Solidarity Bahrain B.S.C.

Condensed consolidated interim financial information

Period ended 31 March 2024

Table of contents

General information

Commercial registration	5091 obtained on 17 August 1976
Board of Directors	
H.E.Shaikh Khalid Al Mashani	Chairman of the Board, Chairman of Remuneration Committee and Chairman of the Executive Committee (Non-Executive Director)
Salman Al Mahmeed	Vice Chairman of the Board, Chairman of Audit & Risk Committee and Member of the Nomination and Corporate Governance Committee (Non-Executive Director)
Tariq AlAujaili	Board Member, Member of the Executive Committee and Member of the Remuneration Committee (Non-Executive Director)
Ashraf Bseisu	Board Member, Member of the Executive Committee, Member of the Nomination and Corporate Governance Committee and Member of the Remuneration Committee (Executive Director)
Anwar Murad	Board Member, Member of the Executive Committee and Member of the Remuneration Committee (Executive Director)
Dr. Nawaf Al Hamar	Board Member, Member of the Nomination and Corporate Governance Committee and Member of the Audit & Risk Committee (Independent Non-Executive Director)
Ahmed Habib Kassim	Board Member, Member of the Audit & Risk Committee (Independent Non-Executive Director)
Executive Committee	H.E.Shaikh Khalid Al Mashani – Chairman Tariq AlAujaili – Member Ashraf Bseisu – Member Anwar Murad – Member
Audit and Risk Committee	Salman Al Mahmeed – Chairman Dr. Nawaf Al Hamar – Member Ahmed Habib Kassim – Member
Nomination and Corporate Governance Committee	Shaikh Dr. Osama Bahar – Chairman Salman Al Mahmeed – Member Ashraf Bseisu – Member Dr. Nawaf Al Hamar – Member
Remuneration Committee	H.E.Shaikh Khalid Al Mashani – Chairman Tariq AlAujaili – Member Ashraf Bseisu – Member Anwar Murad – Member
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

General information (continued)

Management	
Jawad Mohammed	Chief Executive Officer
Sanjeev Aggarwal	Chief Financial Officer
Jai Prakash Pandey	Deputy General Manager – Business Development
Mohammed Awachi	Assistant General Manager – Corporate Support
Head Office	7th Floor – Seef Tower Flat 71, Building 2080, Road 2825, Block 428 PO Box 5282 Seef Area, Manama – Kingdom of Bahrain Telephone: +973 17585222 Fax: +973 17585200 Website: www.solidarity.com.bh
Branches	
Seef Mall Branch	Flat 379, Building 2102, Road 2825, Block 428 Al Seef
Arad Branch	Building 35, Road 40, Block 240 Arad
Sanad Branch	Building 2414, Road 4571, Block 745 Sanad
Principal bankers	Al Salam Bank B.S.C., Kingdom of Bahrain Ahli United Bank B.S.C., Kingdom of Bahrain
Auditor	KPMG Fakhro P.O. Box 710 Manama, Kingdom of Bahrain
Actuary	Lux Actuaries and Consultants PO Box 50912 – Manama, Kingdom of Bahrain
Shares registrar	Bahrain Clear, Kingdom of Bahrain

KPMG Fakhro
Audit
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CR No. 6220 - 2

Independent auditors' report on review of condensed consolidated interim financial information

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

Introduction

We have reviewed the accompanying 31 March 2024 condensed consolidated interim financial information of Solidarity Bahrain B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2024;
- the condensed consolidated statement of income for the three-month period ended 31 March 2024;
- the condensed consolidated statement of other comprehensive income for the three-month period ended 31 March 2024;
- the condensed consolidated statement of participants' surplus and deficit for the three-month period ended 31 March 2024;
- the condensed consolidated statement of changes in shareholders' equity for the three-month period ended 31 March 2024;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2024; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Group is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 Auditing standards for Islamic Financial Institutions 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 31 March 2024 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

KPMG

13 May 2024

Solidarity Bahrain B.S.C.

Condensed consolidated statement of financial position
As at 31 March 2024
In thousands of Bahraini Dinars

	Note	**31 March 2024 (reviewed)**	31 December 2023 (audited) (restated)	1 January 2023 (audited) (restated)
Assets				
Cash and cash equivalents		4,803	9,945	4,487
Placements with financial institutions		13,067	11,698	26,763
Investments	5	34,662	35,959	24,872
Investment in associates		242	236	285
Investments of participants in units	5	9,143	9,047	2,138
Intangible assets	15	6,754	6,800	3,267
Takaful arrangement assets	6	176	-	-
Retakaful arrangement assets	6	7,855	6,725	5,486
Prepayments and other assets		10,554	8,664	4,410
Conventional assets - under run-off management	14	5,689	5,574	810
Property and equipment		1,153	1,179	995
Right-of-use assets		175	148	278
Total assets		**94,273**	95,975	73,791
Liabilities, participants' funds and shareholders' equity				
Liabilities				
Takaful arrangement liabilities	6	45,656	45,978	37,546
Other liabilities		8,802	8,651	4,515
Conventional liabilities - under run-off management	14	5,689	5,574	810
Ijarah liabilities		177	152	294
Total liabilities		**60,324**	60,355	43,165
Participants' funds		(427)	(734)	(1,964)
Shareholders' equity				
Share capital		13,333	13,333	13,333
Treasury shares		(4)	(4)	(4)
Statutory reserve		4,278	4,278	3,844
Share premium		5,733	5,733	5,733
Property revaluation reserve		747	747	747
Investment fair value reserve		3,703	3,601	1,514
Retained earnings		6,586	8,666	7,423
Total equity		**34,376**	36,354	32,590
Total liabilities, participants' funds and shareholders' equity		**94,273**	95,975	73,791

This condensed consolidated interim financial information was approved and authorised for issue on 13 May 2024 and signed on behalf of the Board by:

H.E. Shaikh Khalid Al Mashani
Chairman

Salman Al Mahmeed
Vice Chairman

Jawad Mohammed
Chief Executive Officer

Notes 1 to 20 form an integral part of this condensed consolidated interim financial information

Solidarity Bahrain B.S.C.

