year to be reclassified to statement of income and participants' revenues and expenses in subsequent years	-	-	-	243	243	-	-	-	93	93
Total comprehensive income for the year	208	79	-	2,859	3,146	85	185	-	2,399	2,669

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34 DIRECTORS' REMUNERATION AND DIVIDENDS

Directors' remuneration

Proposed by the Board of Directors

The Board of Directors of the Company propose to pay BD 63,000 towards directors' remuneration apart from the regular sitting fees for the year ended 31 December 2019 (2018: BD 52 thousand for the year ended 31 December 2018 paid in 2019). This is subject to the approval of shareholders in the Annual General Meeting.

Dividends

Declared and paid

Cash dividend amounted to BD 1.499 million (12.5% of the paid up capital) was declared and paid in 2019 for the year ended 31 December 2018 (2018: stock dividend of BD 811 thousand).

Proposed by the Board of Directors

The Board of Directors of the Company proposes to pay cash dividend of 15% of the paid up capital for the year ended 31 December 2019 (2018: Cash dividend of 12.5% 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.

35 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.

Solidarity Bahrain B.S.C.

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Solidarity Bahrain B.S.C.

General information

For the year ended 31 December 2018

Commercial registration

5091 obtained on 17 August 1976

Board of Directors

Tawfeeq Shehab

Chairman of the Board, member of the Audit & Risk Committee and Chairman of Nomination & Remuneration 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, member of Nomination & Remuneration Committee and member of the Executive Committee (Independent Non-Executive Director)

Venkatesan Muniswamy

Board Member and member of the Executive Committee (Executive Director)

Bashar Sameer Nass

Board member and member of Audit & Risk Committee (Non-Independent Non-Executive Director)- **Effective 19 February 2018**

Ali Isa Ahmed Abdulrahim

Board member (Non-Independent Non-Executive Director)- **Effective 4 February 2019**

Abhijit Singh

Board member and member of the Executive Committee (Executive Director) – **Until 4th February 2019**

Executive Committee

Ashraf Bseisu - Chairman

Sharif Ahmadi

Venkatesan Muniswamy

Abhijit Singh

- Until 4th February 2019

Audit and Risk Committee

Nadhem Al Saleh - Chairman

Tawfeeq Shehab

Bashar Sameer Nass

-Effective 19 February 2018

Solidarity Bahrain B.S.C.

General information (continued)

For the year ended 31 December 2018

Nomination and Remuneration Committee

Tawfeeq Shehab – Chairman
Sharif Ahmadi
Nadhem Al Saleh
Ashraf Bseisu

Corporate Governance Committee:

Mr. Sharif Ahmadi – Chairman
Dr. Nadhem Al Saleh
Dr. Osama Bahar – Member of the
Sharia Supervisory Board

Sharia Supervisory Board

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

Management

Jawad Mohammed	Chief Executive Officer
Nandakumar Duraiswamy	Chief Technical Officer
Jai Prakash Pandey	Chief Business Development Officer
Mohammed Awachi	Head of Corporate Support
Yaser Al Hammadi	Head of Compliance and Risk Management & MLRO
Sanjeev Aggarwal	Head of Finance

Solidarity Bahrain B.S.C.

General information (continued)

For the year ended 31 December 2018

Address	7 th Floor – Seef Tower Flat 71, Building 2080, Road 2825, Block 428 PO Box 5282 Seef Area, Manama – Kingdom of Bahrain Telephone: 17585222 Fax: 17585200 Website: www.solidarity.com.bh
Principal bankers	Ithmaar Bank, Kingdom of Bahrain Ahli United Bank, 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

It is our pleasure to present the annual report of Solidarity Bahrain B.S.C. ("SB" or "the Company") for the year ended 31 December 2018.

This is an opportune time for the Board of Directors of Solidarity to extend our appreciation to the management of Solidarity and their entire team for the successful integration of the operations of Solidarity General Takaful B.S.C. (c) ("SGT") and Al Ahlia Insurance Company B.S.C. ("AAIC") post the merger. This merger is indeed a landmark achievement which positioned the Company amongst the top tiers of Bahrain's insurance industry.

2018 proved to be a turning point and as the Company successfully overcame the challenges associated with consolidation of the two entities - a relatively seamless process through which efficiencies were achieved and synergies were established, while customer engagement remained as the key focus, post the merger. During the year, the Company has demonstrated a robust growth supported by a sound technical performance, healthy investment returns and benefits from operating synergies created post-merger. Furthermore, the actions taken to strengthen the underwriting guidelines and the shedding of the loss making businesses from the merged portfolio led to the improvement of technical results and Company's profitability in 2018.

The Company registered a gross contribution of BD 30.07 million for the year ended 31 December 2018 as compared to BD 15.87 million in 2017. The Company also reported profits of BD 2.6 million as compared to BD 161 thousand in 2017 and overall loss ratio stands at 64% compared to 85% in 2017. The total equity reached BD 25.9 million as compared to BD 23.5 million as at 31 December 2017 and earnings per share is 19.22 Fils as compared to 1.45 Fils in 2017. The Board of Directors has recommended a cash dividend of 12.5% to the shareholders for the year ended 31 December 2018, equivalent to 12.5 Fils per share. The Board of Directors expenses for the year 2018 represent sitting fees amounting to BD 37 thousand.

Despite tough market conditions, fierce competition and prevailing economic conditions, The Company has successfully overcome these challenges and have been able to achieve the expected results and growth in its gross contributions. In 2018, the contributions achieved through direct channels have continuously outgrown the contributions through intermediaries and brokers. Further, the Company was able to retain most of the existing business and added sizeable new business to its portfolio during 2018. The rationalization of treaty agreements during 2018 with enhanced terms, increase in the retention and overall treaty capacity yielded better technical results and is in line with Company's strongest level of risk adjusted capitalization. The Company's benefits from the economies of scale, good level of liquidity, diversified investment and financial flexibility and having no debt leverage. The Company was also successful in launching and enhancing new e-channels facilitating a remarkable growth in contributions through on-line platforms in partnership with other digital platforms such as bwallet, sadad, maxwallet, skiplino, claims tracker etc.

With regard to the credit rating, the International Rating Agency A.M. best carried out the annual review of rating assigned in 2017 and reaffirmed the financial strength rating of B++ (good with stable outlook) and long-term issuer credit rating of BBB (with positive outlook). The current rating reflects the Company's niche market positioning, sound level of risk-adjusted capitalization, record of business growth and performance, well diversified investment, strength of balance sheet, and good financial flexibility as a listed company on the Bahrain Bourse.


The Company is in full compliance of Volume 3 Rulebook regulations of Central Bank of Bahrain and has determined the solvency margin and available capital as at 31 December 2018. The capital available to cover the solvency margin is BD 15.07 million and the minimum solvency margin required is BD 2.97 million for general takaful business, BD 590 thousand for family takaful business and BD 1.23 million for conventional insurance run-off business as at 31 December 2018. The available capital is over 3 times of the required margin.

In 2018, the Company has embarked on its 3-Years strategy cycle (2018 to 2020), by adopting the Blue Strategy, with the objective of differentiating from the price driven highly competitive market and to establish its position as the market leader in terms of market share, innovation, customer experience, products and performance. Digital transformation, technological advancement and insurtech represent an essential part of the Blue Strategy. In its journey towards digital transformation, the Company has partnered with Tata Consultancy Services ("TCS") in January 2019 to deploy the TCS BaNCS core insurance system as its core platform for digital transformation. The new core insurance system will provide more distinctive and versatile solutions that meet market demand.

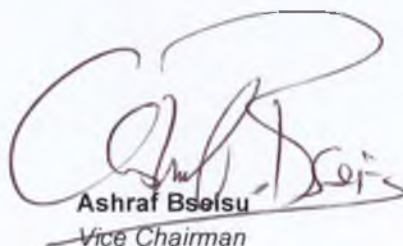
While the Company has decided to upgrade its core insurance system, the management has also prioritized continuous training and skill development as key component to the success of Company's strategic plan. The management has also put in place the succession plan with career path and training plan for its employees. The Company will continue to strengthen its brand image, increase market visibility & presence and focus on improving customer experience which will lead to higher market share and a solid positioning as a leading provider of Takaful insurance solutions. The Board of Directors will continue to exert its best efforts for achieving further growth in sustainable revenue and cost reduction through digital initiatives, process reengineering and improving efficiency.

On behalf of the Board of Directors, we express our sincere gratitude and appreciation to His Majesty King Hamad Bin Isa Al Khalifa, the King of Kingdom of Bahrain, His Royal Highness Prince Khalifa Bin Salman Al Khalifa, the Prime Minister and His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister for their continued support and assistance to the Takaful and insurance sector in the Kingdom of Bahrain. We also extend our sincere thanks to all Government ministries and bodies, especially the Central Bank of Bahrain and the Ministry of Industry, Commerce and Tourism, for their continued guidance and support of the industry and to the Company in particular.

Finally, we would like to take this opportunity to express our thanks and appreciation to the Company's executive management, Group Company's executive management team and staff for their dedicated efforts and contribution to the Company. Our thanks and appreciation is extended to our participants, shareholders, business partners, bankers and all other stakeholders for their continued support and confidence.



Tawfeeq Shehab
Chairman



Ashraf Bselsu
Vice Chairman

Date: 25 February 2019

Solidarity Bahrain B.S.C.

Board of Directors profile

For the year ended 31 December 2018

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

- 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 30 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)

- 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 and also an Associate member of the American Institute of Management Accountants.
- 29 years of experience in insurance and financial services.

Key Positions & Directorships held:

- Chairman of Solidarity Takaful S.A, Luxembourg.
- Chairman of Solid Ventures W.L.L., Bahrain.
- Chairman of the Board and Executive Committee and Member of Nomination & Remuneration Committee of First Insurance Company Plc., Jordan.
- Chairman of Al Moazarah Investment Company, Jordan.
- Chairman of Al Somood Investment Company, Jordan.
- Vice Chairman, and Chairman of the Executive and Investment Committees of Solidarity Saudi Takaful Company, KSA respectively.
- Board Member and member of the Executive Committee of the Bank of Bahrain and Kuwait BBK.
- Board Member of United Insurance Company B.S.C. (c).
- Formerly, Chairman of the Arab War Risk Insurance Syndicate (AWRIS).
- 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 2018

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)

- 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.
- 44 years of experience in the areas of business administration, financial management, accounting, quality assurance, training development, financial planning and budgeting.

Key Positions & Directorships held:

- Faculty member of College of Business in the University of Bahrain.
- Member of Board of Trustee of Kanoo Award for Creativity & Excellence- (2015) & Member of the Award Executive committee.
- Board Member of APM Terminals.
- Formerly, Chairman of the Committee responsible for activating scientific research activities at the University of Bahrain.
- Formerly, Head of Scientific Research Committee for Excellence – Contractual Projects – Bahrain Centre for Excellence.
- Formerly, a Member of Finance & Administrator Committee – Higher Education Council.
- Formerly, Member of the University of Bahrain Committee to review the university budget.
- Formerly, Member of the Higher Education Council – Amiri Decree 3, 2005.

Sharif Ahmadi – Board Member, Chairman of Corporate Governance Committee, Member of Nomination & Remuneration Committee and Member of the Executive Committee (Independent Non-Executive Director)

- Bahraini National.
- Holds a Degree in Electrical Engineering and Electronics from UK.
- Rich Managerial and Business experience serving on the board of various companies.

Venkatesan Muniswamy – Board Member and member of the Executive Committee (Executive Director)

- 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.
- 32 years of experience in Insurance Industry covering Finance, Accounting, Investments, Internal Audit, Reinsurance, Compliance and Risk Management.

Solidarity Bahrain B.S.C.

Board of Directors profile (continued) For the year ended 31 December 2018

Venkatesan Muniswamy – Board Member and member of the Executive Committee (Executive Director) (continued)

Key Positions & Directorships held:

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

Bashar Sameer Nass - Board member and member of the Audit & Risk Committee (Non-Independent Non-Executive)

- Non-Independent Non-Executive.
- Bahraini National.
- Holds a Bachelor's degree in Constructions Management from the University of Westminster in UK.
- Over 10 years of experience in Constructions Management.

Key Positions & Directorships held:

- Director of Nass the Group and Nass Corporation B.S.C.

Ali Isa Ahmed Abdulrahim – Board Member (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.

Key Positions & Directorships held:

- Managing Director – Rahim Holdings (Manama, Bahrain).

Abhijit Singh – Board member and member of the Executive Committee (Executive Director) – Until 4th February 2019

- Executive Director.
- Indian National.
- Masters' in Business Administration from the Indian School of Business and a qualified Chartered Alternative Investment Analyst.
- 13 years of experience in investments and asset management with particular emphasis on asset allocation and portfolio management.

Solidarity Bahrain B.S.C.

Board of Directors profile (continued)
For the year ended 31 December 2018

Abhijit Singh – Board member and member of the Executive Committee (Executive Director) – Until 4th February 2019 (continued)

Key Positions & Directorships held:

- Board Member of Solid Ventures W.L.L, Bahrain.
- Board Member of Solidarity Takafol SA, Luxembourg.
- Board Member of Al Somood Investment Company, Jordan.
- Board Member of Al Moazarah Investment Company, Jordan.
- Responsible for managing, Group and subsidiary level asset allocation, financial risk and investment income bottom-line in the context of both proprietary capital and takaful portfolios.
- Actively involved in special projects on group inorganic expansion via acquisition and merger within the Takaful industry.

Solidarity Bahrain B.S.C.

Executive management profile

For the year ended 31 December 2018

Jawad Mohammed – Chief Executive Officer

Jawad Mohammed has over 22 years of experience in the Insurance domain and Business Management. He holds a Bachelor and a Master in Computer Science (MSc) and is an Associate of the Chartered Insurance Institute in London (ACII). He joined Solidarity from the inception of the company and previously worked for Bahrain National Holding and Ministry of Education. He is a member of the Investment Committee of the Group and also represents Solidarity Group at the Board level of various subsidiary companies of the Group. Mr. Jawad is a Board Member and Chairman of the Risk Committee and Member of the Nomination & Remuneration Committee of Solidarity Saudi Takaful Company. Mr. Jawad is a Board Member in Solid Ventures W.L.L, Bahrain, Board Member of Al Somood Investment Company, Jordan and Board Member of Al Moazarah Investment Company, Jordan. He is also a Board member and Chairman of Risk Committee and Chairman of IT Committee of First Insurance Company, Jordan a subsidiary company of the Group.

Nandakumar Duraiswamy – Chief Technical Officer

D. Nandakumar is the Chief Technical Officer in Solidarity Bahrain B.S.C. He has 38 years' experience in General Insurance Industry in India and Bahrain and has extensive experience across various departments of General Insurance. Prior to joining Solidarity, he was a Senior Manager in Al Ahlia Insurance, Bahrain. Before that he was a Branch/Divisional Manager for 16 years in one of the Nationalized General Insurance Companies in India. He holds a degree in Bachelor of Science, Bachelor of General Law, and Master of Business Administration from Madras University in India, Fellow member of Insurance Institute of India (FIII), Associate member of the Chartered Insurance Institute (ACII), London, Qualified Chartered Insurer.

Jai Prakash Pandey – Chief Business Development Officer

Jai Prakash Pandey is the Chief Business Development Officer in Solidarity Bahrain B.S.C. He has over 22 years of experience in Business Development and Marketing activities in the insurance domain. He is a Qualified Electronics Engineer with MBA in Marketing and holding ACII credentials from CII UK. Commercially astute with a proven track record in managing sales team, marketing plan, product development, strategic & budget planning and customer relationship in the Insurance domain. Prior joining Solidarity, he has experience in the IT domain with key focus on data management and analysis.

Mohammed Awachi – Head of Corporate Support

Mohammed Awachi is a professional with over 19 years of experience in strategic planning, project management, change management and service delivery. He joined Solidarity from inception and has been involved in some of the key company projects where he helped in establishing the IT department, Business Continuity Plan, setting up company branches and the launch of the company's e-services. Currently, Mohammed is leading the Corporate Support unit which includes Information Technology, Corporate Communications & Marketing and Human Capital & Support departments. Some of the projects handled prior to joining Solidarity include global email system migration, ISO standards documentation and the implementation of a core insurance system. Mohammed holds a Bachelor of Science degree in computer science from AMA International University of Bahrain.

Solidarity Bahrain B.S.C.

