سوليدرتي
SOLIDARITY

NAVIGATING GROWTH, **SOARING INTO THE FUTURE**

2024 | ANNUAL REPORT

His Royal Highness Prince
Salman bin Hamad Al Khalifa

Crown Prince and Prime Minister

His Majesty the King
Hamad bin Isa Al Khalifa

The King of Bahrain

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COMPANY OVERVIEW

Solidarity Bahrain is the leading provider of Islamic insurance (Takaful) in the Kingdom of Bahrain. As a subsidiary of Solidarity Group Holding, the world's largest Sharia-compliant insurance institution, Solidarity Bahrain is highly capitalised, highly liquid and unleveraged. Licensed and regulated by the Central Bank of Bahrain, its shares are traded on the Bahrain Bourse.

Since its foundation in 1976, Solidarity Bahrain has grown to become the Kingdom's largest insurer and an award-winning leader in the region's Islamic financial services sector. Solidarity Bahrain's team of experienced and highly qualified professionals serve a wide range of individuals, companies and organisations with the full suite of insurance and protection products and services.

The Company provides an extensive range of general, life and specialist insurance products, and is renowned for its innovative approach to customer service, which combines personalised support from expert staff with the latest InsurTech digital solutions.

The Company has a 'bbb+' Long-Term Issuer Credit Rating and a B++ (Good) Financial Strength Rating from AM Best, both with a stable outlook.

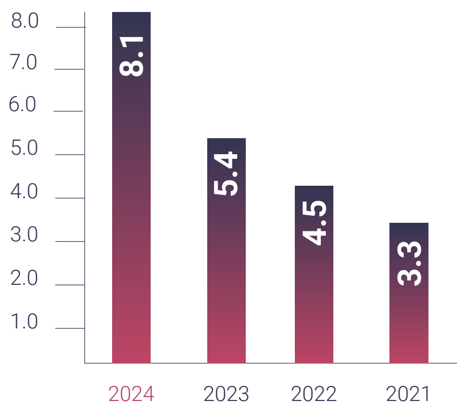
Building on the ISO 27001 accreditation it first achieved in 2018 to recognise its information security management capabilities, Solidarity Bahrain was also the first insurance company in Bahrain to obtain ISO 22301:2019 certification for the quality and rigour of its business continuity planning.

FOUR YEAR FINANCIAL HIGHLIGHTS

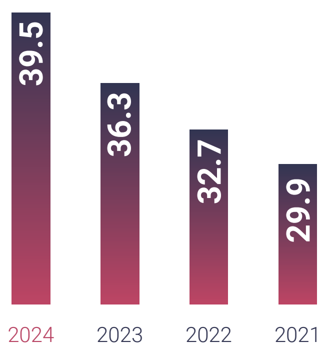
Gross Contributions (BHD million)

2024	2023	2022	2021
58.3	50.9	46.2	31.6

Net Profit (BHD million)



Shareholders' Equity (BHD million)



Earning per share (Bahraini Fils)

2024	2023	2022	2021
51.7	32.5	28.2	24.0

Investment Income (per cent)

2024	2023	2022	2021
3.1	2.4	2.3	1.7

Dividend (per cent)

2024	2023	2022	2021
27.5	25.0	20.0	18.0


SETTING
SAIL FOR
SUSTAINABLE
GROWTH

BOARD OF DIRECTORS PROFILES

H. E. Shaikh Khalid bin Mustahail Al Mashani

Chairman of the Board, Chairman of the Executive Committee & Chairman of Remuneration Committee (Non-Executive Director)

- Non-Executive Director
- Omani National
- BSC. in Economics and Master's Degree in International Boundary Studies from the School of Oriental and African Studies (SOAS), from the University of London.
- More than 29 years of experience.

Key Positions & Directorships held:

- Chairman of the Board of Directors of Al Salam Bank in Bahrain.
- Chairman of the Board of Directors of Bank Muscat S.A.O.G. in Oman.
- Chairman of the Board of Directors of Dhofar International Development & Investment Holding Company S.A.O.G. in Oman.
- Chairman of the Board of Solidarity Group Holding B.S.C.(c) in Bahrain.
- Board member of Al Omaniya Financial Services Company in Oman.
- Board member of Dhofar Food and Investment Co S.A.O.G. in Oman.
- Board member of Maalem Holding in Bahrain.