Condensed consolidated statement of income
Three-month period ended 31 March 2024

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Shareholders' fund		Total	
		31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)	31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)	31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)	31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)
Recognised takaful contributions	7	13,600	12,517	321	216	-	-	13,921	12,733
Recognised takaful costs		(8,348)	(7,546)	(343)	(223)	-	-	(8,691)	(7,769)
Retakaful net results		(4,972)	(4,765)	51	4	-	-	(4,921)	(4,761)
Takaful participants' gross margin		**280**	206	**29**	(3)	**-**	-	**309**	203
Net participants' investment income	9	188	165	26	(6)	-	-	214	159
Amortisation of deferred cost (related to provision of takaful arrangements)		(309)	(280)	(18)	(81)	-	-	(327)	(361)
Amortisation of deferred income (related to retakaful arrangements held)		90	66	17	7	-	-	107	73
Net participant's surplus		**249**	157	**54**	(83)	**-**	-	**303**	74
Wakala fee income	8	-	-	-	-	3,256	2,896	3,256	2,896
Investment income, net	9	-	-	-	-	608	346	608	346
Mudarib share	9	-	-	-	-	142	54	142	54
Share of profit from an associate		-	-	-	-	7	12	7	12
Other income		-	-	-	-	149	100	149	100
Total shareholders' income		**-**	-	**-**	-	**4,162**	3,408	**4,162**	3,408
Employee costs		-	-	-	-	(1,158)	(919)	(1,158)	(919)
Commission expenses incurred		-	-	-	-	(637)	(494)	(637)	(494)
Third-party administrators (TPA) fees		-	-	-	-	(205)	(215)	(205)	(215)
Other expenses		-	-	-	-	(911)	(738)	(911)	(738)
Total shareholders' expense		**-**	-	**-**	-	**(2,911)**	(2,366)	**(2,911)**	(2,366)
Net profit for the period		**249**	157	**54**	(83)	**1,251**	1,042	**1,554**	1,116
Basic and diluted earnings per share						**9.39Fils**	7.88Fils		

This condensed consolidated interim financial information was approved and authorised for issue on 13 May 2024 and signed on behalf of the Board by:

H.E. Shaikh Khalid Al Mashani
Chairman

Salman Al Mahmeed
Vice Chairman

Jawad Mohammed
Chief Executive Officer

Notes 1 to 20 form an integral part of this condensed consolidated interim financial information.

Solidarity Bahrain B.S.C.

Condensed consolidated statement of other comprehensive Income
Three-month period ended 31 March 2024

In thousands of Bahraini Dinars

	General Takaful fund		Family takaful fund		Shareholders' fund		Total	
	31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)	31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)	31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)	31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)
Net profit for the period	**249**	157	**54**	(83)	**1,251**	1,042	**1,554**	1,116
Items to be reclassified to the statement of income:								
Fair value changes arising during the period	(38)	(31)	42	(5)	102	364	106	328
Other comprehensive income for the period	**(38)**	(31)	**42**	(5)	**102**	364	**106**	328
Total comprehensive income for the period	**211**	126	**96**	(88)	**1,353**	1,406	**1,660**	1,444

This condensed consolidated interim financial information was approved and authorised for issue on 13 May 2024 and signed on behalf of the Board by:

H.E. Shaikh Khalid Al Mashani
Chairman

Salman Al Mahmeed
Vice Chairman

Jawad Mohammed
Chief Executive Officer

Notes 1 to 20 form an integral part of this condensed consolidated interim financial information.

Solidarity Bahrain B.S.C.

Condensed consolidated statement of participants' surplus and deficit
Three-month period ended 31 March 2024 In thousands of Bahraini Dinars

2024 (reviewed)	**Accumulated (deficit)/surplus**		**Investment fair value reserve**		**Total**
	General Takaful	**Family Takaful**	**General Takaful**	**Family Takaful**	
At 1 January	(471)	(217)	(1)	(45)	(734)
Surplus/ (deficit) for the period	249	54	-	-	303
Change in fair value of equity investments	-	-	(38)	42	4
At 31 March (reviewed)	**(222)**	**(163)**	**(39)**	**(3)**	**(427)**

2023 (audited) (restated)	Accumulated (deficit)/surplus		Investment fair value reserve		Total
	General Takaful	Family Takaful	General Takaful	Family Takaful	
At 1 January, as previously reported	(277)	285	-	-	8
Adjustment on initial application of FAS 30 and FAS 43 (Note 18)	(1,099)	(873)	-	-	(1,972)
At 1 January (restated)	(1,376)	(588)	-	-	(1,964)
Surplus/ (deficit) for the period	157	(83)	-	-	74
Change in fair value of equity investments	-	-	(31)	(5)	(36)
At 31 March (restated)	(1,219)	(671)	(31)	(5)	(1,926)

Notes 1 to 20 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in shareholders' equity
Three-month period ended 31 March 2024 In thousands of Bahraini Dinars

2024 (reviewed)	**Share capital**	**Treasury shares**	**Statutory reserve**	**Share premium**	**Property revaluation reserve**	**Investment fair value reserve**	**Retained earnings**	**Total**
At 1 January	13,333	(4)	4,278	5,733	747	3,601	8,666	36,354
Net profit for the period	-	-	-	-	-	-	1,251	1,251
Dividends declared	-	-	-	-	-	-	(3,331)	(3,331)
Change in fair value of equity investments (Note 5)	-	-	-	-	-	102	-	102
At 31 March (reviewed)	**13,333**	**(4)**	**4,278**	**5,733**	**747**	**3,703**	**6,586**	**34,376**

2023 (audited) (restated)	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January, as previously reported	13,333	(4)	3,844	5,733	747	1,514	7,617	32,784
Adjustment on initial application of FAS 30 (Note 18)	-	-	-	-	-	-	(194)	(194)
At 1 January (restated)	13,333	(4)	3,844	5,733	747	1,514	7,423	32,590
Net profit for the period	-	-	-	-	-	-	1,042	1,042
Dividends declared	-	-	-	-	-	-	(2,665)	(2,665)
Change in fair value of equity investments	-	-	-	-	-	364	-	364
At 31 March (restated)	**13,333**	**(4)**	**3,844**	**5,733**	**747**	**1,878**	**5,800**	**31,331**

Notes 1 to 20 form an integral part of this condensed consolidated interim financial information.

Solidarity Bahrain B.S.C.

Condensed consolidated statement of cash flows
Three-month period ended 31 March 2024

In thousands of Bahraini Dinars

	Notes	31 March 2024 (reviewed)	31 March 2023 (reviewed) (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		1,554	1,116
Adjustments for:			
Depreciation		42	33
Depreciation of right-of-use assets		76	55
Ijarah cost		10	3
Amortization of intangible asset		46	99
Provision for employees end of service benefits		9	10
Investment income, net	9	(822)	(505)
Share of profit from associates		(7)	(12)
Amortisation during the period, net		22	1
		930	800
Changes in:			
Retakaful arrangement assets	6	(1,130)	(2,179)
Takaful arrangement assets	6	(176)	-
Prepayments and other assets		(1,986)	(717)
Takaful arrangement liabilities	6	(322)	2,494
Other liabilities		288	(405)
Cash (used in) / generated from operating activities		**(2,396)**	(7)
Payment towards employees end of service benefits		**(121)**	-
Net cash (used in) / generated from operating activities		**(2,517)**	(7)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment and intangible assets		(27)	(87)
Purchase of investments	5	(4,810)	(2,540)
Placements with financial institutions, net		(1,369)	3,176
Dividend received from investment in associate		-	-
Proceeds from disposal of investments		6,178	214
Investment income received		822	693
Net cash generated from investing activities		**794**	1,456
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	17	(3,331)	-
Ijarah liabilities paid		(88)	(69)
Net cash used in financing activities		**(3,419)**	(69)
Net (decrease)/increase in cash and cash equivalents		**(5,142)**	1,380
Cash and cash equivalents at the beginning of the period		9,945	4,487
Cash and cash equivalents at the end of the period		**4,803**	5,867
Shareholders’ fund		2,735	3,588
Participants’ fund		2,068	2,279
Cash and cash equivalents at the end of the period		**4,803**	5,867

Notes 1 to 20 form an integral part of this condensed consolidated interim financial information.