Executive management profile (continued) For the year ended 31 December 2018

Yaser Al Hammadi – Head of Compliance and Risk Management & MLRO

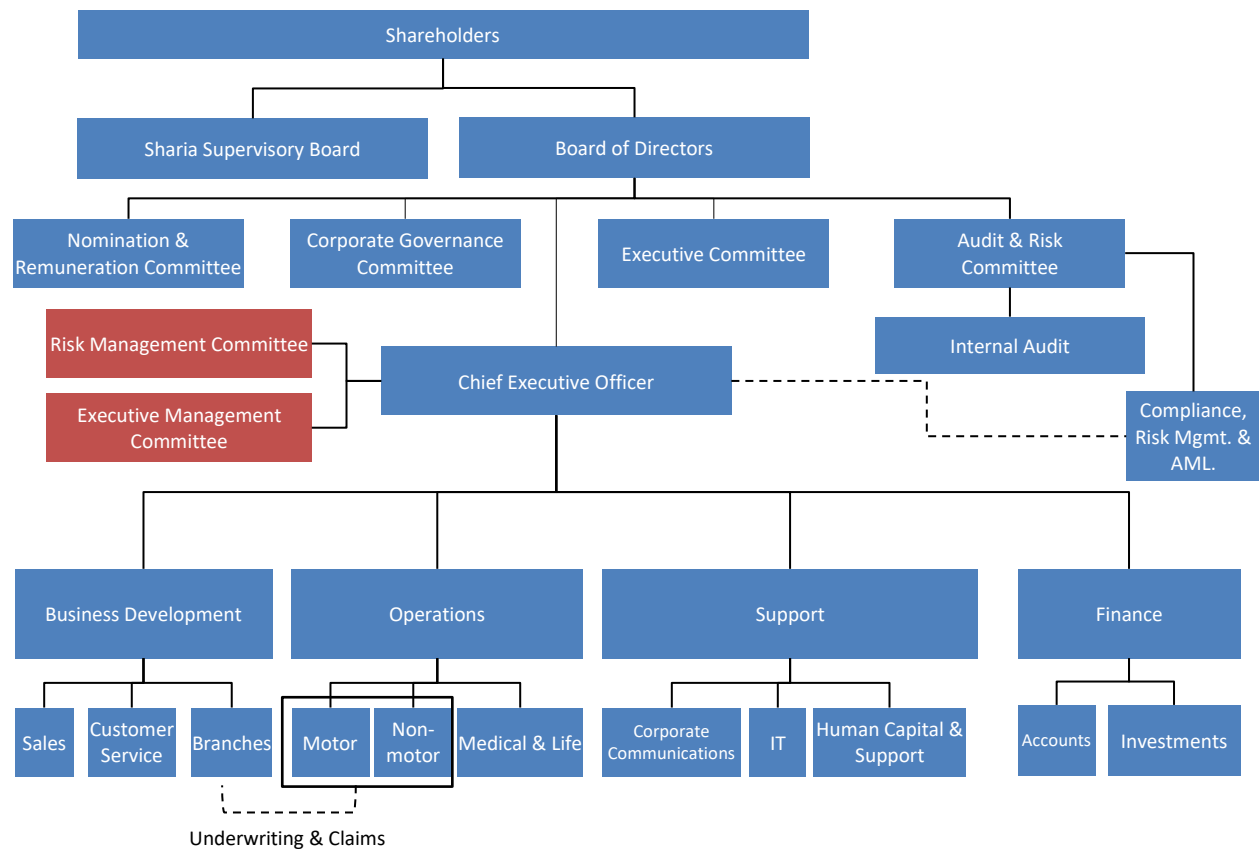
Yaser Al Hammadi is heading the Compliance & Risk Management Department and he is the Money Laundering Reporting Officer (MLRO) and Secretary to the Board of Directors of Solidarity Bahrain B.S.C. He has 14 years of experience in banking sector and financial Institutions; he possesses a diversified range of experience in the areas of Compliance, Risk Management, Business Development, Operations and Investments. Prior to joining Solidarity, he was the head of the Risk Management and Compliance at Sakana Holistic Housing Solutions B.S.C (c).

He is a holder of a Master's Degree in Business Administration from the University of Glamorgan, United Kingdom, a Degree in Chemical Engineering from the University of Bahrain, and an advanced Diploma in Islamic Banking & Finance from BIBF. He is also a member of the Chartered Institute for Securities and Investment, United Kingdom.

Sanjeev Aggarwal – Head of Finance

Sanjeev Aggarwal is heading the finance function of Solidarity Bahrain B.S.C. He has 14 years of work experience in financial control, accounting, auditing, compliance and risk management. Prior to joining Solidarity Bahrain, he has worked with reputed audit firms and handled external audits, internal audits, system audits and special purpose assignments for clients in insurance, financial services, investment firms, manufacturing, real estate and construction fields. He is a graduate in Commerce from University of Delhi, Associate of the Institute of Chartered Accountants of India, Associate of the Chartered Insurance Institute, London and Associate of the Insurance Institute of India.

Organisational chart
For the year ended 31 December 2018



Solidarity Bahrain B.S.C.

Corporate Governance

For the year ended 31 December 2018

The Company remains 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 of Directors.

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 individuals and corporate shareholders own the remaining 15.83%. Furthermore, Mr. Ashraf Bseisu (the Vice-Chairman) and Mr. Sayed Jawad Mohammed (the CEO) each hold 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 of those members 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 2018

Board Meetings and Attendance Policy

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

Schedule of Board Meetings and attendance in 2018 (All Board meeting were convened in the Kingdom of Bahrain):

Board Members	22 Feb	13 May	12 Aug	13 Nov	11 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)	X	✓	✓	✓	✓
Mr. Venkatesan M. (Executive Director)	✓	✓	✓	✓	✓
Mr. Abhijit Singh (Executive Director)	✓	✓	✓	✓	✓
Mr. Bashar Nass (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 committee 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 2018:

Audit and Risk Committee Members	22 Feb	13 May	12 Aug	13 Nov
Dr.Nadhem Al Saleh (Independent Non-Executive)	✓	✓	✓	✓
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 2018

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 to assist in proposing 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 2018:

Nomination & Remuneration Committee	21 Feb	27 Sep
Tawfeeq Shehab (Independent Non-Executive)	✓	✓
Nadhem Al Saleh (Independent Non-Executive)	✓	✓
Sharif Ahmadi (Independent Non-Executive)	✓	X
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.

Corporate Governance Committee Members:

	Corporate Governance Members
1	Sharif Ahmadi (Independent Non-Executive)
2	Dr. Nadhem Al Saleh (Independent Non-Executive)
3	Shaikh/ Dr. Osama Bahar – Member of the Sharia Supervisory Board

Solidarity Bahrain B.S.C.**Corporate Governance** (continued)
For the year ended 31 December 2018**Corporate Governance Committee** (continued)

Schedule of Corporate Governance Committee meetings and attendance in 2018:

Corporate Governance Committee	02 Dec
Sharif Ahmadi (Independent Non-Executive)	✓
Dr. Nadhem Al Saleh (Independent Non-Executive)	✓
Shaikh/ Dr. Osama Bahar – Member of the Sharia Supervisory Board	✓

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 2018:

Executive Committee	28 Jan	21 Mar	06 May	19 Jun	23 Sep	03 Dec
Ashraf Bseisu - Chairman	✓	✓	✓	✓	✓	✓
Sharif Ahmadi	X	✓	✓	✓	✓	✓
Venkatesan Muniswamy	✓	✓	✓	✓	✓	✓
Abhijit Singh	✓	✓	✓	✓	✓	✓

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>)	3
Dr. Nadhem Al Saleh (<i>Independent Non-Executive</i>)	1
Mr. Sharif Ahmadi (Independent Non-Executive)	-
Mr. Venkatesan M. (<i>Executive Director</i>)	1
Mr. Ali Isa Abdulrahim (Non-Independent Non-Executive) – Effective 4 th February 2019	1
Mr. Bashar Sameer Nass (Non-Independent Non-Executive)	2
Mr. Abhijit Singh (<i>Executive Director</i>) – Until 4 th February 2019	1

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, do 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;
 - (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 Chief Technical Officer, Head of 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 consideration 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 the Ministry of Industry, Commerce and Tourism and the 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.

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 for the Company in 2018.

In the name of Allah, the Merciful, the Compassionate

Report of the Shari'a Supervisory Board
For the financial year ended 31 December 2018

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 31.12.2018. 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 7 Jumada Al-Akhirah 1440 H, corresponding to 12 February 2019

Members of the Shari'a Supervisory Board:

Shaikh Dr. Abdul Satar Abughuddah
Chairman

Shaikh Mohsin Abdul Hussain Al Asfoor
Member

Shaikh Dr. Osama Bahar
Member

INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

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, 2018 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 a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to operate in accordance with Islamic Shari'a rules and principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and the results of its operations, changes in participants' surplus and deficit, changes in shareholders' equity and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on regulatory requirements and other matters

As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments) 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 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 Bahrain Commercial Companies Law of 2001 (and subsequent amendments), 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, having occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position;
- d) satisfactory explanations and information have been provided to us by the Directors in response to all our requests; and
- e) the Company has also complied with the Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Company.

Deloitte & Touche,

DELOITTE & TOUCHE – MIDDLE EAST

Partner Registration No. 157

Manama, Kingdom of Bahrain

February 25, 2019

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Conventional (Run-off) fund		Shareholders' fund		Total	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Assets											
Cash and cash equivalents	4	655	1,134	371	338	283	875	586	2,964	1,895	5,311
Placements with financial institutions	5	5,830	3,641	722	401	314	3,348	9,326	5,828	16,192	13,218
Investments	6	741	588	2,573	2,696	1,195	-	15,949	14,191	20,458	17,475
Takaful and insurance receivables	7	8,327	5,159	154	12	1,948	5,017	-	-	10,429	10,188
Retakaful and reinsurance share of technical liabilities	8	10,771	7,523	436	129	2,621	7,339	-	-	13,828	14,991
Deferred acquisition costs	9.1	-	-	-	-	5	209	575	402	580	611
Prepayments and other assets	10	1,551	215	338	337	817	1,003	1,189	1,099	3,895	2,654
Takaful participants' assets – under run-off management	11	-	-	-	-	-	-	226	330	226	330
Property and equipment	12	-	-	-	-	-	-	1,111	924	1,111	924
Total assets		27,875	18,260	4,594	3,913	7,183	17,791	28,962	25,738	68,614	65,702
Liabilities, participants' funds and shareholders' equity											
Liabilities											
Takaful and insurance technical liabilities	8	24,200	16,685	549	186	5,931	14,893	-	-	30,680	31,764
Unearned commission reserves	9.2	363	324	-	-	24	206	-	-	387	530
Family takaful technical reserve	13	-	-	3,567	3,578	-	-	-	-	3,567	3,578
Takaful and insurance payables	14	4,957	2,933	-	82	506	1,722	-	-	5,463	4,737
Other liabilities	15	483	531	273	47	722	970	2,829	1,900	4,307	3,448
Takaful participants' liabilities – under run-off management	11	-	-	-	-	-	-	226	330	226	330
Total liabilities		30,003	20,473	4,389	3,893	7,183	17,791	3,055	2,230	44,630	44,387
Participants' funds		(2,128)	(2,213)	205	20	-	-	-	-	(1,923)	(2,193)
Shareholders' equity											
Share capital	16	-	-	-	-	-	-	12,000	11,189	12,000	11,189
Treasury shares	16	-	-	-	-	-	-	(4)	(4)	(4)	(4)
Statutory reserve	17	-	-	-	-	-	-	2,651	2,420	2,651	2,420
Share premium	-	-	-	-	-	-	-	4,182	4,993	4,182	4,993
Property revaluation reserve	-	-	-	-	-	-	-	747	747	747	747
Investment fair value reserve	-	-	-	-	-	-	-	1,646	1,553	1,646	1,553
Retained earnings	-	-	-	-	-	-	-	4,685	2,610	4,685	2,610
Total shareholders' equity		-	-	-	-	-	-	25,907	23,508	25,907	23,508
Total liabilities, participants' funds and shareholders' equity		27,875	18,260	4,594	3,913	7,183	17,791	28,962	25,738	68,614	65,702

The financial statements which consist of pages 25 to 79 were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:

Tawfeeq Shehab
Chairman

Ashraf Bseisu
Vice Chairman

Jawad Mohammed
Chief Executive Officer

The notes 1 to 35 on pages 30 to 79 form an integral part of the financial statements.

STATEMENT OF INCOME AND PARTICIPANTS' REVENUES AND EXPENSES

For the year ended 31 December 2018

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Conventional (Run-off) fund		Shareholder's fund		Total	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Takaful/conventional revenues											
Gross contributions/premiums		29,433	2,777	562	96	77	12,997	-	-	30,072	15,870
Retakaful/reinsurance contributions/premiums		(14,126)	(1,401)	(531)	(44)	(84)	(7,061)	-	-	(14,741)	(8,506)
Retained contributions/premiums		15,307	1,376	31	52	(7)	5,936	-	-	15,331	7,364
Movement in unearned contributions/premiums, net		(2,889)	(686)	-	-	2,549	673	-	-	(340)	(13)
Net contributions/premiums earned		12,418	690	31	52	2,542	6,609	-	-	14,991	7,351
Net commission earned/(incurred)		737	86	-	-	(1)	(37)	-	-	736	49
Profit commission and other income		207	78	364	152	63	130	-	-	634	360
Total takaful/conventional revenues		13,362	854	395	204	2,604	6,702	-	-	16,361	7,760
Takaful/conventional expenses											
Gross claims paid		(9,330)	(658)	(33)	-	(5,180)	(7,608)	-	-	(14,543)	(8,266)
Claims recovered from retakaful/reinsurance and other parties		2,393	52	14	-	1,326	2,554	-	-	3,733	2,606
Net claims paid		(6,937)	(606)	(19)	-	(3,854)	(5,054)	-	-	(10,810)	(5,660)
Movement in outstanding claims – gross		(1,677)	258	(363)	63	3,464	(2,433)	-	-	1,424	(2,112)
Movement in outstanding claims – retakaful/reinsurance		299	13	307	(44)	(1,769)	1,193	-	-	(1,163)	1,162
Net claims (incurred)/recovered		(8,315)	(335)	(75)	19	(2,159)	(6,294)	-	-	(10,549)	(6,610)
Transfer to family takaful reserve	13	-	-	(103)	(155)	-	-	-	-	(103)	(155)
Total takaful/conventional expenses		(8,315)	(335)	(178)	(136)	(2,159)	(6,294)	-	-	(10,652)	(6,765)
Technical surplus		5,047	519	217	68	445	408	-	-	5,709	995
Wakala fee	19	(5,064)	(515)	(140)	(23)	-	-	-	-	(5,224)	(538)
Surplus/(Deficit) from takaful/conventional operations		(37)	4	77	45	445	408	-	-	485	457
Wakala fee	19	-	-	-	-	-	-	5,224	538	5,224	538
Investment income, net	20	122	7	108	9	-	-	1,444	893	1,674	909
Technical profit transferred from conventional insurance (run-off) fund		-	-	-	-	(445)	(408)	445	408	-	-
Mudanib share and other income	20	-	-	-	-	-	-	77	5	77	5
Employee costs		-	-	-	-	-	-	(2,220)	(1,244)	(2,220)	(1,244)
Commission expenses incurred	9	-	-	-	-	-	-	(1,111)	(74)	(1,111)	(74)
Other operating expenses		-	-	-	-	-	-	(1,517)	(419)	(1,517)	(419)
Provision for doubtful receivables, net		-	-	-	-	-	-	(36)	(11)	(36)	(11)
Net profit and surplus for the year		85	11	185	54	-	-	2,306	96	2,576	161
Basic and diluted earnings per share	18	-	-	-	-	-	-	19.22 fils	1.45 fils	-	-

Prior year comparative figures include the results of general takaful and family takaful funds for a one month period of Solidarity Bahrain B.S.C. (post conversion) for the year ended 31 December 2017. The prior year comparative results of shareholders fund consist of 1 month takaful operations and the performance of the conventional operations for the year ended 31 December 2017 and the results of Solidarity General Takaful B.S.C. (c) for the period from 1 January 2017 to 30 November 2017 are not included in the prior year comparatives in the above statement. The Conventional insurance (under run-off) fund represents the results of Al Ahlia Insurance Company B.S.C. for the year ended 31 December 2018 and 2017 and pertains to the conventional policies (pre-conversion).

The financial statements which consist of pages 25 to 79 were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:

Tawfeeq Sherab
Chairman

Ashraf Bseisu
Vice Chairman

Jawad Mohammed
Chief Executive Officer

The notes 1 to 35 on pages 30 to 79 form an integral part of the financial statements.