BOARD OF DIRECTORS PROFILES

Mr. Salman Saleh Al Mahmeed

Vice Chairman, Chairman of the Audit & Risk Committee and Member of the Nomination & Corporate Governance Committee (Non-Executive Director)

- Non-Executive Director
- Bahraini National
- Holds an MBA in Business Administration, a Diploma in Hotel Management & BSc in Management.
- More than 35 years of experience

Key Positions & Directorships held:
- Board Member at Al Salam Bank B.S.C. Bahrain.
- Chairman of Burj Al Jewar and Burj Al Safwa.
- The Deputy Chairman of Dar Albilad.
- Chairman of Coca Cola Bottling Company Bahrain.
- Owner's Representative of Global Express and the Movenpick Hotel in Bahrain.
- Board Member at The Ritz Carlton - Bahrain.

BOARD OF DIRECTORS PROFILES

Mr. Tariq Al-Aujaili
Board Member, Member of the Executive Committee, and member of the Remuneration Committee (Non-Executive Director)

- Non-Executive Director
- Omani National
- Holds a BSc in Accounting and Finance from the London School of Economics and Political Science.
- More than 23 years of experience

Key Positions & Directorships held:
- Chairman of Solidarity First Insurance Company Plc., Jordan.
- Chairman of Garden Hotel, Oman.
- Deputy Chairman at Dhofar International Development and Investment Holding Co. SAOG, Oman.
- Deputy Chairman at Dhofar Insurance SAOG, Oman.
- Deputy Chairman Oman Investment and Finance Co. SAOG, Oman.
- Board Member at Al Salam Bank B.S.C. Bahrain.
- Board member at Bank Dhofar SAOG, Oman.

BOARD OF DIRECTORS PROFILES

Mr. Ashraf Bseisu

Board Member, Member of the Executive Committee, Member of Remuneration Committee and Member of the Nomination & Corporate Governance Committee (Executive Director)

- Executive Director
- Bahraini National
- Masters' in Business Management and Information System from the "London School of Economics", United Kingdom and Bachelor's degree from "Southern Methodist University" in the USA.
- An Associate member of the Chartered Insurance Institute of the UK
- An Associate member of the American Institute of Management Accountants.
- More than 30 years of experience in insurance and financial services

Key Positions & Directorships held:

- Group Chief Executive and member of the Executive Committee of Solidarity Group Holding B.S.C. (closed) Bahrain
- Chairman of Solidarity Takaful SARL, Luxembourg
- Chairman of Solid Ventures W.L.L., Bahrain
- Chairman of Solid Capital W.L.L, Bahrain
- Chairman of the Arab War Risk Insurance Syndicate (AWRIS)
- Board Member and Member of the Executive Committee and Member of the Nomination & Corporate Governance Committee and Member of the Remuneration Committee of Solidarity Bahrain B.S.C, Bahrain
- Board Member and Member of the Executive Committee of Solidarity First Insurance Company Plc., Jordan
- Board Member and Member of the Executive Committee, Aljazira Takaful Taawuni Co., KSA
- Board Member and Member of Executive Committee & Member of Investment Committee of United Insurance Company B.S.C. (c), Bahrain
- Board Member and Chairman of Remuneration, Nomination, & Corporate Governance Committee, Bahrain Institute of Banking & Finance (BIBF), Bahrain

BOARD OF DIRECTORS PROFILES

Mr. Anwar Murad
Board Member, Member of the Executive Committee, and member of the Remuneration Committee (Executive Director)

- Executive Director
- Bahraini National
- Holds a BSc in Accounting from University of Bahrain.
- More than 30 years of experience in financial services