Period ended 31 March 2024 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 Group is Solidarity Group Holding B.S.C. (c) (the “Parent Company”) which is a subsidiary of Al Salam Bank B.S.C. (the “Ultimate Parent Company”), a listed bank incorporated in in the Kingdom of Bahrain.

The consolidated financial information comprise the results of the Company and its subsidiary (collectively the “Group”). The Company’s effective holding in the below subsidiary is as follows:

Name of the entity	Location of business / country	Percentage of ownership		Nature of relationship	Nature of activities
		2024	2023		
AlHilal Life B.S.C. (c)	Bahrain	100.00%	100.00%	Subsidiary	Takaful

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 on behalf of the participants of the fund.

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

The conventional run-off fund represents technical assets and liabilities of the insurance portfolio of the Company (formerly Al Ahlia Insurance) prior to merger. This portfolio is under run-off and belongs to the shareholders’ fund.

During the year ended 31 December 2022, the Group acquired 100% assets, business, and liabilities of T’azur Company B.S.C. (c) (“T’azur”) Bahrain operations (including Qatar branch in run-off) excluding latter’s ownership of 70% of the paid-up share capital of T’azur Takaful Insurance Company K.S.C. (Kuwait), through issuance of new ordinary shares issued by the Company to T’azur shareholders via increase of the Company’s paid-up capital in-lieu of the Merger. All the legal formalities in relation to the shares issuance have been completed.

During the year ended 31 December 2023, the Group acquired 100% assets, business, and liabilities of AlHilal Life BSC (c) and its subsidiary AlHilal Takaful BSC (c) (together referred as “AlHilal”) from Ahli United Bank B.S.C. (c) through settlement in cash amounted to BD 9.78 million (Note 16). All the legal formalities and necessary regulatory approvals have been completed. Following Ahli United Bank's conversion to an Islamic bank in 2023, AlHilal Life BSC (c) is transitioning its conventional insurance portfolio to a Takaful model. This process was commenced in 2023 and is expected to be largely completed in 2024, resulting in the transfer of the majority of conventional insurance assets and liabilities to the participants' fund

2 BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with Financial Accounting Standard 41 ("FAS 41") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and in conformity with the Central Bank of Bahrain and Financial Institutions Law 2006, the applicable regulations set out in Volume 3 - Insurance, Volume 6 - capital markets of the Central Bank of Bahrain's rule book and the relevant provisions of the Bahrain Commercial Companies Law and its subsequent amendments. For the matters which are not covered by AAOIFI accounting standards, the Group uses guidance from the relevant IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). Accordingly, this interim financial information has been presented in condensed form in accordance with FAS 41, which permits the interim financial information to be in summarised form and does not include all of the information required for full annual financial statements. This 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 Group for the year ended 31 December 2023.

3 ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed interim financial statements are consistent with those used in the annual audited financial statements of the Group prepared as at, and for the year ended 31 December 2023, except as mentioned below for the adoption of new and amended standards issued and effective for annual periods beginning on or after 1 January 2024.

New and amended standards and interpretations

FAS 42 Presentation and disclosures in the consolidated financial statements of Takaful Institutions
This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model. This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement.

The Group has early adopted FAS 42 "Presentation and disclosures in the consolidated financial statements of Takaful Institutions" with a date of initial application of 1 January 2024.

FAS 43 Accounting for Takaful: Recognition and Measurement
This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari'ah principles and rules. The requirements of this standard are duly aligned with the international best practices of financial reporting for the insurance business.

The Group has early adopted FAS 43 "Accounting for Takaful: Recognition and Measurement" with a date of initial application of 1 January 2024. The new standard brings fundamental changes to the accounting for takaful assets and takaful liabilities. The effective date of the standard from AAOIFI is financial reporting period, beginning on or after 1 January 2025. This standard applies to the Takaful Institution (including, in their capacity of being a Takaful operator) and their managed Takaful fund (PTF) in respect of:

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

3 ACCOUNTING POLICIES *(continued)*

Accounting for Takaful arrangements - under general / variable fee approach
Combining and separating components of Takaful arrangements

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

Where different components are unbundled, the Takaful institution ensures appropriate attribution to the PTF, the Participant investment fund and the front-end fee, if any, charged to the participant. Such unbundling of non-Takaful components are performed before the Takaful component is recognised in the books of PTF. The accounting treatment of non-Takaful components is made inline with the relevant AAOIFI FASs, as applicable.

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

Initial recognition

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

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

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

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

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

Initial recognition of Takaful residual margin
The Takaful residual margin is measured as the difference of:

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

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

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

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

Subsequent measurement

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

Recognition and presentation in the statement of financial activities of the managed PTF

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

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

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

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

Accounting for Takaful arrangements - under contribution allocation approach

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

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

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

Initial recognition

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

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

3 ACCOUNTING POLICIES *(continued)*

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

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

In applying the contribution allocation approach, the Takaful institution:

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

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

Accounting for re-Takaful arrangements held by the PTF

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

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

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

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

FAS 30 Impairment, credit losses and onerous commitments

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

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

Under the general approach, there are two measurement basis:

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

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

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

Under the general approach, there are two measurement basis:

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

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

FAS 33 Investment in sukuk, shares and similar instruments
This standard aims at setting out principles for the classification, recognition, measurement, presentation, and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institution. The standard defines the key types of instruments of Sharia's compliant investments and the primary accounting treatments commensurate to the characteristic and business model of institution under which the investments are made, managed and held.

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

Subsequent measurement

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

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

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

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

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

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

With regards to the Group's Equity-type investments held at fair value through equity, the adoption of the standard had no impact with regards to classification of investments.

New standards, amendments and interpretations issued but not yet effective

FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI accounting standards. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:
a) Revised conceptual framework is now integral part of the AAOIFI accounting standards;
b) Definition of Quassi equity is introduced;
c) Definitions have been modified and improved;
d) Concept of comprehensive income has been introduced;
e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;

3 ACCOUNTING POLICIES *(continued)*

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

f) Disclosure of Zakah and Charity have been relocated to the notes;
g) True and fair override has been introduced;
h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
i) Disclosures of related parties, subsequent events and going concern have been improved;
j) Improvement in reporting for foreign currency, segment reporting;
k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendments to other AAOIFI accounting standards; and
l) The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statement in line with the wider market practice.

FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI has issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

FAS 47: Transfer of Assets Between Investment Pools

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

3 ACCOUNTING POLICIES *(continued)*

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

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. The Group does not expect any significant impact on the adoption of this standard.

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.