STATEMENT OF PARTICIPANTS' SURPLUS AND DEFICIT
For the year ended 31 December 2018

In thousands of Bahraini Dinars

2018

At 1 January
 Surplus for the year

At 31 December

Accumulated (deficit)/surplus	
General Takaful	Family Takaful
(2,213)	20
85	185
(2,128)	205

2017

At 1 January
 Surplus for the year

At 31 December

Accumulated (deficit)/surplus	
General Takaful	Family Takaful
(2,224)	(34)
11	54
(2,213)	20

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

2018

	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	11,189	(4)	2,420	4,993	747	1,553	2,610	23,508
Bonus shares issued during the year (Note 16.2)	811	-	-	(811)	-	-	-	-
Profit for the year	-	-	-	-	-	-	2,306	2,306
Transfer to statutory reserve (Note 17)	-	-	231	-	-	-	(231)	-
Change in fair value of investments	-	-	-	-	-	93	-	93
At 31 December	12,000	(4)	2,651	4,182	747	1,646	4,685	25,907

2017

	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	6,189	(4)	2,410	-	747	1,813	2,524	13,679
Increase in share capital upon transfer of business from SGT (Note 33)	5,000	-	-	7,000	-	-	-	12,000
Goodwill on transfer of business from SGT (Note 33)	-	-	-	(2,007)	-	-	-	(2,007)
Profit for the year	-	-	-	-	-	-	96	96
Transfer to statutory reserve (Note 17)	-	-	10	-	-	-	(10)	-
Change in fair value of investments	-	-	-	-	-	(260)	-	(260)
At 31 December	11,189	(4)	2,420	4,993	747	1,553	2,610	23,508

The notes 1 to 35 on pages 30 to 79 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

	Note	2018	2017
OPERATING ACTIVITIES			
Combined profit & surplus for the year		2,576	161
<i>Adjustments for non-cash items:</i>			
Depreciation charge for the year	12	95	10
Provision for employees end of service benefits	15 (b)	30	25
Investment income, net	20	(1,729)	(909)
Provision for impairment in investment securities	20	55	-
Provision for doubtful receivables, net	7.1	36	11
Operating cash flows before working capital changes		1,063	(702)
<i>Changes in operating assets and liabilities:</i>			
Increase in takaful and insurance receivables		(277)	(14)
Decrease/(increase) in retakaful and reinsurance share of technical liabilities		1,163	(2,148)
Decrease in deferred acquisition costs		31	145
(Increase)/decrease in prepayments and other assets		(815)	501
(Decrease)/increase in takaful and insurance technical liabilities		(1,084)	3,111
Decrease in unearned commission reserves		(143)	(147)
(Decrease)/increase in family takaful technical reserves		(11)	155
Increase in takaful and insurance liabilities		726	318
Increase/(decrease) in other liabilities		907	(641)
Working capital changes		497	1,280
Payment towards employees end of service benefits	15 (b)	(65)	(74)
Net cash generated from operating activities		1,495	504
INVESTING ACTIVITIES			
Purchase of equipment	12	(282)	(29)
Purchase of investments		(5,185)	(8,081)
Placements with financial institutions, net		(2,974)	(8,254)
Proceeds from disposal of investments		2,240	8,133
Income earned from investments in placements with financial institutions and investments, net		1,303	247
Cash received on transfer of business, assets and liabilities	33	-	2,377
Net cash used in investing activities		(4,898)	(5,607)
FINANCING ACTIVITY			
Dividends paid during the year		(13)	(26)
Net cash used in financing activity		(13)	(26)
Net decrease in cash and cash equivalents		(3,416)	(5,129)
Cash and cash equivalents at the beginning of the year	4	5,311	10,440
Cash and cash equivalents at the end of the year	4	1,895	5,311
Shareholders' fund		586	2,964
Participants' fund		1,026	875
Conventional insurance (run-off) fund		283	1,472
Cash and cash equivalents at the end of the year	4	1,895	5,311

Non-cash transactions:

The stock dividend issued during the year ended 31 December 2018 and the transactions towards the transfer of business, assets and liabilities (Note 33) from SGT during the year ended 31 December 2017 have been excluded from the statement of cash flows being non-cash transactions.

The notes 1 to 35 on pages 30 to 79 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 Parent Company acquired 71.46% of the total issued and paid up ordinary shares of the Company on 27 December 2016, via a voluntary conditional offer. During 2017, the shareholders of the Company and Solidarity General Takaful B.S.C. (c) ("SGT"), a wholly owned subsidiary of the Parent Company resolved to approve the transfer of business, assets and liabilities from SGT to the Company through a share swap transaction. The Shareholders of the Company held an Extraordinary General Meeting on 3 August 2017 and approved the conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed a Shari'a Supervisory Board for overseeing the compliance with Shari'a. The pre-existing conventional portfolio was accordingly put under run-off.

On 3 December 2017, Solidarity General Takaful B.S.C. (c) ("SGT") transferred its business, assets and liabilities to Al Ahlia Insurance Company B.S.C. ("AAIC"). Subsequently, on 27 December 2017, AAIC changed its name to Solidarity Bahrain B.S.C. Please refer to Note 33 for further information.

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 family takaful fund.

2 BASIS OF PREPARATION**2.1 Statement of compliance**

Effective 3 December 2017, the Company adopted Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). For matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards (IFRSs). The Company has assessed that there is no impact on the comparatives as a result of its adoption of FAS and accordingly the prior year figures have not been restated.

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 AAOIFI standards in the financial statements for the year ended 31 December 2018 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. As the Company transitioned to Takaful Insurance during 2017, the Company is taking necessary steps for converting those non-sharia compliant assets and liabilities into sharia compliant as per its Parent Company's resolution.

The financial statements for the year ended 31 December 2018 have been prepared in accordance with the 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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)**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 shareholder's equity and the statement of cash flows. Participants include policies issued for both General Takaful and Family Takaful insurance.

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 believe that the underlying assumptions are appropriate and that the Company's financial statements therefore fairly present its financial position as at 31 December 2018 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. 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 2018**

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**

There are no new AAOIFI accounting standards, amendments to standards and interpretations that have been issued and are effective for the first time for the financial year beginning on or after 1 January 2018 that would be expected to have material impact on the Company.

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

The following new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and are expected to be relevant to the Company:

(a) FAS 28 “Murabaha and other deferred payment sales” (effective 1 January 2019)

FAS 28 prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transaction and different elements of such transaction.

(b) FAS 30 “Impairment and credit losses” (effective 1 January 2020)

FAS 30 intends to define the accounting principles for impairment and credit losses (including expected credit losses) to be in line with ever-changing global best practices.

(c) FAS 33 “Investments in sukuk, shares and similar instruments” (effective 1 January 2020)

FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Sharia principles. It defines the key types of instruments of Sharia compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

(d) FAS 34 “Financial reporting for sukuk-holders” (effective 1 January 2020)

FAS 34 aims to establish the principles of accounting and financial reporting for assets and businesses underlying the sukuk to ensure transparent and fair reporting to all relevant stakeholders, particularly including sukuk-holders.

(e) FAS 35 “Risk reserves” (effective 1 January 2021)

FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risk faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions.

2 BASIS OF PREPARATION (CONTINUED)**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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(i) Takaful and retakaful contracts (continued)****(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 participants' statement of revenues and expenses.

(e) 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 participants' statement of revenues and expenses as per the terms of these contracts.

(f) 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 participants' statement of revenues and expenses and accordingly, Takaful revenue is recognised over the period of risk.

(g) Gross claims

Gross claims are recognised in the participants' statement of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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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 participants' statement of 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 the participants' statement of 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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

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

(m) 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 income statement.

At inception, a debt type instrument, which is managed on a contractual yield basis, can only be designated at fair value through income statement 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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

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 principles**Amortised 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. 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 income statement 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) 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.

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.

(vi) 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 income as the expense is incurred.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018**

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

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 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 and equipment 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 and equipment 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.

(vii) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(viii) 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.

(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.

(ix) 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.

(x) 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.

(xi) 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.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(xii) 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.

(xiii) 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.

(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 income statement.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

2 BASIS OF PREPARATION (CONTINUED)**2.7 Summary of significant accounting policies (continued)****(xiii) Impairment (continued)****(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.

(xiv) 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. Wakala fee rates are approved by the Shari'a Supervisory Board. Wakala fee from takaful funds are recognised in accordance with the takaful contracts and as per the wakala fee structure approved by the Shari'a Supervisory Board.

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

(xv) 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.

(xvi) 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.

(xvii) 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.

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.

3.2 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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

4 CASH AND CASH EQUIVALENTS

	2018	2017
Cash and bank balances	1,712	3,174
Placements with maturities less than three months	183	2,137
	1,895	5,311

Bank balances are held in non-profit bearing current accounts.

Placements are held with financial institutions in Bahrain with an original maturity of three months or less with average profit rate of 3.25% (2017: 1.92%).

5 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2018	2017
Placements held with a related party (Note 24.2)	1,502	4,369
Placements held with other financial institutions	14,690	8,849
	16,192	13,218

Placements are held with financial institutions in Bahrain with an original maturity of more than three months with average profit rate of 3.70% (2017: 2.98%).

6 INVESTMENTS

	2018	2017
Debt type instruments		
Amortised cost:		
Quoted instruments	15,865	13,139
Equity type instruments		
Fair value through equity:		
Quoted instruments	2,943	2,686
Unquoted instruments	1,650	1,650
	20,458	17,475

Included in investments are BD 1.195 million (2017: nil) held under conventional insurance run-off fund.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018**

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6 INVESTMENTS (CONTINUED)

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

	2018	2017
At 1 January	13,139	-
Transferred from SGT (Note 33)	-	8,853
Additions during the year	5,017	7,641
Disposals during the year	(2,343)	(3,342)
Amortisation during the year, net	103	(13)
Provision for impairment during the year	(51)	-
At 31 December	15,865	13,139

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

	2018	2017
At 1 January	4,336	6,593
Transferred from SGT (Note 33)	-	1,983
Additions during the year	168	440
Disposals during the year	-	(4,735)
Provision for impairment during the year	(4)	-
Change in fair value, net	93	55
At 31 December	4,593	4,336

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

	2018	2017
Quoted equity instruments	2,943	2,686
Unquoted equity instruments	1,650	1,650
	4,593	4,336

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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7 TAKAFUL AND INSURANCE RECEIVABLES

	2018	2017
Due from:		
Participants and policyholders	4,502	3,638
Brokers	1,986	1,599
Takaful and insurance companies in relation to subrogation	4,151	4,545
Takaful/retakaful and insurance/reinsurance companies	821	1,401
	11,460	11,183
Less: provision for doubtful takaful and insurance receivables	(1,031)	(995)
	10,429	10,188

Included in the above insurance receivables are BD 1.948 million (2017: BD 5.017 million) held under conventional insurance run-off fund.

The Company assesses impairment on an 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.

7.1 The movement in provision for doubtful takaful and insurance receivables is as follows:

	2018	2017
At 1 January	995	458
Transferred from SGT (Note 33)	-	526
Charge for the year	36	11
At 31 December	1,031	995

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

	<u>Past due but not impaired</u>			
	Neither past due nor impaired	181 to 365 days	More than 365 days	Total
2018	6,041	2,433	1,955	10,429
2017	4,646	2,449	3,093	10,188

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

	2018		2017	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Gross				
Unearned contributions/premiums	14,612	50	8,774	5,548
Outstanding claims	10,137	5,881	8,097	9,345
	24,749	5,931	16,871	14,893
Retakaful/reinsurance				
Retakaful/reinsurance share of unearned contributions	(7,065)	(40)	(4,116)	(2,989)
Retakaful/reinsurance share of outstanding claims	(4,142)	(2,581)	(3,536)	(4,350)
	(11,207)	(2,621)	(7,652)	(7,339)
Net				
Unearned contributions/premiums	7,547	10	4,658	2,559
Outstanding claims	5,995	3,300	4,561	4,995
	13,542	3,310	9,219	7,554

8.1 Unearned contributions/premiums and their retakaful/reinsurance share

	2018		2017	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Unearned contributions/premiums				
Beginning of the year	8,774	5,548	-	5,942
Transferred from SGT (Note 33)	-	-	7,381	-
Gross contributions/premiums written during the year	29,433	77	2,777	12,997
Gross contributions/premiums earned	(23,595)	(5,575)	(1,384)	(13,391)
Movement in unearned contributions/premiums	5,838	(5,498)	1,393	(394)
End of the year	14,612	50	8,774	5,548
Retakaful/reinsurance unearned contributions/premiums				
Beginning of the year	4,116	2,989	-	2,710
Transferred from SGT (Note 33)	-	-	3,409	-
Retakaful/reinsurance contributions/ premiums ceded during the year	14,126	84	1,401	7,061
Retakaful/reinsurance contributions/premiums incurred	(11,177)	(3,033)	(694)	(6,782)
Movement in retakaful/reinsurance unearned contributions/premiums	2,949	(2,949)	707	279
End of the year	7,065	40	4,116	2,989
Net unearned contributions/premiums	7,547	10	4,658	2,559

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

8.2 Outstanding claims and their retakaful share

	2018		2017	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
Outstanding claims				
At the beginning of the year				
- Claims incurred and reported	7,137	7,893	-	5,977
- Claims incurred but not reported (IBNR)	960	1,452	-	935
	8,097	9,345	-	6,912
Transferred from SGT (incurred and reported) (Note 33)	-	-	7,347	-
Transferred from SGT (IBNR) (Note 33)	-	-	1,071	-
Claims paid during the year	(9,363)	(5,180)	(658)	(7,608)
Claims incurred during the year	11,403	1,716	337	10,041
Movement in outstanding claims	2,040	(3,464)	(321)	2,433
At the end of the year	10,137	5,881	8,097	9,345
Represented by:				
- Claims incurred and reported	8,620	5,602	7,137	7,893
- Claims incurred but not reported (IBNR)	1,517	279	960	1,452
Retakaful/reinsurance share of outstanding claims				
At the beginning of the year				
- Retakaful/reinsurance share of claims incurred and reported	(3,374)	(3,674)	-	(2,730)
- Retakaful/reinsurance share of claims incurred but not reported (IBNR)	(162)	(676)	-	(427)
	(3,536)	(4,350)	-	(3,157)
Transferred from SGT (incurred and reported) (Note 33)	-	-	(3,409)	-
Transferred from SGT (IBNR) (Note 33)	-	-	(158)	-
Claims recovered during the year	2,407	1,326	52	2,554
Retakaful/reinsurance share of claims incurred during the year	(3,013)	443	(21)	(3,747)
Movement in retakaful/reinsurance share outstanding claims	(606)	1,769	31	(1,193)
At the end of the year	(4,142)	(2,581)	(3,536)	(4,350)
Represented by:				
- Retakaful/reinsurance share of claims incurred and reported	(3,923)	(2,563)	(3,374)	(3,674)
- Retakaful/reinsurance share of claims incurred but not reported (IBNR)	(219)	(18)	(162)	(676)
Net outstanding claims				
At the end of the year	5,995	3,300	4,561	4,995
Represented by				
- Net claims incurred and reported	4,697	3,039	3,763	4,219
- Net claims incurred but not reported (IBNR)	1,298	261	798	776

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9 DEFERRED ACQUISITION COSTS AND UNEARNED COMMISSION RESERVES**9.1 Deferred acquisition costs**

	2018		2017	
	Shareholders' fund	Conventional fund – run off	Shareholders' fund	Conventional fund – run off
At 1 January	402	209	-	380
Transferred from SGT (Note 33)	-	-	376	-
Commissions paid during the year	1,284	6	100	471
Commissions incurred during the year	(1,111)	(210)	(74)	(642)
At 31 December	575	5	402	209

9.2 Unearned commission reserves

	2018		2017	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
At 1 January	324	206	-	392
Transferred from SGT (Note 33)	-	-	285	-
Commissions received during the year	776	27	125	419
Commissions earned during the year	(737)	(209)	(86)	(605)
At 31 December	363	24	324	206

The commissions incurred and commissions earned under the conventional insurance (run-off) fund for the year ended 31 December 2018 are BD 210 thousand (2017: 642 thousand) and BD 209 thousand (2017: 605 thousand) respectively. Accordingly, net commissions incurred is BD 1 thousand (2017: BD 37 thousand) for the year ended 31 December 2018.

10 PREPAYMENTS AND OTHER ASSETS

	2018	2017
Deposit with Third Party Administrator (TPA)	41	186
Statutory deposit	125	125
Accrued income	426	304
Prepaid expenses and other assets	669	984
Receivable from takaful/conventional funds (Note 15)	2,634	1,055
	3,895	2,654

Included in the above other assets are BD 817 thousand (2017: BD 1,003 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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018**

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11 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.

	2018	2017
Cash and bank balances	78	119
Other investments	148	211
Total assets under run-off management	226	330

	2018	2017
Unearned contribution and mortality reserves	33	33
Takaful and other payables	114	62
Unit linked reserve	41	195
	188	290
Participants' surplus assets over liabilities	38	40
Total liabilities under run-off management	226	330

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12 PROPERTY AND EQUIPMENT**2018****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 and computer equipment	Motor vehicles	Total
At 1 January	853	1,209	17	2,079
Additions	-	282	-	282
At 31 December	853	1,491	17	2,361
At 1 January	53	1,092	10	1,155
Charge for the year	-	91	4	95
At 31 December	53	1,183	14	1,250
At 31 December	800	308	3	1,111

2017**Cost**

At 1 January

Transferred from SGT (Note 33)

Additions

At 31 December

Accumulated depreciation

At 1 January

Transferred from SGT (Note 33)

Charge for the year

At 31 December

Net book amount

At 31 December

	Land and building	Furniture, fixtures office and computer equipment	Motor vehicles	Total
At 1 January	853	277	17	1,147
Transferred from SGT (Note 33)	-	903	-	903
Additions	-	29	-	29
At 31 December	853	1,209	17	2,079
At 1 January	53	240	4	297
Transferred from SGT (Note 33)	-	848	-	848
Charge for the year	-	4	6	10
At 31 December	53	1,092	10	1,155
At 31 December	800	117	7	924

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13 FAMILY TAKAFUL TECHNICAL RESERVE

	2018	2017
At 1 January	3,578	-
Transferred from SGT (Note 33)	-	3,427
Refund during the year	(114)	(4)
Net increase during the year	103	155
At 31 December	3,567	3,578

14 TAKAFUL AND INSURANCE PAYABLES

	2018	2017
Due to participants and policyholders	732	1,316
Due to Takaful and insurance companies	3,782	2,625
Due to garages	949	796
	5,463	4,737

Included in the above takaful and insurance payables are BD 506 thousand (2017: BD 1,722 thousand) that are held under conventional run-off fund.