Key Positions & Directorships held:
- Deputy Chief Executive Officer Al Salam Bank B.S.C.
- Board member of Fincorp W.L.L
- Board member of Amana W.L.L
- Board member of Amar Holding Company. W.L.L
- Board member of Amar 1 Real Estate Investment Company W.L.L
- Board member of Amar 2 Real Estate Investment Company W.L.L
- Board member of ASBB Aqarat W.L.L
- Board member of ASBB Asset Management Holding Company W.L.L
- Board member of ASBB Business Holding W.L.L
- Board member of ASBB Business Services W.L.L
- Board member of ASBB Business Support
- Board member of ASBB Client Holding W.L.L
- Board member of ASBB Client Services W.L.L
- Board member of Athal Co. W.L.L
- Board member of Bareeq Al Retaj Real Estate Services W.L.L
- Board member of Darari Investment Company W.L.L
- Board member of Dohat Al Muharraq Investment Company W.L.L
- Board member of Kenaz Al Kadam Real Estate Investment W.L.L
- Board member of Manara Developments Company B.S.C
- Board member of N.S. 11 W.L.L
- Board member of N.S. 15 W.L.L
- Board member of N.S. Real Estate Company W.L.L
- Board member of Safana Investment Company W.L.L
- Board member of Shaden Holding Company W.L.L
- Board member of Shaden Real Estate Investment Co. W.L.L
- Board member of Tamdon Holding W.L.L
- Board member of Wahat Al Muharraq Investment Company W.L.L
- Board member of ASB Investments One W.L.L
- Board member of ASB Investments Two W.L.L
- Board member of BIO Real Estate W.L.L
- Board member of Durrat Marina Asset 1 W.L.L
- Board member of Middle Region Development Company W.L.L
- Board member of Delmon 1 Co. W.L.L
- Board member of Manzil Assets W.L.L
- Board member of Shaikha Hessa Girls School
- Board member of Shaikha Hessa Islamic Centre
- Board member of INJAZ
- Board member of Al Sanabel Orphan Care

BOARD OF DIRECTORS PROFILES

Dr. Nawaf Al Hamar

Board Member, Member of the Audit & Risk Committee and Member of the Nomination & Corporate Governance Committee (Independent - None-Executive Director)

- Independent - Non-Executive Director
- Bahraini National
- Masters in Health Care Management from Royal College of Surgeons of Ireland, Masters of Science in Orthodontics from the University of London, United Kingdom, International Postgraduate Program in Comprehensive Care General Dentistry from New York University in the USA and Bachelor of Dental Surgery from University College Cork - Republic of Ireland.
- More than 25 years of experience in the Healthcare Management

Key Positions & Directorships held:
- Board of member of Payment International Enterprise
- Board member of KKT Bahrain Medical Center

Mr. Ahmed Kassim

Board Member, Member of the Audit & Risk Committee (Independent - None-Executive Director)

- Independent - Non-Executive Director
- Bahraini National
- Bachelor's Degree in Economics & Finance from Bentley College, Boston, USA.
- More than 20 years of experience in the commerce industry.

Key Positions & Directorships held:
- Chairman of Quality Wire Products Company W.L.L
- Board member of Habib Ahmed Kassim & Sons Company
- Board member of Almahd Day Boarding School
- Board member of INO W.L.L
- Board member of Century 21, Bahrain
- Board member of Nickel Alloy Metals & Machinery W.L.L.
- Board member of Orla Enterprises W.L.L
- Board member of Al Salam Bank B.S.C.
- Board member in Banz Group B.S.C (CLOSED)

BOARD OF DIRECTORS REPORT

On behalf of the Board of Directors, we are pleased to present the annual report and consolidated financial statements of Solidarity Bahrain B.S.C. (the Group) for the year ended 31 December 2024.

BOARD OF DIRECTORS REPORT

Strong Financial Results

Solidarity delivered a strong performance in 2024, with recognized takaful contributions increasing by 15% to BD 59.0 million (2023: 51.5 million). Net profit and surplus increased by 47% to BD 8.1 million compared with BD 5.5 million the previous year.

The Group remains committed to a prudent and solid balance sheet position, which is demonstrated by a solvency ratio of 154%, comfortably in excess of regulatory minimum standards. The capital available to cover the solvency margin stood at 10.7 million, exceeding the minimum solvency margin required of BD 5.5 million for general takaful business, and BD 1.5 million for family takaful business.