Period ended 31 March 2024 In thousands of Bahraini Dinars

5 INVESTMENTS

	31 March 2024 (reviewed)	31 December 2023 (audited) (restated)
Sukuk		
Amortised cost:		
Quoted instruments	21,617	23,070
Fair value through equity:		
Quoted instruments	2,695	2,675
Equity type instruments		
Fair value through equity:		
Quoted instruments	6,911	6,820
Unquoted instruments	3,439	3,394
	34,662	35,959

	31 March 2024 (reviewed)	31 December 2023 (audited) (restated)
Investments of participants in units		
At fair value:		
Investment in funds:	9,143	9,047
	9,143	9,047

5.1 The movements in investments are as follows:

	31 March 2024 (reviewed)	31 December 2023 (audited) (restated)
At the beginning of the period/year	35,959	24,872
Transferred from Al Hilal (Note 16)	-	4,886
Additions during the period/year	4,810	19,624
Disposals during the period/year	(6,187)	(15,446)
Amortisation during the period/year, net	(21)	31
Transferred to investment income on disposal of equity instruments	-	58
Net change in Impairment during the period/year	(5)	(88)
Change in fair value, net	106	2,022
At the end of the period/year	**34,662**	35,959

Period ended 31 March 2024 In thousands of Bahraini Dinars

6 TAKAFUL AND RETAKAFUL CONTRACTS

31 March 2024 (reviewed)	**Liabilities for remaining coverage**		**Liabilities for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	
Takaful arrangement liabilities – opening	22,568	1,420	20,838	1,152	45,978
Takaful arrangement assets – opening	-	-	-	-	-
Opening balance, net	**22,568**	**1,420**	**20,838**	**1,152**	**45,978**
Changes in the statement of income					
Recognised takaful contributions	(13,921)	-	-	-	(13,921)
Takaful service expenses					
Incurred claims and other takaful service expenses	-	(99)	14,020	-	13,921
Adjustments to liabilities	-	-	(4,770)	(454)	(5,224)
Reversal of losses on onerous contracts	-	(6)	-	-	(6)
Takaful service expenses	**-**	**(105)**	**9,250**	**(454)**	**8,691**
Net deferred cost from insurance contracts	(54)	6	332	-	284
Total changes in the statement of income	**(13,975)**	**(99)**	**9,582**	**(454)**	**(4,946)**
Cash flows					
Contributions received	17,337	-	-	-	17,337
Claims and other takaful service expenses paid	-	-	(12,889)	-	(12,889)
Total cash flows	**17,337**	**-**	**(12,889)**	**-**	**4,448**
Takaful arrangements liabilities - closing	25,930	1,321	17,707	698	45,656
Takaful arrangements assets – closing	-	-	(176)	-	(176)
Net closing balance	**25,930**	**1,321**	**17,531**	**698**	**45,480**

Period ended 31 March 2024 In thousands of Bahraini Dinars

6 TAKAFUL AND RETAKAFUL CONTRACTS *(continued)*

31 December 2023 (audited) (restated)	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
Takaful arrangement liabilities – opening	17,747	170	19,072	557	37,546
Takaful arrangement assets – opening	-	-	-	-	-
Opening balance, net	17,747	170	19,072	557	37,546
Transfer from Al Hilal	6,249	1,227	1,026	-	8,502
Changes in the statement of income					
Recognised takaful contributions	(51,521)	-	-	-	(51,521)
Takaful service expenses					
Incurred claims and other takaful service expenses	-	(21)	41,652	-	41,631
Adjustments to liabilities	-	-	(9,980)	597	(9,383)
Reversal of losses on onerous contracts	-	34	-	-	34
Takaful service expenses	-	13	31,672	597	32,282
Net deferred cost from insurance contracts	230	10	572	(2)	810
Total changes in the statement of income	(51,291)	23	32,244	595	(18,429)
Cash flows					
Contributions received	49,863	-	-	-	49,863
Claims and other takaful service expenses paid	-	-	(31,504)	-	(31,504)
Total cash flows	49,863	-	(31,504)	-	18,359
Takaful arrangements liabilities – closing	22,568	1,420	20,838	1,152	45,978
Takaful arrangements assets – closing	-	-	-	-	-
Net closing balance	22,568	1,420	20,838	1,152	45,978

Period ended 31 March 2024 In thousands of Bahraini Dinars

6 TAKAFUL AND RETAKAFUL CONTRACTS *(continued)*

31 March 2024 (reviewed)	**Assets for remaining coverage**		**Assets for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	
Retakaful arrangements liabilities – opening	-	-	-	-	-
Retakaful arrangements assets – opening	2,542	(1,827)	(7,071)	(369)	(6,725)
Opening balance, net	**2,542**	**(1,827)**	**(7,071)**	**(369)**	**(6,725)**
Allocation of retakaful contribution expenses	6,319	-	-	-	6,319
Claims recovered and other directly attributable expenses	-	24	(2,514)	-	(2,490)
Recoveries and reversal of losses on onerous contracts	-	5	-	-	5
Adjustments to assets	-	-	942	145	1,087
Net expenses from retakaful contracts	**6,319**	**29**	**(1,572)**	**145**	**4,921**
Net deferred (expense) / income from retakaful contracts	(15)	(2)	(90)	-	(107)
Total changes in the statement of income	**6,304**	**27**	**(1,662)**	**145**	**4,814**
Cashflows					
Contributions paid	(6,882)	-	-	-	(6,882)
Amounts received related to incurred claims	-	-	938	-	938
Total cash flows	**(6,882)**	**-**	**938**	**-**	**(5,944)**
Retakaful arrangements liabilities – closing	-	-	-	-	-
Retakaful arrangements assets – closing	1,964	(1,800)	(7,795)	(224)	(7,855)
Net closing balance	**1,964**	**(1,800)**	**(7,795)**	**(224)**	**(7,855)**

Period ended 31 March 2024 In thousands of Bahraini Dinars

6 TAKAFUL AND RETAKAFUL CONTRACTS *(continued)*

31 December 2023 (audited) (restated)	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
Retakaful arrangements liabilities – opening	-	-	-	-	-
Retakaful arrangements assets – opening	769	(1,386)	(4,734)	(135)	(5,486)
Opening balance, net	769	(1,386)	(4,734)	(135)	(5,486)
Transfer from Al Hilal	168	(430)	(945)	-	(1,207)
Allocation of retakaful contribution expenses	21,809	-	-	-	21,809
Claims recovered and other directly attributable expenses	-	93	(1,899)	-	(1,806)
Recoveries and reversal of losses on onerous contracts	-	(16)	-	-	(16)
Adjustments to assets	-	-	(1,372)	(234)	(1,606)
Net expenses from retakaful contracts	21,809	77	(3,271)	(234)	18,381
Net deferred (expense) / income from retakaful contracts	33	(88)	(115)	-	(170)
Total changes in the statement of Income	21,842	(11)	(3,386)	(234)	18,211
Cashflows					
Contributions paid	(20,237)	-	-	-	(20,237)
Amounts received related to incurred claims	-	-	1,994	-	1,994
Total cash flows	(20,237)	-	1,994	-	(18,243)
Retakaful arrangements liabilities – closing	-	-	-	-	-
Retakaful arrangements assets – closing	2,542	(1,827)	(7,071)	(369)	(6,725)
Net closing balance	2,542	(1,827)	(7,071)	(369)	(6,725)

Period ended 31 March 2024 In thousands of Bahraini Dinars

7 RECOGNISED TAKAFUL CONTRIBUTIONS

The following tables present an analysis of the insurance revenue recognized in the period.