15 OTHER LIABILITIES

	2018	2017
Unclaimed dividends	392	405
Employees' end of service benefits	170	205
Accrued expenses and other payables	1,111	1,783
Payable to takaful/conventional funds (Note 10)	2,634	1,055
	4,307	3,448

Included in the above other liabilities are BD 722 thousand (2017: BD 970 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 2018 amounted to BD 116 thousand (2017: BD 89 thousand).

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15 OTHER LIABILITIES (CONTINUED)*(b) Expatriate employees*

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

	2018	2017
At 1 January	205	155
Transferred from SGT (Note 33)	-	99
Charge for the year	30	25
Payments during the year	(65)	(74)
At 31 December	170	205
Total number of staff employed by the Company	129	123

16 SHARE CAPITAL**16.1 Authorised**

Authorised shares of 150,000,000 at BD 0.100 each
 (2017: 120,000,000 shares of BD 0.100 each)

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

16.2 Issued and fully paid

	Number of shares (thousands)	Share capital
At 1 January 2017	61,886	6,189
At 31 December 2017	111,886	11,189
At 1 January 2018	111,886	11,189
Bonus shares issued during the year	8,114	811
At 31 December 2018	120,000	12,000

The Company's total issued and fully paid share capital at 31 December 2018 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.

The shareholders of the Company and SGT in their Extraordinary General Meetings held on 3 August 2017 approved the Transfer of Business from SGT to the Company and the share swap involving issuance of 2.5 ordinary shares of the Company for one ordinary share of SGT directly to the shareholders of SGT. On 3 December 2017, the CBB approved the Transfer of Business from SGT to the Company and the share swap involving issuance of 2.5 ordinary shares of the Company for one ordinary share of SGT directly to the shareholders of SGT. The transfer of business from SGT and share swap was completed in December 2017, with share capital being issued and share premium of BD 7 million arising as a result of the share swap prior to accounting for the Goodwill arising on the transaction of BD 2 million (Note 33).

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16 SHARE CAPITAL (CONTINUED)**16.3 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 2018 and 2017 are as follows:

31 December 2018		
	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%

31 December 2017		
	Number of shares	Percentage of holding interest
Solidarity Group Holding B.S.C (c)	94,176,357	84.17%
Others	17,710,276	15.83%
	111,886,633	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 2018 and 2017 is set out below:

31 December 2018		
	Number of shareholders	Percentage of total Outstanding Shares
Less than 1%	2,195	12.14%
More than 1% up to less than 5%	2	3.69%
More than 5%	1	84.17%
	2,198	100.00%

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16 SHARE CAPITAL (CONTINUED)**16.3 Additional information on shareholding pattern (continued)**

- (c) The distribution of the Company's equity shares, i.e. the number of holders and their percentage shareholding as at 31 December 2018 and 2017 is set out below (continued):

31 December 2017		
	Number of shareholders	Number of shares
Less than 1%	2,195	12,853,992
More than 1% up to less than 5%	2	4,856,284
More than 5%	1	94,176,357
	2,198	111,886,633
		100.00%

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

<u>Name of the directors</u>	Number of shares	
	2018	2017
Ashraf Adnan Bseisu (effective 27 December 2017)	26,812	25,000
Sharif Ahmadi	116,986	109,077
	141,986	134,077

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).

16.4 Treasury shares

The Company owned its own shares amounting to BD 4 thousand at 31 December 2018 (2017: BD 4 thousand). The shares are held as treasury shares and the Company has the right to reissue these shares at a later date.

17 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 231 thousand to the statutory reserve for the year ended 31 December 2018 (2017: BD 10 thousand).

NOTES TO THE FINANCIAL STATEMENTS

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18 BASIC AND DILUTED EARNINGS PER SHARE

	2018	2017
Net profit for the year	2,306	96
Weighted average number of shares outstanding	119,950,219	66,051,633
Basic and diluted earnings per 100 fils share	19.22 fils	1.45 fils

The earnings per share has 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.

19 WAKALA FEE

The Company receives Wakala fee for administration of the takaful funds on behalf of the participants in accordance with the contracts of the respective takaful funds. The maximum chargeable Wakala fee which has been certified by Actuary and approved by the Shari'a Supervisory Board for the year ended 31 December 2018 is 22.00% (2017: 22.52%) for the general takaful fund and 25% (2017: 24.40%) for family takaful fund of the overall gross contributions. The actual Wakala fees charged for the year ended 31 December 2018 is 17.27% (2017: 18.55%) for general takaful fund and 24.91% (2017: 23.96%) for family takaful fund.

20 INVESTMENT INCOME, NET

	2018	2017
Income from placements	548	225
Income from debt instruments	552	214
Income from equity instruments	623	507
Amortisation during the year, net	103	(13)
Provision for impairment on equity instruments	(51)	-
Provision for impairment on debt instruments	(4)	-
Investment management expenses	(20)	(19)
Net investment income	1,751	914
Mudarib share*	(77)	(5)
	1,674	909
Shareholders' fund investment income	1,444	893
General takaful fund investment income	122	7
Family takaful fund investment income	108	9
	1,674	909

**Mudarib share*

The shareholders manage the participants' investments and charge 25% for the year ended 31 December 2018 (2017: 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.

21 TAKAFUL RISK MANAGEMENT

21.1 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.

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.1 Overview (continued)**

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.

21.2 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.

21.3 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.

2018	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	104	134	428	423
1 percent decrease	436	406	462	467
Expected loss ratio				
1 percent increase	156	186	428	423
1 percent decrease	384	354	462	467

2017	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	56	56	310	345
1 percent decrease	74	74	506	471
Expected loss ratio				
1 percent increase	62	62	310	345
1 percent decrease	68	68	506	471

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.4 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 in 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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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.4 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.

21.5 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, and monthly by the Executive Management Committee.

21.6 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.

2018	Non-Motor	Motor	Medical	Group Life	Family takaful	Total
Geographical area						
Bahrain & GCC:						
Gross	6,617	10,492	10,842	1,559	562	30,072
Net of retakaful	586	10,129	4,075	510	31	15,331
2017	Non-Motor	Motor	Medical	Group Life	Family takaful	Total
Geographical area						
Bahrain & GCC:						
Gross	3,886	6,583	5,078	227	96	15,870
Net of retakaful	269	6,120	903	20	52	7,364

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.7 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	2014 and Prior	2015	2016	2017	2018	Total
Estimate of ultimate claims costs:						
At end of reporting year	48,317	10,543	10,539	10,585	12,026	12,026
One year later	48,085	10,191	10,486	9,238		9,238
Two years later	48,025	10,215	11,592			11,592
Three years later	48,033	9,854				9,854
Four years later	48,011					48,011
Current estimate of cumulative claims	48,011	9,854	11,592	9,238	12,026	90,721
Cumulative payments to date	(46,850)	(9,467)	(10,954)	(7,812)	(5,501)	(80,584)
Total reserves included in the statement of financial position	1,161	387	638	1,426	6,525	10,137

(b) Takaful claims – Net

Accident year	2014 and Prior	2015	2016	2017	2018	Total
Estimate of ultimate claims costs:						
At end of reporting year	26,386	6,693	6,312	6,446	8,957	8,957
One year later	26,048	5,959	5,898	6,123		6,123
Two years later	25,887	5,936	5,748			5,748
Three years later	25,962	5,790				5,790
Four years later	26,015					26,015
Current estimate of net cumulative claims	26,015	5,790	5,748	6,123	8,957	52,633
Cumulative net payments to date	(25,413)	(5,610)	(5,396)	(5,445)	(4,774)	(46,638)
Total net reserves included in the statement of financial position	602	180	352	678	4,183	5,995

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)

21.7 Claims development (continued)

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

Accident year	2014 and Prior	2015	2016	2017	2018	Total
Estimate of ultimate claims costs:						
At end of reporting year	15,870	6,890	10,698	10,690	3,285	3,285
One year later	14,408	6,545	10,360	9,660		9,660
Two years later	14,400	6,629	10,137			10,137
Three years later	14,290	6,576				6,576
Four years later	14,025					14,025
Current estimate of cumulative claims	14,025	6,576	10,137	9,660	3,285	43,683
Cumulative payments to date	(12,989)	(6,210)	(9,384)	(7,207)	(2,012)	(37,802)
Total reserves included in the statement of financial position	1,036	366	753	2,453	1,273	5,881

(d) Conventional insurance (run-off) claims – Net

Accident year	2014 and Prior	2015	2016	2017	2018	Total
Estimate of ultimate claims costs:						
At end of reporting year	10,068	4,822	7,737	6,521	2,727	2,727
One year later	9,144	4,692	7,601	6,140		6,140
Two years later	9,159	4,718	7,370			7,370
Three years later	8,908	4,761				4,761
Four years later	8,867					8,867
Current estimate of net cumulative claims	8,867	4,761	7,370	6,140	2,727	29,865
Cumulative net payments to date	(8,390)	(4,466)	(7,059)	(4,962)	(1,688)	(26,565)
Total net reserves included in the statement of financial position	477	295	311	1,178	1,039	3,300

22 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.

23 FINANCIAL RISK MANAGEMENT

23.1 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.

NOTES TO THE FINANCIAL STATEMENTS

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)

23.2 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:

	2018	2017
Cash and cash equivalents	1,895	5,311
Placements with financial institutions	16,192	13,218
Investments	15,865	13,139
Takaful and insurance receivables	10,429	10,188
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	6,486	7,048
Other assets	1,261	1,599
	52,128	50,503

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)

23.2 Credit risk (continued)

(iii) Analysis of receivable from takaful and retakaful operators:

2018	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	6,041	4,388	1,031	(1,031)	10,429
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	6,486	-	-	-	6,486
	12,527	4,388	1,031	(1,031)	16,915

2017	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	4,646	5,542	995	(995)	10,188
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	7,048	-	-	-	7,048
	11,694	5,542	995	(995)	17,236

(iv) Age analysis (Takaful and insurance receivables)

	2018		2017	
	Gross	Provisions	Gross	Provisions
0 to 6 months	6,041	-	4,646	-
6 to 12 months	2,433	-	2,449	-
More than 12 months	2,986	1,031	4,088	995
	11,460	1,031	11,183	995

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23.3 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.

23 FINANCIAL RISK MANAGEMENT (CONTINUED)**23.3 Liquidity risk (continued)***(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:

2018

Takaful and insurance technical liabilities
Takaful and insurance payables
Other liabilities

Contractual undiscounted cash flows	
Carrying amount	Total cash outflows
30,680	30,680
5,463	5,463
1,673	1,673
37,816	37,816

2017

Takaful and insurance technical liabilities
Takaful and insurance payables
Other liabilities

Contractual undiscounted cash flows	
Carrying amount	Total cash outflows
31,764	31,764
4,737	4,737
2,393	2,393
38,894	38,894

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

23.4 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.

NOTES TO THE FINANCIAL STATEMENTS

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)

23.4 Market risks (continued)

(iii) Other market 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. Market 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.

(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.

2018	Combined profit and surplus	Equity
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	2,880	2,880
- 100 basis points shift in yield curves	2,272	2,272
2017	Combined profit and surplus	Equity
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	308	308
- 100 basis points shift in yield curves	14	14

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24 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.

24.1 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. No remuneration is paid to the Board of Directors of the Company during the year (2017: nil). Sitting fees paid to the members of the Committees of the Board of Directors amounting BD 37 thousand (2017: BD 41 thousand) and salaries and benefits paid to key members of management amounting to BD 370 thousand (2017: BD 171 thousand). End of service benefits due to key management personnel as at 31 December 2018 amounting to BD 85 thousand (2017: BD 131 thousand).

24.2 Transactions and balances with related parties**a) Transactions with related parties***Gross contributions:*

Parent company

15

-

Entities under common control

1,844

80

Retakaful contributions:

Entities under common control

20

1

Income from placements:

Entities under common control

105

36

Gross paid claims:

Entities under common control

209

35

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24 RELATED PARTIES (CONTINUED)**24.2 Transactions and balances with related parties (CONTINUED)**

b) Balances	2018	2017
<i>Payables:</i>		
<i>Entities under common control</i>	77	80
<i>Placements with financial institutions:</i>		
<i>Entities under common control</i>	1,502	4,369
<i>Receivables:</i>		
<i>Parent company</i>	226	93
<i>Entities under common control</i>	-	2
<i>Claims outstanding:</i>		
<i>Entities under common control</i>	466	730
<i>Cash and cash equivalents:</i>		
<i>Entities under common control</i>	544	1,565

25 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.

26 EARNINGS PROHIBITED BY SHARI'A

There were no earnings (2017: BD nil) realised during the year from transactions which are not permitted by Sharia Supervisory Board.

27 ZAKAH

Zakah of BD 589 thousand (2017: BD 526 thousand) at the rate of 4.9 fils (2017: 4.7 fils) per share is to be directly borne by the shareholder and, accordingly, the financial statements include no provision for Zakah. The components used in Zakah computation are share capital, statutory reserve, retained earnings and fair value reserves reduced by participants' equity and property and equipment. The basis of computation is approved by the Sharia Supervisory Board and the amounts payable are notified to shareholder.

28 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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28 SEGMENTAL INFORMATION (CONTINUED)

	2018					2017						
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional revenues												
Gross contributions/premiums	6,617	10,492	10,842	1,559	562	30,072	3,886	6,583	5,078	227	96	15,870
Retakaful/reinsurance contributions/premiums	(6,031)	(363)	(6,767)	(1,049)	(531)	(14,741)	(3,617)	(463)	(4,175)	(207)	(44)	(8,506)
Retained contributions/premiums	586	10,129	4,075	510	31	15,331	269	6,120	903	20	52	7,364
Movement in unearned contributions/premiums, net	(98)	(71)	(153)	(18)	-	(340)	(20)	181	(165)	(9)	-	(13)
Net contributions/premiums earned	488	10,058	3,922	492	31	14,991	249	6,301	738	11	52	7,351
Commission income/(expense)	768	27	2	-	-	797	326	(195)	(89)	31	-	73
Movement in unearned commission, net	22	(51)	(62)	30	-	(61)	12	(47)	5	6	-	(24)
Profit commission and other income	80	84	82	24	364	634	5	99	74	30	152	360
Net commission earned/(incurred)	870	60	22	54	364	1,370	343	(143)	(10)	67	152	409
Total takaful/conventional revenues	1,358	10,118	3,944	546	395	16,361	592	6,158	728	78	204	7,760

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

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28 SEGMENTAL INFORMATION (CONTINUED)

	2018						2017					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional expenses												
Gross claims paid	2,741	8,172	2,913	684	33	14,543	1,038	5,385	1,317	526	-	8,266
Claims recovered from retakaful/reinsurance and others	(2,535)	(313)	(364)	(507)	(14)	(3,733)	(933)	(398)	(802)	(473)	-	(2,606)
Net claims paid	206	7,859	2,549	177	19	10,810	105	4,987	515	53	-	5,660
Movement in outstanding claims – gross	(1,054)	(821)	340	(252)	363	(1,424)	1,268	1,263	(311)	(45)	(63)	2,112
Movement in outstanding claims – retakaful	1,186	129	60	95	(307)	1,163	(1,254)	(176)	213	11	44	(1,162)
Net claims incurred/(recovered)	338	7,167	2,949	20	75	10,549	119	6,074	417	19	(19)	6,610
Transfer to family takaful technical reserve	-	-	-	-	103	103	-	-	-	-	155	155
Technical surplus	1,020	2,951	995	526	217	5,709	473	84	311	59	68	995
Identifiable assets	6,858	6,782	3,527	956	590	18,713	7,060	3,070	3,652	1,015	129	14,926
Identifiable liabilities	8,264	15,504	6,025	1,089	4,390	35,272	8,056	17,501	5,679	1,327	3,764	36,327

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

Assets amounting to BD 49.90 million (2017: BD 50.78 million) and liabilities amounting to 9.36 million (2017: BD 8.06 million) are not specifically identifiable.

29 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 2018				
Investments at fair value	2,943	-	1,650	4,593
	2,943	-	1,650	4,593
31 December 2017				
Investments at fair value	2,686	-	1,650	4,336
	2,686	-	1,650	4,336

No transfers out of, or into, the level 3 measurement classification occurred during the year ended 31 December 2018 (31 December 2017: nil).

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29 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:

2018	Fair value through equity	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	1,895	1,895	1,895
Placements with financial institutions	-	-	16,192	16,192	16,192
Investments	4,593	15,865	-	20,458	19,738
Takaful and insurance receivables	-	-	10,429	10,429	10,429
Retakaful and reinsurance share of technical liabilities	-	-	13,591	13,591	13,591
Other assets	-	-	1,261	1,261	1,261
Total financial assets	4,593	15,865	43,368	63,826	63,106
Takaful and insurance technical liabilities	-	-	28,883	28,883	28,883
Takaful and insurance payables	-	-	5,463	5,463	5,463
Other liabilities	-	-	1,673	1,673	1,673
Total financial liabilities	-	-	36,019	36,019	36,019

2017	Fair value through equity	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	5,311	5,311	5,311
Placements with financial institutions	-	-	13,218	13,218	13,218
Investments	4,336	13,139	-	17,475	17,441
Takaful and insurance receivables	-	-	10,188	10,188	10,188
Retakaful and reinsurance share of technical liabilities	-	-	14,152	14,152	14,152
Other assets	-	-	1,599	1,599	1,599
Total financial assets	4,336	13,139	44,468	61,909	61,909
Takaful and insurance technical liabilities	-	-	29,352	29,352	29,352
Takaful and insurance payables	-	-	4,737	4,737	4,737
Other liabilities	-	-	2,393	2,393	2,393
Total financial liabilities	-	-	36,482	36,482	36,482

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.