The strong performance in 2024 resulted in earnings per share of Fils 51.70 (2023: Fils 32.58). At the year end, total shareholder equity stood at BD 39.5 million, an increase of 9% over 2023. Based on these results, the Board of Directors propose a stock dividend of 27.5% for 2024 for approval by Shareholders at the Annual General Meeting.

Ratings Confirmation

A.M. Best Rating Services, a globally recognized credit rating agency, has affirmed Solidarity Bahrain's Financial Strength Rating of B++ (Good) and the Long-Term Issuer Credit Rating of "bbb+". The outlook of these credit ratings is stable.

Following the ongoing transaction for the acquisition of Bahrain National Insurance Company B.S.C. (c) (BNI) and Bahrain National Life Assurance Company B.S.C. (c) (BNL) from Bahrain National Holding B.S.C., A.M. Best has placed the rating under review with developing implications. The review status will remain until the transaction is completed and A.M. Best has evaluated its impact on Solidarity Bahrain's credit rating fundamentals.

Prior to this review, A.M. Best highlighted that the ratings reflect Solidarity Bahrain's very strong balance sheet strength, supported by its risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). The balance sheet strength further benefits from a very good level of liquidity and strong financial flexibility. Additionally, the ratings incorporate Solidarity Bahrain's strategic importance to its parent company, Solidarity Group Holding BSC (c), a leading provider of Islamic insurance solutions in the region.

Industry Recognition

Solidarity's remarkable advancements and innovative business strategies in 2024 earned widespread recognition, setting new standards within the industry. The company's dedication to excellence was acknowledged through multiple prestigious awards and honours, reinforcing its position as a leader in the sector:

- Deal of the Year 2024: Islamic Finance News Awards
- Fastest Growing Life Insurance Company in Bahrain 2024: Global Business Outlook
- Best Claims Settlement in Insurance: The Global Economics
- Best Motor Insurance Company Bahrain 2024: World Economic Magazine

BOARD OF DIRECTORS REPORT

Strategic Progress

In 2024, Solidarity launched its new GROW strategy cycle (2024-2026), reinforcing its commitment to sustainable expansion, operational excellence, and stakeholder value. The strategy, built around Growth, Retention, Optimization, and Work & Collaborate, serves as the foundation for the company's vision to be a leading regional insurance provider. By prioritizing market share expansion, customer and talent retention, operational efficiency, and strategic partnerships, Solidarity aims to strengthen its competitive edge.

With a renewed focus in this cycle, the company is enhancing revenue streams, improving customer experience, and leveraging digital transformation to streamline processes. Both organic and inorganic growth remain at the core of the strategy, ensuring agility in a dynamic market. Through innovation and collaboration, Solidarity continues to drive sustainable growth while delivering value to customers, employees, and stakeholders alike.

Mergers and Acquisitions

In 2024, Solidarity Bahrain successfully merged and integrated AlHilal Life B.S.C. (c) and its subsidiary, AlHilal Takaful B.S.C. (c), into its operations. This strategic move has significantly expanded Solidarity's life insurance and family takaful offerings, catering to both retail and corporate clients across Bahrain. The merger has further strengthened Solidarity's market leadership, cementing its position as the largest and most prominent insurance provider in the Kingdom.

Building on this momentum, Solidarity Bahrain signed a Sale and Purchase Agreement (SPA) in January 2025 with Bahrain National Holding Company B.S.C. for the acquisition of 100% of the issued share capital of both Bahrain National Insurance Company B.S.C. (c) (BNI) and Bahrain National Life Assurance Company B.S.C. (c) (BNL). This acquisition is set to further solidify Solidarity's position as the leading insurance provider in Bahrain, enhancing its business profile, market share, and profitability.

This milestone transaction unlocks exciting growth opportunities and reinforces Solidarity's proven expertise in mergers and acquisitions, positioning the Company for sustained success in the evolving insurance landscape.

The year also saw the successful acquisition of a 29 per cent stake of Alliance Insurance, a UAE life insurance company listed on the Dubai Financial Market. This transaction represents Solidarity Insurance's first international acquisition.