31 March 2024 (reviewed)	**Family Takaful**	**General Takaful**	**Total**
Arrangements not measured under the contribution allocation approach (CAA)			
Amounts relating to changes in liabilities for remaining coverage			
- Takaful residue margin (TRM) recognised in statement of income for services provided	67	-	67
- Change in risk adjustment for nonfinancial risk for risk expired	10	-	10
- Expected incurred claims and other takaful service expenses	244	-	244
	321	**-**	**321**
Arrangements measured under contribution allocation approach	**-**	**13,600**	**13,600**
Total recognised takaful contributions	**321**	**13,600**	**13,921**

31 March 2023 (reviewed) (restated)	Family Takaful	General Takaful	Total
Arrangements not measured under the contribution allocation approach			
Amounts relating to changes in liabilities for remaining coverage			
- Takaful residue margin recognised in statement of income for services provided	75	-	75
- Change in risk adjustment for nonfinancial risk for risk expired	4	-	4
- Expected incurred claims and other takaful service expenses	137	-	137
	216	-	216
Arrangements measured under contribution allocation approach	-	12,517	12,517
Total recognised takaful contributions	216	12,517	12,733

Period ended 31 March 2024 In thousands of Bahraini Dinars

8 WAKALA FEE

The Group 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 Group has charged the Wakala within the Wakala cap approved by the Shari'a Supervisory Board (SSB) on the overall gross contributions, net of refunds.

9 INVESTMENT INCOME, NET

	31 March 2024 (reviewed)	31 March 2023 (reviewed)
Income from placements with financial institutions	275	255
Income from debt instruments	332	197
Income from equity instruments	373	300
Impairment on equity instruments	(5)	(188)
Investment management expenses	(11)	(5)
Net investment income	**964**	559
Mudarib share*	(142)	(54)
	822	505
Shareholders' fund	608	346
General takaful fund	188	165
Family takaful fund	26	(6)
	822	505

**Mudarib share*

The shareholders manage the participants' investments and charges a fixed fee 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.

Period ended 31 March 2024 In thousands of Bahraini Dinars

10 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 Group and the shareholder exercises significant influence, directors and executive management of the Group.

Transactions with key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration paid to the Board of Directors of the Group during the period amounted to BD 145 thousand (2023: BD 84 thousand). Sitting fees paid to the members of the Committees of the Board of Directors amounted to BD 17 thousand (2023: BD 11 thousand) and salaries and benefits paid to key members of management amounted to BD 285 thousand (2023: BD 199 thousand). End of service benefits due to key management personnel as at 31 March 2024 amounted to BD 405 thousand (2023: BD 361 thousand).

Transactions and balances with related parties

a) Transactions with related parties

31 March 2024 (reviewed)	**Associate**	**Parent company**	**Ultimate parent**	**Key management personnel**	**Entities under common control**	**Total**
Takaful contributions	-	1	594	-	9	604
Takaful expenses for Retakaful arrangements held	-	-	-	-	2	2
Takaful costs	-	-	236	-	-	236
TPA fees	178	-	-	-	-	178
Income from placements	-	-	28	-	-	28
Share of profit from associates	7	-	-	-	-	7

31 March 2023 (reviewed) (restated)	Associate	Parent company	Ultimate parent	Key management personnel	Entities under common control	Total
Takaful contributions	-	2	427	-	(2)	427
Takaful expenses for Retakaful arrangements held	-	-	-	-	1	1
takaful costs	-	-	184	-	-	184
TPA fees	203	-	-	-	-	203
Income from placements	-	-	54	-	-	54
Share of profit from associates	12	-	-	-	-	12

Period ended 31 March 2024 In thousands of Bahraini Dinars

B) Balances with related parties

31 March 2024 (reviewed)	**Associate**	**Parent company**	**Ultimate parent**	**Key management personnel**	**Entities under common control**	**Total**
Placements with financial institutions	-	-	2,942	-	-	**2,942**
Cash and cash equivalents	-	-	1,190	-	-	**1,190**
Takaful receivables	-	-	-	-	1	**1**
Takaful liabilities	79	39	992	-	-	**1,110**

31 December 2023 (audited) (restated)	Associate	Parent company	Ultimate parent	Key management personnel	Entities under common control	Total
Placements with financial institutions	-	-	1,239	-	-	1,239
Cash and cash equivalents	-	-	4,799	-	-	4,799
Takaful receivables	-	1	125	-	-	126
Takaful liabilities	65	-	451	-	-	516

11 SEGMENTAL INFORMATION

The Group 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 Group 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, level term business, protection takaful and saving takaful

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 Group.

Period ended 31 March 2024 In thousands of Bahraini Dinars

11 SEGMENTAL INFORMATION *(continued)*

	31 March 2024 (reviewed)						31 March 2023 (reviewed) (restated)					
	Non-Motor (*)	**Motor**	**Medical**	**Group Life**	**Family Takaful**	**Total**	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Recognised takaful contributions	3,506	3,339	5,584	1,171	321	13,921	3,566	3,273	5,307	371	216	12,733
Recognised takaful costs	(885)	(3,174)	(3,153)	(1,136)	(343)	(8,691)	(1,062)	(2,865)	(3,105)	(514)	(223)	(7,769)
Takaful service result before retakaful contracts held	**2,621**	**165**	**2,431**	**35**	**(22)**	**5,230**	2,504	408	2,202	(143)	(7)	4,964
Retakaful net results	(2,626)	39	(2,396)	11	51	(4,921)	(2,551)	(244)	(2,143)	173	4	(4,761)
Takaful gross margin	**(5)**	**204**	**35**	**46**	**29**	**309**	(47)	164	59	30	(3)	203
Net Investment income	12	91	81	4	26	214	12	79	72	2	(6)	159
Amortisation of deferred cost (related to provision of takaful arrangements)	(61)	(204)	(35)	(9)	(18)	(327)	(39)	(183)	(54)	(4)	(81)	(361)
Amortisation of deferred profit (related to provision of retakaful arrangements held)	77	-	5	8	17	107	42	18	2	4	7	73
Profit for the period	**23**	**91**	**86**	**49**	**54**	**303**	(32)	78	79	32	(83)	74
Identifiable assets	**5,176**	**2,107**	**4,864**	**455**	**16,388**	**28,990**	2,496	759	6,608	75	16,163	26,101
Identifiable liabilities	**9,858**	**13,684**	**5,263**	**1,302**	**16,554**	**46,661**	8,671	18,793	4,483	814	16,425	49,186

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

Assets amounting to BD 65.283 million (2023: BD 69.874 million) and liabilities amounting to BD 13.663 million (2023: BD 11.169 million) are not specifically identifiable.