NOTES TO THE FINANCIAL STATEMENTS
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30 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:

	2018	2017
Margin required for Conventional Insurance run-off fund	1,228	1,384
Margin required for Family Takaful fund	590	574
Margin required for General Takaful fund	2,967	500
Total margin required	4,785	2,458
Capital available to cover solvency margin	15,069	12,062
Excess capital	10,284	9,604

31 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 commitments as at the year ended 31 December 2018 (2017: nil).

32 SUBSEQUENT EVENTS

There were no significant events subsequent to 31 December 2018 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.

33 TRANSFER OF BUSINESS

On 3 December 2017, Solidarity General Takaful B.S.C. (c) ("SGT") business, assets and liabilities were transferred to Al Ahlia Insurance Company B.S.C. (AAIC) in a share swap transaction by issuing 2.5 shares of AAIC for each share of SGT. On this date, AAIC completed the acquisition by issuing 50,000,000 fully paid ordinary shares of AAIC to the shareholders of SGT. As the acquisition is completed through a share swap, the fair value of SGT's equity interest acquired is considered as fair value of consideration transferred.

The fair values of the identifiable assets and liabilities of SGT as of 30 November 2017 transferred to AAIC and the calculation of goodwill resulting from the transfer is as follows:

	Shareholders' Fund	General Takaful Fund	Family Takaful Fund	Total
Assets				
Cash and cash equivalents	640	1,483	254	2,377
Placements with financial institutions	1,331	3,233	400	4,964
Investments	7,483	656	2,697	10,836
Receivables from takaful and retakaful operations	-	4,469	9	4,478
Retakaful operator's share of technical liabilities	-	6,804	172	6,976
Deferred acquisition cost	376	-	-	376
Prepayments, equipment and other assets	977	135	322	1,434
Takaful participants' assets – under run-off management	383	-	-	383
	11,190	16,780	3,854	31,824

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33 TRANSFER OF BUSINESS (CONTINUED)

Less: Liabilities and participants funds assumed	Shareholders' Fund	General Takaful Fund	Family Takaful Fund	Family Takaful Fund
Liabilities				
Takaful share of technical liabilities	-	15,552	247	15,799
Unearned commission reserves	-	285	-	285
Family takaful technical reserve	-	-	3,423	3,423
Payables to takaful and retakaful operators	-	2,493	191	2,684
Other liabilities	814	674	27	1,515
Takaful participants' liabilities – under run-off management	383	-	-	383
	1,197	19,004	3,888	24,089
Participants' funds transferred to AAIC	-	(2,224)	(34)	(2,258)
NET ASSETS	9,993	-	-	9,993
Identifiable net assets acquired	9,993	-	-	9,993
Fair value of the share issued to SGT shareholder	12,000	-	-	12,000
Goodwill arising on acquisition	2,007	-	-	2,007

The resultant goodwill of BD 2 million was accounted for under the Economic Entity Method in equity against the Share Premium arising from this acquisition amounting to BD 7 million.

The performance and net results of SGT for the period ended 30 November 2017 (prior to the date of the transfer of business, assets and liabilities) is presented below which do not form part of the primary statements of Solidarity Bahrain B.S.C.

SUMMARISED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 NOVEMBER 2017

	2017
REVENUES	
Wakala fee	3,271
Investment income and mudarib share	486
Total revenues	3,757
EXPENSES	
Operating expenses	(3,388)
Profit for the period	369

33 TRANSFER OF BUSINESS (CONTINUED)

SUMMARISED STATEMENT OF GENERAL TAKAFUL REVENUES AND EXPENSES
FOR THE PERIOD ENDED 30 NOVEMBER 2017

	2017
TAKAFUL REVENUE	
Gross contributions	14,032
Retakaful contributions	(6,716)
Retained contributions	7,316
Movement in unearned contributions, net	221
Net contributions earned	7,537
Net commission earned	1,231
Total takaful revenues	8,768
TAKAFUL EXPENSES	
Net claims incurred	(5,728)
Technical surplus	3,040
Wakala fee	(3,100)
Deficit from takaful operations	(60)
INVESTMENT INCOME	
Investment income, net of mudarib share	84
Surplus for the period transferred to general takaful fund	24

33 TRANSFER OF BUSINESS (CONTINUED)

SUMMARISED STATEMENT OF FAMILY TAKAFUL REVENUES AND EXPENSES FOR THE
PERIOD ENDED 30 NOVEMBER 2017

	2017
TAKAFUL REVENUE	
Gross contributions	700
Retakaful contributions	(484)
Net Retained contributions	216
Net commission income	52
Total takaful revenues	268
TAKAFUL EXPENSES	
Net claims incurred	(38)
Transfer to family takaful technical reserve	(228)
Technical operating results	2
Wakala fee	(171)
Net results from takaful operations	(169)
INVESTMENT INCOME	
Investment income, net of mudarib share	91
Net results for the period transferred to family takaful fund	(78)

34 DIRECTORS' REMUNERATION AND DIVIDENDS

*Directors' remuneration***Proposed by the Board of Directors**

The Board of Directors of the Company propose to pay BD 52,500 towards directors' remuneration apart from the regular sitting fees for the year ended 31 December 2018 (2017: nil). This is subject to the approval of shareholders in the Annual General Meeting.

*Dividends***Declared and paid**

Stock dividend amounted to BD 811 thousand (7.25% of the paid up capital) was declared and paid in 2018 for the year ended 31 December 2017 (2016: Nil).

34 DIRECTORS' REMUNERATION AND DIVIDENDS (CONTINUED)

Dividends (continued)

Proposed by the Board of Directors

The Board of Directors of the Company proposes to pay cash dividend of 12.5% of the paid up capital for the year ended 31 December 2018 (2017: Stock dividend of 7.25% 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.

35 COMPARATIVES

The comparative results of General Takaful and Family Takaful funds (as disclosed on page 26) represent the one-month operation of the Company post conversion. The comparative results of shareholders' fund consist of one month Takaful operations as well as the results of the conventional operations for the year ended 31 December 2017 and the comparative results of conventional insurance (under run-off) fund represents the results for the year ended 31 December 2017 pertaining to the conventional policies issued prior to the conversion. Accordingly, the comparative information is not comparable.

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.

الملحق الثاني

t'azur Company B.S.C. (c)

**Condensed interim separate
financial information**

30 September 2020 (Reviewed)

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GENERAL INFORMATION

HEAD OFFICE

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12th Floor, Building 2347
Road 2830, Block 428
Al Seef District
Kingdom of Bahrain

P. O. Box: 31600
Telephone: +973 1756 1661
Telefax: +973 1756 1669
E-mail: info@tazur.com
Website: www.tazur.com

Commercial registration:

66941

PRINCIPAL BANKERS

Ahli United Bank B.S.C. (C) – Al Hilal Islamic Services
Ahli United Bank B.S.C. (C)
Al Salam Bank-Bahrain B.S.C.
Bahrain Islamic Bank B.S.C.
All Funds Bank
Kuwait Finance House
Ahli United Bank Q.S.C.
Bank Al Khair B.S.C. (C)
Masraf Al Rayan
Khaleeji Commercial Bank B.S. C.
Barwa Bank

AUDITORS

BDO
Manama
Kingdom of Bahrain

P. O. Box: 787
Telephone: +973 1753 0077
Telefax: +973 1791 9091

DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Dr. Ahmed Saleh Al Dehailan	Chairman
Mr. Khalid Shaheen	Vice Chairman
Mr. Ziad El Chaar	Director
Mr. Ayham Gharaibeh	Director
Ms. Kubra Ali Merza Ali	Director
Mr. Madi Talal Al-Khamis	Director
Mr. Hadi N Kabalan	Director
Mr. Tasdique Amin Pasha	Director
Mr. Khaled Abdullah Al Saeed	Director

NOMINATION AND REMUNERATION COMMITTEE

Mr. Ayham Gharaibeh	Member
Mr. Tasdique Amin Pasha	Member
Mr. Ziad El Chaar	Member

EXECUTIVE COMMITTEE

Dr. Ahmed Saleh Al Dehailan	Member
Mr. Khalid Shaheen	Member
Mr. Khaled Abdullah Al Saeed	Member
Mr. Ziad El Chaar	Member
Ms. Kubra Ali Merza Ali	Member

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Dr. Ahmed Saleh Al Dehailan	Member
Mr. Ayham Gharaibeh	Member
Mr. Hadi N Kabalan	Member
Mr. Madi Talal Al-Khamis	Member

General Management

Mr. Yahya E. Nooruddin	Chief Executive Officer
Mr. Jasmeet Doctor	Chief Financial Officer, Corporate Secretary
Mr. K. Ramakrishnan	Head of Legal & Compliance
Ms. Afaf Al-Othman	Internal auditor
Mr. Mustafa Al Mahmood	Head of Shari'a

Review report on the condensed interim separate financial information to the Board of Directors of t'azur Company B.S.C. (c)

Introduction

We have reviewed the accompanying condensed interim separate statement of financial position of t'azur Company B.S.C. (c) ("the Company") as at 30 September 2020, the condensed interim separate statement of participants' revenue and expenses, the condensed interim separate statement of profit or loss, the condensed interim separate statement of changes in participant's fund, the condensed interim separate statement of changes in shareholders' equity, the condensed interim separate statement of cash flows for the nine months period then ended, and selected explanatory notes. The Board of Directors is responsible for the preparation and presentation of these condensed interim separate financial information in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the Shari'a Rules and Principles as determined by the Shari'a Supervisory Advisor of the Company. Our responsibility is to express a conclusion on these condensed interim separate financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 - *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of condensed interim separate financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim separate financial information does not present fairly, in all material respects, the separate financial position of the Company as at 30 September 2020, and of its separate financial performance and its separate cash flows for the nine months period then ended in accordance with FAS issued by the AAOIFI and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Company.


Manama, Kingdom of Bahrain
17 January 2021



t'azur Company B.S.C. (c)

CONDENSED INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

As at 30 September 2020


(Expressed in United States Dollars)

	30 Sep 2020	31 Dec 2019
	(reviewed)	(audited)
ASSETS		
Cash and cash equivalents	10,656,426	8,540,562
Statutory deposits	332,447	332,447
Deposits more than 3 months	5,385,728	5,372,754
Investments	26,652,298	26,493,089
Contributions receivable	10,345,029	12,181,018
Receivable from takaful and retakaful companies	2,748,418	3,972,436
Deferred acquisition cost	1,799,184	1,888,707
Deferred retakaful share of contribution	4,572,412	4,714,710
Retakaful share of outstanding claims	6,806,897	6,528,811
Property and equipment	302,480	371,496
Other assets	3,304,990	4,179,687
Total assets	72,906,309	74,575,717
LIABILITIES, PARTICIPANTS' FUND & SHAREHOLDERS' EQUITY		
Liabilities		
Technical reserves	39,518,225	41,771,733
Payable to takaful and retakaful companies	1,670,591	2,030,819
Other liabilities	7,478,741	6,720,685
Total liabilities	48,667,557	50,523,237
PARTICIPANTS' FUND		
Accumulated deficit	(27,214,951)	(27,050,623)
Total participants' fund	(27,214,951)	(27,050,623)
EQUITY		
Share capital	58,000,000	58,000,000
Statutory reserve	1,356,311	1,356,312
Investment fair value reserve	466,978	796,250
Foreign currency translation reserve	(94,528)	(94,529)
Accumulated losses	(8,275,058)	(8,954,930)
Total shareholders' equity	51,453,703	51,103,103
Total liabilities, participants' fund and shareholders' equity	72,906,309	74,575,717

These reviewed condensed interim separate financial information, were approved and authorised for issue by the Board of Directors and signed on behalf by:



Mr. Yahya Ebrahim Nooruddin
Chief Executive Officer

See Auditor's Report dated 17/10/2021
Signed by BDO, CR No. 10201-04
Partner: Nath Venkijachalam Viswanath
Reg. No. 151
Signature: 


CONDENSED INTERIM SEPARATE STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES
for the nine-month period ended 30 September 2020
(Expressed in United States Dollars)

	Nine months ended 30 September	
	2020 (reviewed)	2019 (not reviewed)
Contributions		
Gross contributions	33,282,106	42,843,311
Retakaful share of gross contributions	(7,144,690)	(7,819,515)
Retained contributions	26,137,416	35,023,796
Unearned contributions adjustment	2,068,544	(4,235,067)
Net earned contributions	28,205,960	30,788,729
Policy issuance fee	162,127	165,095
Re-takaful discount	1,791,868	1,608,861
Net acquisition costs / discount income	1,953,995	1,773,956
Unearned acquisition costs / discount income adjustment	(80,383)	(108,337)
Net earned acquisition costs / discount income	1,873,612	1,665,619
Net earned revenue	30,079,572	32,454,348
Claims:		
Gross claims paid	24,447,112	24,793,729
Retakaful share of claims paid	(1,865,805)	(2,332,172)
Change in outstanding claims - gross	(123,020)	2,096,313
Change in outstanding claims - retakaful share	(278,088)	317,925
Net claims	22,180,199	24,875,795
Net earned revenue over net claims incurred	7,899,373	7,578,553
Wakala fee	(7,999,200)	(8,088,454)
Surplus from takaful operations	(99,827)	(509,901)
Profit income	109,095	124,830
Mudarib share	(54,549)	(53,108)
Other expense	(119,047)	(124,605)
DEFICIT FOR THE PERIOD	(164,328)	(562,784)

These reviewed condensed interim separate financial information, were approved and authorised for issue by the Board of Directors and signed on behalf by:



Mr. Yahya Ebrahim Nooruddin
Chief Executive Officer

See Auditor's Report dated 17/10/2020
Signed by BDO, CR No. 10201-04
Partner: Nath Venkatesh Viswanath
Reg. No. 151
Signature: 

t'azur Company B.S.C. (c)


CONDENSED INTERIM SEPARATE STATEMENT OF SHAREHOLDER'S PROFIT AND LOSS
for the nine-month period ended 30 September 2020
(Expressed in United States Dollars)

	Nine months ended 30 September	
	2020	2019
	(reviewed)	(not reviewed)
Revenues		
Wakala fee	7,999,199	8,088,454
Investment profit income	181,971	253,437
Mudarib share	54,548	53,109
Other income	181,776	219,612
Total income	8,417,494	8,614,612
Expenses		
General and administration expenses	7,737,622	8,184,114
Total expenses	7,737,622	8,184,114
NET PROFIT FOR THE PERIOD	679,872	430,498
Profit attributable to:		
Owners of the parent Company	679,872	430,498
NET PROFIT FOR THE PERIOD	679,872	430,498

The reviewed condensed interim separate financial information, were approved and authorised for issue by the Board of Directors and signed on behalf by:



Mr. Yahya Ebrahim Nooruddin
Chief Executive Officer

See Auditor's Report dated 17/01/2021
Signed by BDO, CR No. 10201-04
Partner: Nath Venkatesharam Viswanath
Reg. No. 151
Signature: 

CONDENSED INTERIM SEPARATE STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2020

(Expressed in United States Dollars)

OPERATING ACTIVITIES

Contributions received net of acquisition cost

Retakaful contribution paid net of discount

Medical TPA charges paid

Claims paid

Retakaful share of claims recovered

General & Administrative expenses paid

Other income received

Motor fund claims fund paid

Cash flow from operating activities

INVESTING ACTIVITIES

Purchase of property and equipment

Increase in Investment in deposits more than 3 months

Increase in investments

Investment income received

Cash flow from / (used in) investing activities

Foreign currency translation adjustment

NET INCREASE IN CASH AND CASH EQUIVALENT FOR THE PERIOD

Cash and cash equivalents at the beginning of the period

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

Nine months ended 30 September	
2020 (reviewed)	2019 (not reviewed)
33,468,658	36,307,302
(4,489,031)	(6,840,125)
(1,185,301)	(1,715,466)
(24,562,518)	(24,632,351)
1,865,805	2,332,172
(3,270,619)	(2,202,945)
181,690	170,016
(165,370)	(163,436)
1,843,314	3,255,167
(24,114)	(11,477)
(12,974)	(170,138)
(115,081)	(76,022)
424,068	141,937
271,899	(115,700)
651	20,159
2,115,864	3,159,626
8,540,562	4,166,594
10,656,426	7,326,220

t'azur Company B.S.C. (c)

CONDENSED INTERIM SEPARATE STATEMENT OF CHANGES IN PARTICIPANTS' FUND

For the nine-month period ended 30 September 2020

(Expressed in United States Dollars)

2020

Balance at 1 January (Audited)

Surplus / (net deficit) for the period

Balance at 30 September (Reviewed)

Family takaful accumulated deficit	General takaful		Total
	Accumulated deficit	Total general takaful	
(3,234,167)	(23,816,456)	(23,816,456)	(27,050,623)
150,624	(314,952)	(314,952)	(164,328)
(3,083,543)	(24,131,408)	(24,131,409)	(27,214,951)

2019

Balance at 1 January (Audited)

Deficit for the period

Balance at 30 September (Reviewed)

Family takaful accumulated deficit	General takaful		Total
	Accumulated deficit	Total general takaful	
(3,388,891)	(24,233,595)	(24,233,595)	(27,622,486)
(3,793)	(558,991)	(558,991)	(562,784)
(3,392,684)	(24,792,586)	(24,792,586)	(28,185,270)

t'azur Company B.S.C. (c)

CONDENSED INTERIM SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended 30 September 2020 (Reviewed)

(Expressed in United States Dollars)

	Attributed to shareholders of the parent Company					
	Share capital	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Investment fair value reserve	Total
2020						
Balance at 1 January (Audited)	58,000,000	1,356,311	(94,529)	(8,954,930)	796,250	51,103,103
Foreign currency translation reserve	-	-	2	-	-	2
Investment fair value reserve	-	-	-	-	(329,272)	(329,272)
Net profit for the period	-	-	-	679,872	-	679,872
Balance at 30 September (Reviewed)	58,000,000	1,356,311	(94,528)	(8,275,058)	466,978	51,453,703

Attributed to shareholders of the parent Company						
	Share capital	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Investment fair value reserve	Total
2019						
Balance at 1 January (Audited)	58,000,000	1,324,137	(93,669)	(9,209,323)	934,484	50,955,629
Foreign currency translation reserve	-	-	18,557	2	-	18,559
Investment fair value reserve	-	-	-	-	(258,216)	(258,216)
Net profit for the period	-	-	-	430,498	-	430,498
Balance at 30 September (Reviewed)	58,000,000	1,324,137	(75,112)	(8,778,823)	676,268	51,146,470

1 ORGANISATION AND ACTIVITIES

t'azur Company B.S.C. (c) (the "Company" / "Parent company") is a closed joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration number 66941 on 8 November 2007. The registered office of the Company is at Jeera 2, 12th Floor, Building 2347, Road 2830, Block 428, Al Seef District, Kingdom of Bahrain.