BOARD OF DIRECTORS REPORT

Future Outlook

Bahrain's economy is projected to grow by 3.5% in 2025, driven by strong performances in the manufacturing, financial services, and tourism sectors. The government's continued focus on economic reforms and diversification is attracting increased foreign investment, further strengthening these key industries. Inflation is expected to remain below 2% in both 2024 and 2025, ensuring a stable economic environment conducive to sustained growth.

The Bahrain insurance industry is set for steady expansion, with the health insurance segment poised for significant growth, driven by rising insurance premiums and regulatory developments. The sector will receive a major boost with the implementation of mandatory health insurance, initiated by the Supreme Council for Health, with its first phase expected to go live in 2025. Furthermore, the increasing focus on digitalization and online insurance platforms is expected to enhance accessibility and efficiency, offering clients more seamless and convenient services.

Overall, Bahrain's economic and insurance sector outlook for 2025 remains positive, with strategic initiatives and market developments paving the way for long-term growth and stability.

Acknowledgements

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

We also extend our gratitude to the Central Bank of Bahrain, the Bahrain Bourse, the Ministry of Industry & Commerce, and other Government institutions, for their continued professional advice and guidance during the year.

In addition, we express our gratitude to the shareholders of Solidarity Bahrain for their unwavering commitment, and to the Company's participants, business partners and other stakeholders, for their continued support.

We also pay special tribute to the dedicated efforts and contributions of the Company's management and staff, for their dedicated efforts during 2024.

BOARD OF DIRECTORS REPORT

The table below that shows the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ended 31 December 2024.

First: Board of Directors' Remuneration Details:

Name	Fixed Remunerations					Variable Remunerations					End-of-service Award	Aggregate Amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the Chairman and Bod	Total Allowance for Attending Board and Committee Meetings	Salaries	Others	Total	Remunerations of the Chairman and Bod	Bonus	Incentive Plans	Others	Total			
First: Independent Directors:													
1- Ahmed Habib Kassim	-	8,100	-	-	8,100	30,000	-	-	-	30,000	-	38,100	-
2- Dr. Nawaf Al Hamar	-	10,200	-	-	10,200	30,000	-	-	-	30,000	-	40,200	-
Second: Non-Executive Directors:													
1- H.E.Shaikh Khalid Al Mashani	-	10,200	-	-	10,200	40,000	-	-	-	40,000	-	52,200	-
2- Salman Al Mahmeed	-	10,200	-	-	10,200	30,000	-	-	-	30,000	-	40,200	-
3- Tariq AlAujaili	-	10,200	-	-	10,200	30,000	-	-	-	30,000	-	40,200	-
Third: Executive Directors:													
1- Ashraf Bseisu	-	11,600	-	-	11,600	30,000	-	-	-	30,000	-	41,600	-
2- Anwar Murad	-	10,200	-	-	10,200	30,000	-	-	-	30,000	-	40,200	-
Total	-	70,700	-	-	70,700	220,000	-	-	-	220,000		290,700	-

1. Board remuneration is subject to the Ordinary Annual General Meeting Approval in March 2025.

BOARD OF DIRECTORS REPORT

Second: Executive Management Remuneration Details for Top Six Executives:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Remunerations of top six executives, including CEO and CFO	423,750	172,809	-	596,559

H.E. Shaikh Khalid Al Mashani
Chairman

Salman Al Mahmeed
Vice Chairman

19 February 2025

EXECUTIVE MANAGEMENT AND BIOGRAPHIES

Mr. Jawad Mohammed
Chief Executive Officer

Jawad Mohammed has more than 29 years' experience in business management and insurance industry. He joined Solidarity from its inception, having previously worked for the Ministry of Education, Bahrain National Holding, and Al Ahlia Insurance in the Kingdom of Bahrain.