Period ended 31 March 2024 In thousands of Bahraini Dinars

11 SEGMENTAL INFORMATION *(continued)*

	General Takaful fund		Family Takaful fund		Shareholders' fund		Total	
	31 March 2024 (reviewed)	31 December 2023 (audited) (restated)	**31 March 2024 (reviewed)**	31 December 2023 (audited) (restated)	**31 March 2024 (reviewed)**	31 December 2023 (audited) (restated)	**31 March 2024 (reviewed)**	31 December 2023 (audited) (restated)
Assets								
Cash and cash equivalents	1,838	4,843	230	1,146	2,735	3,956	4,803	9,945
Placements with financial institutions	9,997	9,491	408	417	2,662	1,790	13,067	11,698
Investments	11,616	10,300	2,341	2,682	20,705	22,977	34,662	35,959
Investment in associates	-	-	-	-	242	236	242	236
Investments of participants in units	-	-	9,143	9,047	-	-	9,143	9,047
Intangible assets	-	-	-	-	6,754	6,800	6,754	6,800
Takaful arrangement assets	176	-	-	-	-	-	176	-
Retakaful arrangement assets	6,252	5,521	1,603	1,204	-	-	7,855	6,725
Prepayments and other assets	3,013	2,175	2,663	1,667	4,878	4,822	10,554	8,664
Conventional assets - under run-off management	-	-	-	-	5,689	5,574	5,689	5,574
Property and equipment`	-	-	-	-	1,153	1,179	1,153	1,179
Right-of-use assets	-	-	-	-	175	148	175	148
Total assets	**32,892**	32,330	**16,388**	16,163	**44,993**	47,482	**94,273**	95,975

Liabilities, participants' funds and shareholders' equity								
Liabilities								
Takaful arrangement liabilities	30,470	31,197	15,186	14,781	-	-	45,656	45,978
Retakaful arrangement liabilities	-	-	-	-	-	-	-	-
Other liabilities	2,683	1,605	1,368	1,644	4,751	5,402	8,802	8,651
Conventional liabilities - under run-off management	-	-	-	-	5,689	5,574	5,689	5,574
Ijarah liabilities	-	-	-	-	177	152	177	152
Total liabilities	**33,153**	32,802	**16,554**	16,425	**10,617**	11,128	**60,324**	60,355
Participants' funds	**(261)**	(472)	**(166)**	(262)	**-**	-	**(427)**	(734)
Shareholders' equity								
Share capital	-	-	-	-	13,333	13,333	13,333	13,333
Treasury shares	-	-	-	-	(4)	(4)	(4)	(4)
Statutory reserve	-	-	-	-	4,278	4,278	4,278	4,278
Share premium	-	-	-	-	5,733	5,733	5,733	5,733
Property revaluation reserve	-	-	-	-	747	747	747	747
Investment fair value reserve	-	-	-	-	3,703	3,601	3,703	3,601
Retained earnings	-	-	-	-	6,586	8,666	6,586	8,666
Total shareholders' equity	-	-	-	-	**34,376**	36,354	**34,376**	36,354
Total liabilities, participants' funds and shareholders' equity	**32,892**	32,330	**16,388**	16,163	**44,993**	47,482	**94,273**	95,975

Period ended 31 March 2024 In thousands of Bahraini Dinars

12 CONTINGENT LIABILITIES AND COMMITMENTS

The Group is a defendant in a number of cases brought by policyholders in respect of claims which the Group 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 31 March 2024 (31 December 2023: Nil).

13 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 Group determines fair values using other valuation techniques.

Fair value hierarchy
The Group 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:

31 March 2024 (reviewed)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments carried at fair value through equity	9,606	-	3,439	13,045
Investments of participants in units	9,143	-	-	9,143
	18,749	**-**	**3,439**	**22,188**

31 December 2023 (audited) (restated)	Level 1	Level 2	Level 3	Total
Investments carried at fair value through equity	9,495	-	3,394	12,889
Investments of participants in units	9,047	-	-	9,047
	18,542	-	3,394	21,936

No transfers out of, or into, the level 3 measurement classification occurred during the period ended 31 March 2024 (31 December 2023: nil).

Period ended 31 March 2024 In thousands of Bahraini Dinars

13 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

31 March 2024 (reviewed)	**Fair value through equity**	**At amortised cost**	**Total carrying value**	**Fair value**
Cash and cash equivalents	-	4,803	4,803	4,803
Placements with financial institutions	-	13,067	13,067	13,067
Investment securities	13,045	21,617	34,662	24,661
Retakaful arrangement assets	-	7,855	7,855	7,855
Other assets	-	19,872	19,872	19,872
Conventional assets - under run off management	-	5,689	5,689	5,689
Total financial assets	**13,045**	**72,903**	**85,948**	**75,947**
Takaful arrangement liabilities	-	45,656	45,656	45,656
Other liabilities	-	8,979	8,979	8,979
Conventional liabilities - under run off management	-	5,689	5,689	5,689
Total financial liabilities	**-**	**60,324**	**60,324**	**60,324**

31 December 2023 (audited) (restated)	Fair value through equity	At amortised cost	Total carrying value	Fair value
Cash and cash equivalents	-	9,945	9,945	9,945
Placements with financial institutions	-	11,698	11,698	11,698
Investment securities	12,889	23,070	35,959	24,590
Retakaful arrangement assets	-	6,725	6,725	6,725
Other assets	-	17,859	17,859	17,859
Conventional assets - under run off management	-	5,574	5,574	5,574
Total financial assets	12,889	74,871	87,760	76,391
Takaful arrangement liabilities	-	45,978	45,978	45,978
Other liabilities	-	8,803	8,803	8,803
Conventional liabilities - under run off management	-	5,574	5,574	5,574
Total financial liabilities	-	60,355	60,355	60,355

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

Period ended 31 March 2024 In thousands of Bahraini Dinars

14 CONVENTIONAL ASSETS AND LIABILITIES – UNDER RUN OFF MANAGEMENT

	Conventional run-off fund	
ASSETS	**31 March 2024**	**31 December 2023**
Cash and cash equivalents	211	647
Investments carried at amortised cost	2,511	2,515
Reinsurance arrangement assets	2,265	1,963
Prepayments and other assets	702	449
Total assets under run-off management	**5,689**	5,574

	Conventional run-off fund	
LIABILITIES	**31 March 2024**	**31 December 2023**
Insurance arrangement liabilities	5,115	4,744
Reinsurance arrangement liabilities	31	-
Other liabilities	543	830
Total liabilities under run-off management	**5,689**	5,574