The Parent company is engaged in takaful activities in accordance with the principles of Islamic Shari'a through the head office in the Kingdom of Bahrain. The Company has 70% holding in a subsidiary in the State of Kuwait and a branch in the State of Qatar (the Qatar Branch). Qatar branch obtained a license on 17 September 2009 from The Qatar Financial Centre.

The Shari'a Supervisory Board in Kingdom of Bahrain and State of Kuwait are entrusted with the responsibility to ensure the Group's adherence to Shari'a rules and principles in its transactions and activities.

This condensed interim separate financial information, set out on pages 4 to 19, were approved and authorized for issue by the Board of Directors on 17 January 2021.

These are the condensed interim separate financial statements of the Company and the Company's investment in its subsidiary has been accounted for using the equity method.

Details of the Company's investment in its wholly owned subsidiary is as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest</u>	<u>Date of incorporation</u>	<u>Principal activity</u>
t'azur Takaful Insurance Company K.S.C. (Closed)	Kuwait	70%	2007	Insurance

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation and presentation**

The condensed interim separate financial information has been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting". The condensed interim separate financial statements should therefore be read in conjunction with the annual audited financial statements prepared as at, and for the year ended, 31 December 2019 which has been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("the AAOIFI"). For recognition and measurement matters which are not covered by the AAOIFI standards, including Interim Financial Reporting, the Company uses guidance from International Financial Reporting Standards.

Significant accounting policies

The accounting policies used in the preparation of the condensed interim separate financial statements are consistent with those used in the annual audited financial statements of the Company prepared as at, and for the year ended 31 December 2019.

3 Significant events and transactions

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on the Company's condensed interim financial information for the nine months ended 30 September 2020 and are summarised as follows:

(a) Rent concessions

The Company has received rent concessions from lessors relating to the leased premises of the office building in the form of the rent discounts i.e. reductions in rent contractually due under the terms of lease agreements, from the month of May to June 2020, amounting to USD 5,585.

(b) Government grants

The Company has applied for various government support programs introduced in response to the global pandemic.

Included in profit or loss is USD 442,245 of government grants obtained relating to supporting the payroll of Company's employees. The Company has elected to present this government grant by reducing the related expense. The Company had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Company does not have any unfulfilled obligations relating to this program.

The Company has also received government grant of USD 6,208 relating to the electricity and water bills. The Company has elected to present this grant by reducing the related expense.

(c) 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 contribute to evolve, but at the present time the projections show that the Company has ample resources to continue to operational existence and its going concern positions remain largely unaffected and unchanged from 31 December 2019. As a result, this condensed interim separate financial information has been appropriately prepared on a going concern basis.

(d) Commitments 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, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

(e) Decrease in sales and cash flows

The Company has experienced a reduction in their revenues since pandemic effect became widespread during the period ended 30 September 2020, as the contributions have not grown to the extent was budgeted and major impact of the growth has been in Motor line of business which has slowed down due to competitors offering better rates and decrease in sale of cars due to COVID-19 and VAT impact. The profit rates on Murabaha deposits has been reduced on account of Covid-19 pandemic effects. However, the Company has been benefiting by a reduction in payment of claims in Medical and Motor department thereby leading to a better overall result and the low quantum of claims is expected to continue till year-end.

However, no significant impact noted on Company's financial and non-financial assets as at and for the period ended 30 September 2020.

4 SEGMENT INFORMATION

The Company's assets are segregated into three identified pools viz. General Takaful, Family Takaful and Shareholders'. The General Takaful is further segregated based on product types.

a) Shareholders

The results of the Company's shareholders' related activities are presented in page 6 of the condensed interim financial information. Assets and liabilities relating to shareholders' activities are presented on page 13.

b) General and Family takaful

The results of the general and family takaful operations are set out in note 5 (d). The assets and liabilities represented on page 13.

NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL INFORMATION

For the nine-month period ended 30 September 2020

(Expressed in United States Dollars)

5 SEGMENT INFORMATION (continued)

c) Assets and liabilities – shareholders', family takaful and general takaful

ASSETS	Shareholders		Family takaful		General takaful		Elimination		Total	
	30 Sep 20	31 Dec 19	30 Sep 20	31 Dec 19	30 Sep 20	31 Dec 19	30 Sep 20	31 Dec 19	30 Sep 20	31 Dec 19
Cash and cash equivalents	532,949	696,557	2,289,204	287,489	7,834,273	7,556,516	-	-	10,656,426	8,540,562
Statutory deposits	332,447	332,447	-	-	-	-	-	-	332,447	332,447
Deposits more than 3 months	3,522,939	3,320,133	-	210,692	1,862,789	1,841,929	-	-	5,385,728	5,372,754
Investments	18,829,994	19,082,840	5,377,353	5,046,466	2,444,951	2,363,783	-	-	26,652,298	26,493,089
Contributions receivable	-	-	192,616	130,599	10,152,413	12,050,419	-	-	10,345,029	12,181,018
Takaful & Retakaful receivable	-	-	203,432	260,615	2,544,986	3,711,821	-	-	2,748,418	3,972,436
Deferred acquisition cost	1,799,279	1,888,772	(6)	(6)	(89)	(59)	-	-	1,799,184	1,888,707
Deferred retakaful share of contribution	-	-	186,040	209,550	4,386,372	4,505,160	-	-	4,572,412	4,714,710
Retakaful share of outstanding claims	-	-	(187,025)	(197,126)	6,993,922	6,725,937	-	-	6,806,897	6,528,811
Property and equipment	302,480	371,496	-	-	-	-	(24,753,000)	(24,753,000)	302,480	371,496
Qard Hassan receivable	24,753,000	24,753,000	-	-	-	-	-	-	-	-
Other assets	2,028,911	970,464	(1,063,395)	1,159,674	2,339,474	2,049,549	-	-	3,304,990	4,179,687
Total assets	52,101,999	51,415,709	6,998,219	7,107,953	38,559,091	40,805,055	(24,753,000)	(24,753,000)	72,906,309	74,575,717

LIABILITIES, PARTICIPANTS' FUND & SHAREHOLDERS' EQUITY

Liabilities										
Technical reserves	-	-	1,305,938	1,319,395	38,212,287	40,452,338	-	-	39,518,225	41,771,733
Payable to takaful and retakaful companies	-	-	637,743	1,132,540	1,032,848	898,279	-	-	1,670,591	2,030,819
Qard Hassan payable	-	-	2,617,000	2,617,000	22,136,000	22,136,000	(24,753,000)	(24,753,000)	-	-
Other liabilities	648,296	312,606	5,521,080	5,273,185	1,309,365	1,134,894	-	-	7,478,741	6,720,685
Total liabilities	648,296	312,606	10,081,761	10,342,120	62,690,500	64,621,511	(24,753,000)	(24,753,000)	48,667,557	50,523,237
PARTICIPANTS' FUND										
Accumulated deficit	-	-	(3,083,542)	(3,234,167)	(24,131,409)	(23,816,456)	-	-	(27,214,951)	(27,050,623)
Total participants' fund	-	-	(3,083,542)	(3,234,167)	(24,131,409)	(23,816,456)	-	-	(27,214,951)	(27,050,623)
EQUITY										
Share capital	58,000,000	58,000,000	-	-	-	-	-	-	58,000,000	58,000,000
Statutory reserve	1,356,311	1,356,312	-	-	-	-	-	-	1,356,311	1,356,312
Investment fair value reserve	466,978	796,250	-	-	-	-	-	-	466,978	796,250
Foreign currency translation reserve	(94,528)	(94,529)	-	-	-	-	-	-	(94,528)	(94,529)
Accumulated losses	(8,275,058)	(8,954,930)	-	-	-	-	-	-	(8,275,058)	(8,954,930)
Total shareholders' equity	51,453,703	51,103,103	-	-	-	-	-	-	51,453,703	51,103,103
Total Liabilities, participants' fund and shareholders' equity	52,101,999	51,415,709	6,998,219	7,107,953	38,559,091	40,805,055	(24,753,000)	(24,753,000)	72,906,309	74,575,717

NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL INFORMATION

For the nine-month period ended 30 September 2020

(Expressed in United States Dollars)

5 SEGMENT INFORMATION (continued)

d) Participants' revenue and expenses

	30 September 2020 (reviewed)	General takaful					Total
		Family takaful	Fire & general accident	Medical	Marine & aviation	Motor	Total general takaful
Contribution							
Gross contributions		1,091,733	6,019,799	13,912,207	353,659	11,904,708	33,282,106
Retakaful share of gross contributions		(808,490)	(4,774,898)	(198,604)	(241,159)	(1,121,539)	(7,144,690)
Retained contributions							
Unearned contributions adjustment		283,243	1,244,901	13,713,603	112,500	10,783,169	26,137,416
		18,883	(94,674)	1,483,072	837	660,426	2,068,544
Net earned contributions							
Policy issuance fee		302,126	1,150,227	15,196,675	113,337	11,443,595	27,903,834
Retakaful discount		-	49,551	-	-	112,576	162,127
		160,528	1,384,456	-	96,854	150,030	1,791,868
Net acquisition costs / discount income							
Unearned acquisition costs / discount income adjustment		160,528	1,434,007	-	96,854	262,606	1,953,995
		(6,055)	(76,083)	-	208	1,547	(80,383)
Net earned revenue							
Net earned acquisition costs / discount income		154,473	1,357,924	-	97,062	264,153	1,873,612
		456,599	2,508,151	15,196,675	210,399	11,707,748	30,079,572
Claims:							
Gross claims paid		301,042	1,955,070	15,901,804	29,799	6,259,397	24,447,112
Retakaful share of claims paid		(215,220)	(1,292,849)	(161,127)	(17,839)	(178,770)	(1,865,805)
Change in outstanding claims - gross		22,881	499,182	(1,301,200)	3,726	652,391	(123,020)
Change in outstanding claims - retakaful share		(10,101)	(455,201)	358,862	(5,291)	(166,357)	(278,088)
Net claims							
		98,602	706,202	14,798,339	10,395	6,566,661	22,081,597
		357,997	1,801,949	398,336	200,004	5,141,087	7,899,373
		(207,368)	(1,590,358)	(3,081,735)	(106,098)	(3,013,641)	(7,999,200)
Wakala fee							
Surplus / (deficit) from takaful operations		150,629	211,591	(2,683,399)	93,906	2,127,446	(99,827)
Profit income		(2)	8,349	58,540	745	41,466	109,098
Mudarib share		-	(4,174)	(29,269)	(373)	(20,733)	(54,549)
Others		-	-	-	-	(119,047)	(119,047)
SURPLUS / (DEFICIT) OF REVENUE OVER EXPENSES		150,627	215,766	(2,654,128)	94,278	2,029,132	(314,952)
							(164,325)

NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL INFORMATION**For the nine-month period ended 30 September 2020**

(Expressed in United States Dollars)

5 SEGMENT INFORMATION (continued)**e) Participants' revenue and expenses (continued)**

30 September 2019 (not reviewed)	Family takaful	General takaful				Total
		Fire & general accident	Medical	Marine & aviation	Motor	Total general takaful
Contribution						
Gross contributions	1,091,191	6,356,677	22,558,270	376,657	12,460,516	41,752,120
Retakaful share of gross contributions	(759,252)	(5,409,265)	(592,801)	(253,318)	(804,879)	(7,060,263)
Retained contributions	331,939	947,412	21,965,469	123,339	11,655,637	34,691,857
Unearned contributions adjustment	24,826	(139,289)	(3,940,363)	(15,076)	(165,165)	(4,259,893)
Net earned contributions	356,765	808,123	18,025,106	108,263	11,490,472	30,431,964
Policy issuance fee	-	34,804	-	886	129,405	165,095
Retakaful discount	89,726	1,245,758	-	93,469	179,908	1,519,135
Net acquisition costs / discount income	89,726	1,280,562	-	94,355	309,313	1,684,230
Unearned acquisition costs / discount income adjustment	(8,647)	(101,650)	-	(3,743)	5,703	(99,690)
Net earned acquisition costs / discount income	81,079	1,178,912	-	90,612	315,016	1,584,540
Net earned revenue	437,844	1,987,035	18,025,106	198,875	11,805,488	32,016,504
Claims						
Gross claims paid	883,639	1,470,308	15,485,491	40,584	6,913,707	23,910,090
Retakaful share of claims paid	(566,907)	(1,025,754)	(270,499)	(20,682)	(448,330)	(1,765,265)
Change in outstanding claims - gross	(360,206)	(49,868)	658,420	42,828	1,805,138	2,456,518
Change in outstanding claims - retakaful share	262,263	74,465	(154,429)	(10,881)	146,507	55,862
Net claims	218,790	469,151	15,718,983	51,849	8,417,022	24,657,005
Surplus from takaful operations	219,054	1,517,884	2,306,123	147,026	3,388,466	7,359,499
Wakala fee	(215,794)	(1,414,237)	(3,502,061)	(113,263)	(2,843,099)	(7,872,660)
Surplus / (deficit) from takaful operations	3,260	103,647	(1,195,938)	33,763	545,367	(513,161)
Profit income	(10,072)	7,551	78,696	806	47,849	134,902
Mudarib share	3,019	(3,775)	(26,025)	(403)	(23,924)	(56,127)
Others	-	-	-	-	(124,605)	(124,605)
SURPLUS / (DEFICIT) OF REVENUE OVER EXPENSES	(3,793)	107,423	(1,145,267)	34,166	444,687	(562,784)

6 TRANSACTIONS AND BALANCES WITH 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 entities over which the Company exercises significant influence, major shareholders, directors and executive management of the Company. The Company's transactions with related parties are authorized by the management

Key management personnel compensation

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

A summary of the balances with related parties, included in this condensed interim separate information are:

	Nine months ended 30 September	
	2020 (Reviewed)	2019 (Not reviewed)
Gross contributions	480,370	495,537
Finance Income	-	20,077
Claims settled	397,570	738,672
Rent paid – BFC, 3 branches	14,362	14,362

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

	30 Sep 20 (Reviewed)		31 Dec 19 (Audited)	
	Shareholders	Participants	Shareholders	Participants
Contributions receivable	-	63,789	-	28,464

Compensation of Key management personnel

The remuneration of directors and other members of the key management during the period was as follows:

	Reviewed 30 September 2020	Not reviewed 30 September 2019
Salaries and benefits	581,305	521,652
Accounts receivable	13,128	4,023
Employees service benefits	443,106	472,133

7 FAIR VALUE OF FINANCIAL INSTRUMENTS**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* – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities on exchanges.

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- *Level 2* – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as 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* – Valuation techniques using significant unobservable inputs. This category includes all instruments where 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.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The table below analyses financial instruments, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized.

	Level 1	Level 2	Level 3	Total
Investment in units	5,377,353	-	-	5,377,353
Investment in Subsidiary			17,685,043	17,685,043
Investment in associate (Invita)	-	-	123,410	123,410
Investment in Sukuk	3,466,492	-	-	3,466,492
	8,843,845	-	17,808,453	26,652,298

No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30 September 2020.

Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

6 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.