Period ended 31 March 2024 In thousands of Bahraini Dinars

14 CONVENTIONAL ASSETS AND LIABILITIES – UNDER RUN OFF MANAGEMENT *(continued)*

31 March 2024 (reviewed)	**Liabilities for remaining coverage**		**Liabilities for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	
Insurance liabilities – opening – Transferred from Al Hilal	690	1,367	2,687	-	4,744
Insurance assets – opening – Transferred from Al Hilal	-	-	-	-	-
Opening balance, net	**690**	**1,367**	**2,687**	**-**	**4,744**
Changes in the statement of profit or loss					
Insurance revenue	(183)	-	-	-	(183)
Insurance service expenses					
Incurred claims and other insurance service expenses	-	(188)	144	-	(44)
Amortization of insurance acquisition cash flow	40	-	-	-	40
Adjustments to liabilities	-	-	163	-	163
Reversal of losses on onerous contracts	-	166	-	-	166
Insurance service expenses	**40**	**(22)**	**307**	**-**	**325**
Net finance expenses from insurance contracts	3	7	9	-	19
Total changes in the statement of income	**(140)**	**(15)**	**316**	**-**	**161**
Cash flows					
Premiums received	401	-	-	-	401
Claims and other Insurance service expenses paid	-	-	(141)	-	(141)
Insurance acquisition cashflows paid	(50)	-	-	-	(50)
Total cash flows	**351**	**-**	**(141)**	**-**	**210**
Insurance liabilities - closing	901	1,352	2,862	-	5,115
Insurance assets – closing	-	-	-	-	-
Net closing balance	**901**	**1,352**	**2,862**	**-**	**5,115**

Period ended 31 March 2024 In thousands of Bahraini Dinars

14 CONVENTIONAL ASSETS AND LIABILITIES – UNDER RUN OFF MANAGEMENT *(continued)*

31 March 2024 (reviewed)	**Assets for remaining coverage**		**Assets for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	
Reinsurance liabilities – opening – Transferred from Al Hilal	-	-	-	-	-
Reinsurance assets – opening – Transferred from Al Hilal	(221)	(178)	(1,564)	-	(1,963)
Opening balance, net	**(221)**	**(178)**	**(1,564)**	**-**	**(1,963)**
Allocation of reinsurance premium	93	-	-	-	93
Claims recovered and other directly attributable expenses	-	40	(249)	-	(209)
Recoveries and Reversal of losses on onerous contracts	-	(28)	-	-	(28)
Adjustments to assets	-	-	(26)	-	(26)
Net expenses from reinsurance contracts	**-**	**12**	**(275)**	**-**	**(263)**
Net (expense) / finance income from reinsurance contracts	(1)	(1)	(6)	-	(8)
Total changes in the statement of income	**92**	**11**	**(281)**	**-**	**(178)**
Cashflows					
Contributions paid	(128)	-	-	-	(128)
Amounts received related to incurred claims	-	-	35	-	35
Total cash flows	**(128)**	**-**	**35**	**-**	**(93)**
Reinsurance liabilities – closing	2	-	29	-	31
Reinsurance assets – closing	(259)	(167)	(1,839)	-	(2,265)
Net closing balance	**(257)**	**(167)**	**(1,810)**	**-**	**(2,234)**

Period ended 31 March 2024 In thousands of Bahraini Dinars

15 INTANGIBLE ASSETS

	Goodwill	Customer relationships	Software	Total
Cost or valuation:				
Balance at 1 January 2023	2,380	-	2,671	5,051
Provisional goodwill arising on business combination from AlHilal upon acquisition	3,618	-	-	3,618
Transfer from AlHilal during the year	-	-	483	483
Additions during the year	-	-	95	95
Effect of IFRS 3 adjustments	(465)	465	-	-
Balance as at 31 December 2023 (restated)	5,533	465	3,249	9,247
Balance as at 1 January 2024	5,533	465	3,249	9,247
Additions during the period	-	-	-	-
Balance as at 31 March 2024	5,533	465	3,249	9,247
Accumulated amortisation:				
Balance at 1 January 2023	-	-	1,784	1,784
Transfer from AlHilal during the year	-	-	448	448
Amortisation for the year	-	59	156	215
Balance at 31 December 2023	-	59	2,388	2,447
Balance at 1 January 2024	-	59	2,388	2,447
Amortisation for the period	-	8	38	46
Balance at 31 March 2024	-	67	2,426	2,493
Carrying amount:				
At 31 March 2024	**5,533**	**398**	**823**	**6,754**
At 31 December 2023	5,533	406	861	6,800

Goodwill arising on the acquisition of AlHilal net assets

The goodwill arose on the Group's acquisition of AlHilal's net assets (Note 16) is recognised on a provisional basis. The Group is in the process of undertaking a comprehensive purchase price allocation which is expected to be completed within 12 months from the acquisition date and will focus on, but is not limited to, finalising valuation adjustments related to recognition of intangible assets and other assets and liabilities. Refer to Note 16 for details.

Impairment assessment of goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

The Group performed its annual impairment test in accordance with its accounting policy and performed a sensitivity analysis of the underlying assumptions used in the fair value less cost of disposal "FVLCOD" and value-in-use calculations. The recoverable amounts of the CGU were higher than the carrying amounts. Consequently, no impairment was considered necessary as at the end of the reporting period.

Period ended 31 March 2024 In thousands of Bahraini Dinars

15 INTANGIBLE ASSETS *(continued)*

The goodwill has been allocated to the following cash-generating units:
- Non-motor
- Motor
- Medical
- Group life
- Family Takaful

Key assumptions in value-in-use calculation and impairment testing for goodwill
The recoverable amount of the cash-generating units has been determined based on a value in use calculation. The VIU model used projected cash flows in perpetuity through a five-year forward period of projections, and thereafter applying a (long-term) terminal growth rate.

The calculation of VIU in the CGUs is mainly driven by the following assumptions:
- Discount rates
- Revenue forecast
- Projected growth rates used to extrapolate cash flows beyond the budget period

The following key assumptions were used in the calculation of the VIU:
- Discount rate of 10% is calculated by using the Capital Asset Pricing Model (“CAPM”). This model assumes that the required rate of return on an individual security is equal to the risk-free rate of return plus a market risk premium adjusted to reflect the volatility of the particular asset concerned specific to the CGU and the country of the CGU.
- Revenue forecast is based on the renewal and extension of existing takaful contracts.
- Projected growth rates and local inflation rates assumptions are based on industry research.

A sensitivity analysis of the VIU to changes in key assumptions of long-term growth rates and discount rates is set out below.

At 31 March 2024, the Goodwill impairment test determined there was no impairment required to any of the CGUs and goodwill is allocated to the following CGUs on a provisional basis:

Cash generating units (CGUs)	**Goodwill allocated**
Non-motor	792
Motor	1,511
Medical	916
Family Takaful	472
Group life	43
Treasury	1,799
	5,533

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The forecast cash flows have been discounted using the discount rate mentioned above. A 1% point increase in the discount rate or decrease in the terminal growth rate keeping other factors constant would reduce the recoverable amount of the CGUs as mentioned in the table below:

Period ended 31 March 2024 In thousands of Bahraini Dinars

15 INTANGIBLE ASSETS *(continued)*

Cash generating units (CGUs)	**Impact on the recoverable amount of CGUs**	
	One percentage increase in discount rate	**Increase of multiple used for Terminal value by 1 time**
Non-motor	9,451	14,893
Motor	20,457	31,753
Medical	8,570	13,950
Family Takaful	5,737	9,062
Group life	1,935	2,781
Treasury	15,459	25,512

Other intangibles

Acquired other intangibles are recognised at their 'fair value' upon initial recognition. The specific criteria which needs to be satisfied for an intangible asset to be recognised separately from goodwill in an acquisition is that the intangible asset must be clearly identifiable, in that it either:

- be separable, that is, be capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Other intangibles are amortised using the straight-line method over the useful life of the asset. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised if the recoverable amount is lower than the carrying amount.