30 September 2020 (reviewed)	Fair value through profit or loss	Available for sale	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	10,656,426	10,656,426	10,656,426
Statutory deposit	-	-	332,447	332,447	332,447
Deposits more than 3 months	-	-	5,385,728	5,385,728	5,385,728
Contributions receivables	-	-	10,345,029	10,345,029	10,345,029
Takaful and retakaful receivable	-	-	2,748,418	2,748,418	2,748,418
Retakaful share of outstanding claims	-	-	6,806,897	6,806,897	6,806,897
Investment securities	5,377,353	-	-	5,377,353	5,377,353
Investment in Associate	-	-	-	123,410	123,410
Investment in CBB Sukuk	3,466,492	-	-	3,466,492	3,466,492
Other assets	-	-	3,304,805	3,304,805	3,304,805
Total financial assets	8,843,845	-	39,579,750	48,547,005	48,547,005
Outstanding claims	-	-	-	-	17,126,155
Insurance payables	-	-	-	-	1,670,591
Other liabilities	-	-	-	-	7,477,899
Total financial liabilities	-	-	-	-	26,274,645

31 December 2019 (audited)	Fair value through profit or loss	Available for sale	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	8,540,562	8,540,562	8,540,562
Statutory deposit	-	-	332,447	332,447	332,447
Deposits more than 3 months	-	-	5,372,754	5,372,754	5,372,754
Contributions receivables	-	-	12,181,018	12,181,018	12,181,018
Takaful and retakaful receivable	-	-	3,972,436	3,972,436	3,972,436
Retakaful share of outstanding claims	-	-	6,528,811	6,528,811	6,528,811
Investment securities	5,046,466	-	-	5,046,466	5,046,466
Investment in Associate	-	-	-	123,410	123,410
Investment in CBB Sukuk	3,351,409	-	-	3,351,409	3,351,409
Other assets	-	-	4,179,502	4,179,502	4,179,502
Total financial assets	8,397,875	-	41,107,530	49,628,815	49,628,815
Outstanding claims	-	-	-	-	17,249,174
Insurance payables	-	-	-	-	2,030,819
Other liabilities	-	-	-	-	6,720,500
Total financial liabilities	-	-	-	-	26,000,493

8 CONTINGENCIES AND COMMITMENTS

a) Letter of guarantee

A contingent liability exists at the condensed statement of financial position date in respect of an irrevocable letter of guarantee amounting to USD 47,736 (2019: USD 47,736) issued for the purpose of medical business operations.

9 INTERIM RESULTS

The interim net profit for the quarter and nine months period ended 30 September 2020 may not represent a proportionate share of the annual net profit or loss due to the nature of the Company's activities and potential seasonal changes, timing of the receipt of dividend and investment income.

10 SUBSEQUENT EVENT

The Company has received a letter of intent from Solidarity Bahrain B.S.C. on 25 October 2020 proposing a merger between the two companies. t'azur accepted the offer of merger from Solidarity Bahrain B.S.C. in its Board meeting held on 1 November 2020. The Company is currently in the process of engaging a consultant to conduct the due diligence process as a part of the merger exercise.

T'azur Company B.S.C. (c)

Agreed-upon procedure for the carved-out standalone financial statements of T'azur Company B.S.C. (c) for the year ended 31 December 2019



January 2021

The Board of Directors
T'azur Company B.S.C. (c)
Jeera 2, 12th Floor, Building 2347
Road 2830, Block 428
PO Box 31600
Al Seef District
Kingdom of Bahrain

10 January 2021

Dear Sirs

Agreed-upon procedure for the carved-out standalone financial statements of T'azur Company B.S.C. (c) for the year ended 31 December 2019

We have performed the procedures agreed with you in our engagement letter dated 9 November 2020 with respect to review the carved-out standalone financial statements of T'azur Company B.S.C. (c) ("the Company") for the year ended 31 December 2019.

Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS 4400 - *Engagements to Perform Agreed upon Procedures Regarding Financial Information*) applicable to agreed upon procedures. The sufficiency of these procedures is the sole responsibility of the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this has been requested or for any other purpose.

The procedures were performed solely to assist you with report on the carved-out standalone financial statements for the year ended 31 December 2019, as per the management requirement and is summarised as follows:

1. We have obtained the consolidation workings used for the preparation and presentation of the audited consolidated financial statements of the Company and its subsidiaries and reviewed the carved-out standalone financial position of the Company as at 31 December 2019, standalone statement of income, participants' revenues and expenses, changes in participants fund, changes in shareholders' equity and cash flows for years ended 31 December 2019 including relevant explanatory notes and confirmed that these statements matched with the consolidation workings;
2. We have agreed the information on the stand-alone statements on a sample basis with the accounting records and system;
3. We have checked the arithmetical accuracy of standalone financial position as at 31 December 2019, standalone statement of income, participants' revenues and expenses, changes in participants fund, changes in shareholders' equity and cash flows for year 31 December 2019 and other explanatory notes; and
4. Based on the above procedures, we have compiled the standalone financial position as at 31 December 2019, standalone statement of income, participants' revenues and expenses, changes in participants fund, changes in shareholders' equity and cash flows for year 31 December 2019 and other explanatory notes.

The information used in performance of our work outlined in points 1 to 4 above were provided to us by the management of the Company.

The Board of Directors
T'azur Company B.S.C. (c)

10 January 2021

We report our findings below:

1. With respect to item 1 above, no exception was noted;
2. With respect to item 2 above, no exception was noted;
3. With respect to item 3 above, no exception was noted; and
4. With respect to item 4 above, no exception was noted.

Because the above procedures do not constitute either an audit or a review made in accordance with the International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the above procedures performed.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the Company in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and is only for the information of the Company and is not be used for any other purpose or be distributed to any other parties without our express written approval. This report relates only to the attached Appendix "A" standalone financial statements, stamped by us for identification purpose only, and items specified above and do not extend to any financial statements of the Company, taken as a whole.

Yours sincerely



Manama, Kingdom of Bahrain



STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(amounts in United States Dollars)

	Note	2019	2018
ASSETS			
Cash and cash equivalents	5	8,540,562	4,166,594
Statutory deposits	5	332,447	332,447
Deposits more than 3 months	5	5,372,754	5,202,616
Investments	6	26,493,089	25,796,298
Contributions receivable	7	12,181,018	12,336,323
Receivable from takaful and retakaful companies	8	3,972,436	2,752,499
Deferred acquisition cost	9	1,888,707	1,831,511
Deferred retakaful share of contribution	10	4,714,710	6,755,011
Retakaful share of outstanding claims	11	6,528,811	1,084,181
Property and equipment	14	371,496	488,804
Other assets	15	4,179,687	5,607,955
Total assets		74,575,717	66,354,239
LIABILITIES, PARTICIPANTS' FUND & SHAREHOLDERS' EQUITY			
Liabilities			
Technical reserves	12	41,771,733	35,108,754
Payable to takaful and retakaful companies		2,030,819	2,968,171
Other liabilities	16	6,720,685	4,945,036
Total liabilities		50,523,237	43,021,961
PARTICIPANTS' FUND			
Accumulated deficit		(27,050,623)	(27,623,351)
Total participants' fund		(27,050,623)	(27,623,351)
EQUITY			
Share capital	19	58,000,000	58,000,000
Statutory reserve	20	1,356,312	1,324,137
Investment fair value reserve		796,250	934,484
Foreign currency translation reserve		(94,529)	(93,669)
Retained losses		(8,954,930)	(9,209,323)
Total shareholders' equity		51,103,103	50,955,629
Total liabilities, participants' fund and shareholders' equity		74,575,717	66,354,239



Mr. Yahya Nooruddin
 Chief Executive Officer

STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES
for the year ended 31 December 2019
(amounts in United States Dollars)

		Year ended 31 December	
	Note	2019	2018
Contributions			
Gross contributions	12(a)	50,305,895	49,158,953
Retakaful share of gross contributions	10	(9,806,207)	(9,630,387)
Retained contributions		40,499,688	39,528,566
Unearned contributions adjustment		484,204	(3,708,558)
Net earned contributions		40,983,892	35,820,008
Policy issuance fee		213,034	241,781
Re-takafui discount	12(b)	2,357,518	2,137,787
Net acquisition costs / discount income		2,570,552	2,379,568
Unearned acquisition costs / discount income adjustment		(110,348)	(47,496)
Net earned acquisition costs / discount income		2,460,204	2,332,072
Net earned revenue		43,444,096	38,152,080
Claims:			
Gross claims paid	12(c)	34,346,679	31,063,460
Retakaful share of claims paid	11	(3,007,705)	(2,554,842)
Change in outstanding claims - gross		7,456,357	(5,899,653)
Change in outstanding claims - retakaful share		(5,444,629)	5,963,381
Net claims		33,350,702	28,572,346
Net earned revenue over net claims incurred		10,093,394	9,579,734
Wakala fee		(9,936,253)	(9,504,160)
Surplus from takaful operations		157,141	75,574
Profit income		160,162	200,727
Mudarib share	22	(80,072)	(53,475)
Other expense		(165,368)	(163,436)
Qard Hassan write back		500,000	-
SURPLUS FOR THE YEAR		571,863	59,390



Mr. Yahya Nooruddin
 Chief Executive Officer

SHAREHOLDERS' STATEMENT OF INCOME
for the year ended 31 December 2019
(amounts in United States Dollars)

	Note	Year ended 31 December	
		2019	2018
Revenues			
Wakala fee	21	9,936,255	9,504,160
Investment profit income		327,872	270,251
Mudarib share	22	80,072	53,475
Other income	23	287,559	219,813
Total income		10,631,758	10,047,699
Expenses			
General and administration expenses	17(a)	9,702,642	9,991,013
Assets write-off		500,000	-
Investment impairment		142,547	-
Total expenses		10,345,189	9,991,013
NET PROFIT FOR THE YEAR		286,569	56,686
Profit attributable to:			
Owners of the parent Company		286,569	56,686
NET PROFIT FOR THE YEAR		286,569	56,686



Mr. Yahya Nooruddin
Chief Executive Officer

T'azur Company B.S.C. (c)

Agreed-upon procedure on the carved-out standalone financial statements of T'azur Company B.S.C. (c) for the year ended 31 December 2018



January 2021

The Board of Directors
T'azur Company B.S.C. (c)
Jeera 2, 12th Floor, Building 2347
Road 2830, Block 428
PO Box 31600
Al Seef District
Kingdom of Bahrain

10 January 2021

Dear Sirs

Agreed-upon procedure for the carved-out standalone financial statements of T'azur Company B.S.C. (c) for the year ended 31 December 2018

We have performed the procedures agreed with you in our engagement letter dated 9 November 2020 with respect to review the carved-out standalone financial statements of T'azur Company B.S.C. (c) ("the Company") for the year ended 31 December 2018.

Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS 4400 - *Engagements to Perform Agreed upon Procedures Regarding Financial Information*) applicable to agreed upon procedures. The sufficiency of these procedures is the sole responsibility of the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this has been requested or for any other purpose.

The procedures were performed solely to assist you with report on the carved-out standalone financial statements for the year ended 31 December 2018, as per the management requirement and is summarised as follows:

1. We have obtained the consolidation workings used for the preparation and presentation of the audited consolidated financial statements of the Company and its subsidiaries and reviewed the carved-out standalone financial position of the Company as at 31 December 2018, standalone statement of income, participants' revenues and expenses, changes in participants fund, changes in shareholders' equity and cash flows for years ended 31 December 2018 including relevant explanatory notes and confirmed that these statements matched with the consolidation workings;
2. We have agreed the information on the stand-alone statements on a sample basis with the accounting records and system;
3. We have checked the arithmetical accuracy of standalone financial position as at 31 December 2018, standalone statement of income, participants' revenues and expenses, changes in participants fund, changes in shareholders' equity and cash flows for year 31 December 2018 and other explanatory notes; and
4. Based on the above procedures, we have compiled the standalone financial position as at 31 December 2018, standalone statement of income, participants' revenues and expenses, changes in participants fund, changes in shareholders' equity and cash flows for year 31 December 2018 and other explanatory notes.

The information used in performance of our work outlined in points 1 to 4 above were provided to us by the management of the Company.

The Board of Directors
T'azur Company B.S.C. (c)

10 January 2021

We report our findings below:

1. With respect to item 1 above, no exception was noted;
2. With respect to item 2 above, no exception was noted;
3. With respect to item 3 above, no exception was noted; and
4. With respect to item 4 above, no exception was noted.

Because the above procedures do not constitute either an audit or a review made in accordance with the International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the above procedures performed.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the Company in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and is only for the information of the Company and is not be used for any other purpose or be distributed to any other parties without our express written approval. This report relates only to the attached Appendix "A" standalone financial statements, stamped by us for identification purpose only, and items specified above and do not extend to any financial statements of the Company, taken as a whole.

Yours sincerely



Manama, Kingdom of Bahrain

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

USD

	Note	2018	2017
ASSETS			
Cash and cash equivalents	5	4,166,594	3,721,091
Statutory deposits	5	332,447	332,447
Deposits more than 3 months	5	5,202,616	8,117,266
Investments	6	25,796,298	24,141,144
Contributions receivable	7	12,336,323	10,406,839
Receivable from takaful and retakaful companies	8	2,752,499	2,909,272
Deferred acquisition cost	9	1,831,511	1,715,196
Deferred retakaful share of contribution	10	6,755,011	8,732,202
Retakaful share of outstanding claims	11	1,084,181	7,050,720
Property and equipment	14	488,804	470,476
Other assets	15	5,607,955	3,424,334
Total assets		66,354,239	71,020,987
LIABILITIES, PARTICIPANTS' FUND & SHAREHOLDERS' EQUITY			
Liabilities			
Technical reserves	12	35,108,754	39,233,149
Payable to takaful and retakaful companies		2,968,171	2,541,974
Other liabilities	16	4,945,036	5,092,538
Total liabilities		43,021,961	46,867,661
PARTICIPANTS' FUND			
Accumulated deficit		(27,623,351)	(27,682,740)
Total participants' fund		(27,623,351)	(27,682,740)
EQUITY			
Share capital	19	58,000,000	58,000,000
Statutory reserve	20	1,324,137	1,314,688
Investment fair value reserve		934,484	1,883,085
Foreign currency translation reserve		(93,669)	(105,146)
Accumulated losses		(9,209,323)	(9,256,561)
Total shareholders' equity		50,955,629	51,836,066
Total liabilities, participants' fund and shareholders' equity		66,354,239	71,020,987



Mr. Yahya Nooruddin
 Chief Executive Officer

STATEMENT OF PARTICIPANTS' REVENUES AND EXPENSES
for the year ended 31 December 2018

USD

	Note	Year ended 31 December	
		2018	2017
Contributions			
Gross contributions	12(a)	49,158,953	43,978,921
Retakaful share of gross contributions	10	(9,630,387)	(13,027,417)
Retained contributions		39,528,566	30,951,504
Unearned contributions adjustment		(3,708,558)	778,033
Net earned contributions		35,820,008	31,729,537
Policy issuance fee		241,781	227,201
Re-takaful discount	12(b)	2,137,787	2,353,944
Net acquisition costs / discount income		2,379,568	2,581,145
Unearned acquisition costs / discount income adjustment		(47,496)	(90,641)
Net earned acquisition costs / discount income		2,332,072	2,490,504
Net earned revenue		38,152,080	34,220,041
Claims:			
Gross claims paid	12(c)	31,063,460	26,412,834
Retakaful share of claims paid	11	(2,554,842)	(5,181,358)
Change in outstanding claims - gross		(5,899,653)	1,102,055
Change in outstanding claims - retakaful share		5,963,381	1,386,285
Net claims		28,572,346	23,719,816
Net earned revenue over net claims incurred		9,579,734	10,500,225
Wakala fee	21	(9,504,160)	(9,024,127)
Surplus from takaful operations		75,574	1,476,098
Profit income		200,726	117,933
Mudarib share	22	(53,475)	(63,281)
Other expense		(163,436)	(130,912)
SURPLUS FOR THE YEAR		59,389	1,399,838



Mr. Yahya Nooruddin
 Chief Executive Officer

STATEMENT OF INCOME
for the year ended 31 December 2018

USD

		Year ended 31 December	
	Note	2018	2017
Revenues			
Wakala fee	21	9,504,160	9,024,127
Investment profit income		270,251	371,634
Mudarib share	22	53,475	63,281
Other income	23	219,813	258,943
Total income		10,047,699	9,717,985
Expenses			
General and administration expenses	17	9,991,013	9,543,266
Total expenses		9,991,013	9,543,266
NET PROFIT FOR THE YEAR		56,686	174,719
Profit attributable to:			
Owners of the parent Company		56,686	174,719
NET PROFIT FOR THE YEAR		56,686	174,719



Mr. Yahya Nooruddin
 Chief Executive Officer

الملحق الثالث

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this “**Merger Agreement**”) dated 29 September 2021 is made by and between, **SOLIDARITY BAHRAIN B.S.C.** a public joint stock company incorporated under the laws of Bahrain with Commercial Registration Number 5091 having its registered address at P.O. Box 5282, 7th Floor - Seef Tower Flat 71, Building 2080, Road 2825, Block 428, Seef Area, Manama - Kingdom of Bahrain (“**SOLIDARITY**”), and **T’AZUR COMPANY B.S.C. (C)**, a closed joint stock company incorporated under the laws of Bahrain with Commercial Registration Number 66941 and having its registered address at P.O. Box 31600, 12th Floor, Jeera 2, Building 2347, Road 2830, Block: 428, Seef Area, Manama - Kingdom of Bahrain (“**T’AZUR**”).