16 TRANSFER OF BUSINESS

AlHilal acquisition

On 16 October 2023, the Company entered into a Share Sale & Purchase Agreement (SPA) with Ahli United Bank B.S.C. (c) for the acquisition of 100% of the issued and paid-up ordinary shares in AlHilal Life B.S.C. (c) and its subsidiary AlHilal Takaful B.S.C. (c). The transaction was settled in cash for an amount of BD 9.78 million and subsequently during December 2023, the legal formalities and transfer of ownership of AlHilal Life B.S.C. (c) and its subsidiary AlHilal Takaful B.S.C. (c) from Ahli United Bank B.S.C. (c) to Solidarity Bahrain were duly completed. Accordingly, management has obtained control over the business on 31 December 2023. Currently, the Group is in the process of merger of AlHilal Life B.S.C. (c) and its subsidiary AlHilal Takaful B.S.C. (c) into Solidarity Bahrain as per the requirements of Central Bank of Bahrain which is expected to be concluded by the end of June 2024 subject to regulatory approvals.

The acquisition has been accounted for using the acquisition method of accounting under IFRS 3 – Business Combinations (IFRS 3) and, accordingly, assets acquired, liabilities assumed, and consideration transferred were recorded at estimated fair value on the acquisition date.

The purchase consideration (also referred to as "purchase price") of the acquisition have been allocated to the assets acquired assets and liabilities using their preliminary fair values at the acquisition date. The computation of the purchase consideration and its allocation to the net assets of the AlHilal based on their respective fair values as of acquisition date and the resulting goodwill is presented below.

Period ended 31 March 2024 In thousands of Bahraini Dinars

16 TRANSFER OF BUSINESS *(continued)*

AlHilal acquisition (continued)

Goodwill based on provisional purchase price allocation, represents the difference between purchase consideration and fair value of identifiable net assets.

The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed, including alignment in business model, if needed. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by IFRS 3.

Assets	**Shareholders Fund**	**Conventional Run-off**	**General Takaful Fund**	**Family Takaful Fund**	**Total**	**IFRS 3 Adjustments**	**Fair value recognized after adjustment**
Cash and cash equivalents	1,998	647	421	603	3,669	-	3,669
Investments	4,969	2,515	-	346	7,830	(429)	7,401
Intangible asset	35	-	-	-	35	-	35
Retakaful arrangement assets	-	1,963	767	440	3,170	-	3,170
Prepayments, equipment and other assets	2,430	-	-	1,271	3,701	-	3,701
Investments of participants in units	-	-	-	6,734	6,734	-	6,734
	9,432	**5,125**	**1,188**	**9,394**	**25,139**	**(429)**	**24,710**

Less: Liabilities and participants funds assumed	**Shareholders Fund**	**Conventional Run-off**	**General Takaful Fund**	**Family Takaful Fund**	**Total**	**IFRS 3 Adjustments**	**Fair value recognized after adjustment**
Liabilities							
Takaful arrangement liabilities	-	4,744	703	7,800	13,247	-	13,247
Other liabilities	2,050	-	74	1,446	3,570	-	3,570
	2,843	**5,125**	**1,237**	**9,246**	**18,451**	**-**	**18,451**
Participants' funds transferred from AlHilal	**-**	**-**	**(49)**	**148**	**99**		**99**
NET TANGIBLE ASSETS	**6,589**	**-**	**-**	**-**	**6,589**	**(429)**	**6,160**
Purchase consideration transferred	-	-	-	-	9,778	-	9,778
Goodwill arising on transfer	**-**	**-**	**-**	**-**	**-**	**-**	**3,618**

17 DIVIDENDS

Cash dividend amounted to BD 3.331 million (25% of the paid up capital) was declared and paid in 2024 for the year ended 31 December 2023 (2023: Cash dividend of BD 2.665 million representing 20% of the paid capital).

Period ended 31 March 2024 In thousands of Bahraini Dinars

18 TRANSITION ADJUSTMENTS

This is the first set of the Group's condensed consolidated interim financial information in which FAS 43 - Accounting for Takaful: Recognition and Measurement and FAS 30 - Impairment, credit losses and onerous commitments have been applied which has resulted in changes to the significant judgments, estimates and accounting policies. These changes resulting from the adoption of FAS 43 and FAS 30 have been applied using a modified retrospective approach to the extent practicable. Accordingly, comparative information was restated where the impact of such changes has been disclosed in the below table.

The following table summarises the impact on Group's condensed consolidated financial information from the adoption of FAS 43 and FAS 30:

Consolidated statement of financial position:

	1 January 2023 (as previously reported)	FAS 43 & FAS 30 adjustments	1 January 2023 (restated)
Assets			
Placements with financial institutions	26,918	(155)	26,763
Investments	25,056	(184)	24,872
Other assets	47,533	(25,377)	22,156
Total assets	99,507	(25,716)	73,791
Liabilities & equity			
Total liabilities	66,715	(23,550)	43,165
Participants' funds	8	(1,972)	(1,964)
Shareholder's equity	32,784	(194)	32,590
Total liabilities, participants' funds and equity	99,507	(25,716)	73,791

	31 December 2023 (as previously reported)	FAS 43 & FAS 30 adjustments	31 December 2023 (restated)
Assets			
Placements with financial institutions	11,853	(155)	11,698
Investments	36,192	(233)	35,959
Other assets	74,367	(26,049)	48,318
Total assets	122,412	(26,437)	95,975
Liabilities & equity			
Total liabilities	84,918	(24,563)	60,355
Participants' funds	946	(1,680)	(734)
Shareholder's equity	36,548	(194)	36,354
Total liabilities, participants' funds and equity	122,412	(26,437)	95,975

Period ended 31 March 2024 In thousands of Bahraini Dinars

18 TRANSITION ADJUSTMENTS *(continued)*

The following table summarises the impact on Group's condensed consolidated statements of profit or loss from the adoption of FAS 43 & FAS 30:

Condensed consolidated interim statement of income:

	31 March 2023 (as previously reported)	FAS 43 & FAS 30 adjustments	31 March 2023 (restated)
Net profit for the period	1,241	(125)	1,116

19 SUBSEQUENT EVENTS

There were no significant events subsequent to 31 March 2024 and occurring before the date of signing of this condensed interim financial information that would have a significant impact on this condensed interim financial information.

20 COMPARATIVES

Other than restatements described in Note 18 and acquisition of business described in Note 16 above, certain corresponding figures of 2023 have been regrouped where necessary to conform to the current year's presentation. Such regrouping did not affect previously reported total assets, total liabilities, equity, profit or loss or comprehensive income.

Given that the transfer of business, assets and liabilities from AlHilal (Note 16) occurred during the year ended 31 December 2023, the profit and loss comparative information does not include the results of AlHilal. Therefore, the comparative information is not comparable.