The parties are referred to singularly as “**Party**” and jointly as “**Parties**.”

Preamble:

- (A) Whereas, the Parties desire to effect a merger through the transfer of all assets, liabilities, rights, interests, business and business activities of T’azur to Solidarity (except for T’azur’s investment in TTIC as defined and described below) on the terms set forth in this Merger Agreement and in accordance with the Transaction Scope defined below (“**Merger**”).
- (B) Whereas, the Parties intend that T’azur to be merged with and into Solidarity. The separate existence of T’azur will cease (pending formal liquidation and cancellation of certificate of registration at the Ministry of Industry, Commerce and Tourism, Bahrain (“**MOICT**”)) and Solidarity, as the acquiring entity, will continue as Solidarity following the merger.
- (C) Solidarity as the surviving entity shall maintain its commercial registration with the MOICT, license with CBB and its listing on Bahrain Bourse (“**BHB**”).
- (D) Now, therefore, the Parties agree as follows:

Terms of Merger

1. Separation of Kuwait Subsidiary by T’azur and Swap of shares:

- 1.1 The scope of the merger includes only the Bahrain operations (assets, liabilities, rights, interest, business, and business activities) of T’azur, including Qatar branch in run-off (“**Transaction Scope**”). T’azur’s investment in its subsidiary T’azur Takaful Insurance Company K.S.C., Kuwait (“**TTIC**”), is to be separated as stated hereunder.
- 1.2 T’azur shall transfer its legal and beneficial ownership of 70% in the issued and paid-up capital of TTIC to its 100% subsidiary T.K. Holding Co. W.L.L. (the “**T’azur SPV**”) and the value of the ownership in TTIC is arrived at USD 17,354,907. This shall be followed by (i) the reduction of T’azur’s paid up capital to US\$ 40,645,093 through the cancellation of 17,354,907 no. of issued and paid-up shares with a nominal value of US\$ 1 and (ii) the distribution of 100% of shares in the

T'azur SPV, owned by T'azur, to T'azur's shareholders (or any nominee(s) as may be required) pro-rata to their ownership in T'azur.

- 1.3 The reduced number of issued and paid-up shares of T'azur being 40,645,093 ("**T'azur Exchange Shares**") with a nominal value of US\$ 1 shall be available for exchange at the mutually agreed swap ratio as outlined in clause 1.4 below.
- 1.4 The exchange ratio for the swap of shares is agreed to be 0.328 shares of Solidarity for every 1 share of T'azur ("**Swap Ratio**") and the same is based on the independent share valuation made by the respective independent advisors of T'azur and Solidarity and approved in respective shareholder assemblies of T'azur and Solidarity held on 29 September 2021. Any fractional entitlement of a T'azur shareholder to a part of a newly issued share by Solidarity will be rounded down to the nearest whole number of newly issued shares.
- 1.5 Subject to T'azur shareholders' approval of the above separation of TTIC and reduction of T'azur's paid-up capital in T'azur's extraordinary general assembly held on 29 September 2021 ("**T'azur EGM**"), Solidarity shall undertake the acquisition of T'azur's assets, liabilities, and business (within the Transaction Scope) in consideration for issuance of 13,333,332 ordinary shares in Solidarity at a par value of BHD 0.100 to be exchanged with 40,645,093 Shares in T'azur at the Swap Ratio and in line with the resolutions adopted at Solidarity's extraordinary general assembly held on 29 September 2021 ("**Solidarity EGM**").
- 1.6 Subject to respective shareholders' approval of Solidarity's acquisition of T'azur's assets, liabilities, and business (within the Transaction Scope) in consideration for issuance of ordinary shares in Solidarity as outlined in clause 1.5 above, both Parties shall apply to the Central Bank of Bahrain to approve the transfer of business from T'azur to Solidarity, within a period not exceeding Five (5) Business Days ("**Business Day**" being a day on which banks, financial institutions and the BHB are open for general business in the Kingdom of Bahrain) from the date of the T'azur and Solidarity EGM.

2. Conditions Precedent

- 2.1 The respective obligations of the Parties with regards to the execution of the Merger under the terms of this Merger Agreement shall be subject to the satisfaction, or waiver thereof (if capable of waiver), of the following Conditions Precedent:
 - 2.1.1 Obtaining the clearance/non-objection from CBB on the reduction of T'azur's paid-up capital and transfer/spin-off of its ownership in TTIC and T'azur SPV as outlined in clause number 1 above;
 - 2.1.2 Obtaining any required clearance/non-objection from the regulatory authorities in Kuwait for the transfer/spin-off of T'azur's ownership in TTIC to the T'azur SPV as outlined in clause number 1 above;

- 2.1.3 Obtaining the clearance/non-objection from CBB to proceed with the Merger via transfer of assets, business and liabilities from T'azur to Solidarity; and
- 2.1.4 Obtaining the clearance/non-objection from CBB's Capital Markets Supervision Directorate ("CMSD") for the increase of capital and issue of new shares by Solidarity.

3. Effect of Merger & Completion Date:

The Merger shall be deemed to be effective on the date upon which the amendments to Solidarity's Memorandum and Articles of Association reflecting the increase in capital and issuance of new shares shall be registered with the MOICT, in the Kingdom of Bahrain ("**Completion Date**"). By the Completion date, the following shall be completed:

- 3.1 Each share of T'azur Exchange Shares will be converted into 0.328 fully paid shares of common equity of Solidarity.
- 3.2 Each share of common stock of Solidarity that is issued and outstanding immediately before the Merger Agreement date will continue to be an issued and outstanding share of common stock of Solidarity.
- 3.3 The revised paid-up capital of Solidarity shall be BD 13,333,333 with total fully paid outstanding shares being 133,333,332 at a par value of BHD 0.100 each.
- 3.4 All tangible and intangible assets, properties, rights, privileges of T'azur in respect of the Transaction Scope will have been deemed to have transferred to Solidarity; and
- 3.5 Solidarity shall accept to carry out and to undertake all rights, obligations, and liabilities of T'azur in respect of the Transaction Scope.

4. Further Assurances:

- 4.1 Immediately following the execution of this Merger Agreement, and prior to the actual transfer of business, assets and liabilities, T'azur shall send any required notification under any agreement included within the Transaction Scope, and undertake any other necessary steps required under any contract –including renegotiating contractual terms - to ensure that the agreements are legally assigned to Solidarity without triggering any default or early termination under such agreements.
- 4.2 Solidarity shall cooperate with T'azur where required in such execution and delivery of required deeds and other instruments for the purpose of vesting in Solidarity the title to and possession of all the property, interests, assets, rights, and privileges of T'azur.
- 4.3 T'azur shall procure to undertake any necessary action required to ensure the effectiveness of the Merger from a regulatory perspective.

- 4.4 Without prejudice to the above, from time to time after the Completion Date, T'azur will execute and deliver such deeds and other instruments and will cause to be taken such further actions as will reasonably be necessary to vest or perfect in Solidarity, title to and possession of all the property, interests, assets, rights, and privileges of T'azur.
- 4.5 T'azur shall promptly take all required steps to liquidate following the Completion Date without delay.

5. Operations Post Merger Agreement for T'azur

- 5.1 T'azur shall not undertake any of the following from the date of this Merger Agreement until the Completion Date:

- 5.1.1 Issue any shares and /or distribute cash dividends;
- 5.1.2 Create, issue or grant, or permit the creation, issue, or grant of, any convertible securities, options or warrants in respect of shares of T'azur;
- 5.1.3 Other than in the normal course of business and excluding the transfer of its legal and beneficial ownership of 70% in the issued and paid-up capital of TTIC and 100% ownership of T'azur SPV, sell, dispose of, or acquire assets;
- 5.1.4 Enter contracts, including service contracts, other than in the ordinary course of business, including contracts or actions which may give rise to any contingent liability;
- 5.1.5 Acquire any company, partnership, other business organization or division thereof, or enter any joint venture, or strategic alliance;
- 5.1.6 Enter any commitment, agreement, or arrangement for assumption of third-party financing or bank debt or any other loan or debt, or obtain or procure any such financing;
- 5.1.7 Amend, waive, modify, or consent to the termination of any contract or the rights thereunder other than in the ordinary course of business consistent with past practice;
- 5.1.8 Enter any contract which is not in the ordinary course of business with any related party;
- 5.1.9 Enter into any formal or informal agreement, or otherwise make a commitment to do any of the foregoing.

- 5.2 T'azur shall from the date of this Merger Agreement until the Completion Date:

- 5.2.1 Not do or omit to do and shall take all practicable precautions to prevent any foreseeable event or occurrence whereby the condition of its assets or the financial position of its

business could be adversely affected, and without prejudice to the generality of the foregoing, it shall ensure that all licenses and permits required to enable it to operate its businesses as of the date of the Merger Agreement are renewed and maintained valid;

5.2.2 Operate its business as a going concern in the ordinary course, no transaction outside the ordinary course of business shall take place without the prior express written consent of Solidarity and its net assets shall not be depleted save in a manner consistent with the ordinary course of business and operations; and

5.2.3 Procure that the representatives and advisors of Solidarity are given access to inspect its books and records and upon request it shall promptly furnish any information or document that is required or relevant in connection with the Merger.

5.3 T'azur further undertakes to Solidarity that from the date of this Merger Agreement it shall within three (3) Business Days of the occurrence thereof inform Solidarity in writing in the event where any of the following events occurs prior to the Completion Date:

5.3.1 Entering into any new related party transactions (other than those contemplated in this Merger Agreement);

5.3.2 Entering, amending or terminating a material agreement(s), arrangement(s) or obligation(s) in excess of BHD 150,000 (including contracts entered in the course of ordinary business operation);

5.3.3 Incurring any capital expenditure on any individual item in excess of BHD 100,000

5.3.4 Making, or agreeing to make, material alterations to the terms and conditions of employment (including benefits) of any of T'azur's directors, executive managers, officers or employees, or hiring or agreeing to hire any key executives; and

5.3.5 Dismissing any of its key management/executive employees.

6. Operations Post Merger Agreement for Solidarity

6.1 Solidarity shall undertake to not issue any new shares and /or distribute cash dividends from the date of this Merger Agreement until the Completion Date;

6.2 It shall operate its business as a going concern in the ordinary course and its net assets shall not be depleted save in a manner consistent with the ordinary course of business and operations;

6.3 It shall procure that the representatives and advisors of T'azur are given access to inspect its books and records and upon request it shall promptly furnish any information or document that is required or relevant in connection with the Merger; and

- 6.4 It shall not do or omit to do and shall take all practicable precautions to prevent any foreseeable event or occurrence whereby the condition of its assets or the financial position of its business could be adversely affected, and without prejudice to the generality of the foregoing, it shall ensure that all licenses and permits required to enable it to operate its businesses as of the date of the Merger Agreement are renewed and maintained valid.

7. Memorandum and Articles of Association of T'azur:

In line with the resolution of shareholder assembly of T'azur held on 29 September 2021 and subject to approval from relevant regulatory authorities, T'azur shall use its reasonable efforts to procure that the Memorandum and Articles of Association of T'azur shall be amended, restated and registered with the MOICT, within a period not exceeding 45 Business Days from the date of T'azur EGM as mentioned above to reflect the following:

- 7.1 The issued and paid-up capital of T'azur shall be decreased from USD 58,000,000 to USD 40,645,093 and the total fully paid outstanding shares shall be 40,645,093.

8. Memorandum and Articles of Association of Solidarity:

In line with the resolution of shareholder assembly of Solidarity held on 29 September 2021 and subject to approval from relevant regulatory authorities the Memorandum and Articles of Solidarity shall be amended as at the Completion Date to include the following:

- 8.1 The issued and paid-up capital of Solidarity shall be increased from BD 12,000,000 to BD 13,333,333 and the total fully paid outstanding shares shall be 133,333,332.

9. Termination

This Merger Agreement may only be terminated, and the Merger abandoned at any time before the Completion Date by either Party:

- 9.1 if the other Party commits a material breach of any of its obligations under this Agreement; or

- 9.2 An Insolvency Event as defined under section 9.3 occurs in relation to a Party.

- 9.3 An Insolvency Event means where a Party:

- 9.3.1 Is subject to an order made by a court of competent jurisdiction for its winding-up;

- 9.3.2 Enters into a composition or arrangement with its creditor(s) or a moratorium is declared in respect of any of its indebtedness or any creditor(s) action (other than a solvent composition, arrangement or reconstruction);

- 9.3.3 Takes any action to appoint, request the appointment of, or suffers the appointment of, an administrator, trustee or similar officer over all or a material part of its assets or undertakings;
- 9.3.4 Has a winding-up or administration petition presented in relation to it or has documents filed with a court for an administration in relation to it provided that, in the case of a winding-up petition, if such person is contesting the winding-up petition in good faith and with due diligence, it shall not have suffered an Insolvency Event until a period of 20 Business Days has expired since the presentation of the winding-up petition without it having been either revoked, discharged, withdrawn, overturned or struck out; or
- 9.3.5 Is unable to pay its debts as they fall due as per the applicable laws;
- 9.4 Solidarity shall further have the right to terminate this Merger Agreement at its own discretion in case of one or more of the following (or any combination thereof) occurs after the date of the Merger Agreement:
- 9.4.1 In the case of breach of any of its obligations by T'azur as specified under clause 5 of this Merger Agreement;
- 9.4.2 Any event occurs or series of events occur which result, or are reasonably likely to result, in T'azur's - book value of shareholders' and participants' fund net assets on a combined basis (excluding 70% ownership in T'azur Takaful Insurance Company K.S.C. (Kuwait)) being lower than USD 5,000,000.
- 9.5 T'azur shall further have the right to terminate this Merger Agreement at its own discretion in the case of breach by Solidarity of any of its obligations as specified under clause 6 of this Merger Agreement.

Upon termination in accordance with Clause 9, this Merger Agreement will become wholly void and of no effect, and without liability or obligations on the part of either Party, subject to Clause 10 below.

10. Break-Up Fees

- 10.1 In consideration of T'azur agreeing to commit resources and incur legal and other expenses and costs in progressing T'azur's interest in the Merger, Solidarity hereby undertakes to pay an amount of BHD 150,000 as Break-Up Fee to T'azur or as T'azur may direct forthwith (and in any case within no later than five (5) Business Days following T'azur's first demand) in the event that after the signing of the Merger Agreement and prior to the Completion Date, the Merger lapses, is withdrawn or this Merger Agreement is terminated in accordance with any of the following provisions:

- 10.1.1 If the board of directors of Solidarity withdraws or materially and adversely modifies its recommendation as reflected in the Solidarity Board Circular dated 05 September 2021 or subsequently recommends to the Solidarity shareholders, a lower or competing offer other than the one reflected in the Solidarity Board Circular;
 - 10.1.2 Solidarity fails to take all steps within its power which are reasonably appropriate and necessary to implement the Merger (except for any steps that T'azur has expressly agreed in writing or stated in writing that Solidarity need not take or is not required to take pursuant to the terms of this Merger Agreement or otherwise); and
 - 10.1.3 Save for the termination scenarios as set forth in Clause 9.2 and without prejudice to Clause 9.4, Solidarity causes the Merger to lapse or be withdrawn.
- 10.2 In consideration of Solidarity agreeing to commit resources and incur legal and other expenses and costs in progressing Solidarity's interest in the Merger, T'azur hereby undertakes to pay an amount of BHD 150,000 as Break-Up Fee to Solidarity or as Solidarity may direct forthwith (and in any case within no later than five (5) Business Days following Solidarity's first demand) in the event that after the signing of the Merger Agreement and prior to the Completion Date, the Merger lapses, is withdrawn or this Merger Agreement is terminated in accordance with any of the following provisions:
- 10.2.1 If the board of directors of T'azur withdraws or materially and adversely modifies its recommendation as reflected in its acceptance of the Letter of Firm Intention issued by Solidarity on 18 July 2021 ("**Letter of Firm Intention**") or subsequently recommends to the T'azur shareholders a higher or competing offer other than the one reflected in the Letter of Firm Intention;
 - 10.2.2 T'azur fails to take all steps within its power which are reasonably appropriate and necessary to implement the Merger, including in particular the failure to give effect to the separation/spinoff of T'azur's investment in TTIC and T'azur SPV as outlined in clause 1 above (except for any steps that Solidarity has expressly agreed in writing or stated in writing that T'azur need not take or is not required to take pursuant to the terms of this Merger Agreement or otherwise and except for any actions or omissions beyond its reasonable direct control);
 - 10.2.3 Save for the termination scenarios as set forth in Clause 9.2, and without prejudice to clause 9.5, T'azur causes the Merger to lapse or be withdrawn.

11. Governing Law and Jurisdiction.

This Merger Agreement will be governed by and construed in accordance with the laws of the Kingdom of Bahrain. Any dispute arising out of this Merger Agreement shall be submitted to the Bahraini courts for final resolution.

Solidarity Bahrain B.S.C.

T'azur Company B.S.C. (c)

Name: _____

Title: _____

Date: _____

Name: _____

Title: _____

Date: _____