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

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

EXECUTIVE MANAGEMENT
AND BIOGRAPHIES

Mr. Sanjeev Aggarwal
Chief Financial Officer

Sanjeev Aggarwal has over 20 years of expertise in financial control, accounting, auditing, compliance, and risk management. Before joining Solidarity Bahrain in 2014, Sanjeev gained significant experience with reputed audit firms in India and Bahrain, contributing to external and internal audits, system audits, and specialized assignments for clients across various sectors, including insurance, financial services, investments, manufacturing, real estate, and construction.

Sanjeev is an accomplished finance professional with a strong academic and professional background. He is an Associate of the Institute of Chartered Accountants of India, the Chartered Insurance Institute (UK), and the Insurance Institute of India. He also holds a Bachelor's degree in Commerce (Honors) from the University of Delhi, India.

Beyond his corporate responsibilities, Sanjeev actively contributes to the industry through various leadership and advisory roles. He serves as the Vice-Chairman of the Finance Committee of the Bahrain Insurance Association (BIA) and is a member of the AAOIFI working group for Takaful Illustrative Financials and the AAOIFI Takaful Accounting Committee. Additionally, he previously chaired the BIA's IFRS 17 Technical Committee, demonstrating his commitment to the advancement of financial and regulatory standards in the insurance sector.

EXECUTIVE MANAGEMENT
AND BIOGRAPHIES

Mr. Jai Prakash Pandey
Deputy General Manager – Business Development

Jai Prakash Pandey is a dynamic and results-driven professional with a proven ability to lead business development, drive digital transformation, and manage complex insurance operations at both corporate and business levels. His strategic vision, combined with his expertise in mergers and acquisitions, life insurance, and digital optimization, has consistently delivered significant value to organizations. With a customer-centric approach and a commitment to innovation, Jai continues to be a key contributor to the growth and success of the insurance industry for over 28 years. He joined Solidarity in 2007 and contributed at various roles within the organization.

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

Mr. Husain Sabt
Acting Assistant General Manager – Corporate Support – Effective 1st August 2024 (Interim arrangement)

Husain Sabt is a qualified Management Professional with 19 years of work experience, possessing substantial expertise in corporate management, consultancy, and advisory roles, encompassing a diverse array of projects that include system audits, project management, and strategy development.

Managed projects focusing on digital transformation, system implementation, process optimization and setting up transformational strategies enabling organizations achieving their business objectives.

Husain holds a BSc in Computer Engineering from the University of Bahrain (UOB) and has been a Project Management Professional (PMP) certified by the Project Management Institute (PMI) since 2011.

MANAGEMENT REVIEW

In many ways, 2024 proved to be a landmark year for Solidarity Insurance. The company achieved its highest revenue in its almost 50-year history, with recognized takaful contribution increasing by 15% year on year to BD 59.0 million.

This growth reflects a number of contributing factors:

- Strong contribution from recent acquisitions
- Heightened operational efficiencies and improved margins driven by automation and AI advances
- Ongoing investment in people, product and market presence
- Diversification of business lines

Mergers and Acquisitions

Following the announcement of its intention to acquire Al Hilal Life and its subsidiary Al Hilal Takaful in 2023, the transaction completed in 2024 following regulatory approvals from the Central Bank of Bahrain and other relevant parties. This transaction gives Solidarity a critical mass in the Life segment, and was enhanced in 2024 by two further strategic transactions:

The successful acquisition of 29 per cent stake of Alliance Insurance, a UAE life insurance company listed on the Dubai Financial Market.

These transactions mark a material step towards Solidarity's stated objective of becoming a leading insurer in the MENA region. The Alliance transaction is particularly noteworthy, since it marks Solidarity's first international acquisition. Solidarity has announced its intention to increase it shareholding beyond 29% in the future.

Primed for Growth

With the completion of these acquisitions, Solidarity has achieved several strategic objectives:

- Entered the Life Insurance and Savings sector: These under-penetrated sectors offer significant opportunities for growth for Solidarity, and will complement the company's leading position in medical and motor insurance.
- Grow internationally: The establishment of a presence in the UAE delivers exposure to a large market of great potential.
- Scale and strength: The transactions deliver increased scale and capital strength, placing the company in a strong position for future growth.

Solidarity's new scale and capability in the Life segment will be complemented by a series of partnerships with banks to enhance distribution capability through a bancassurance model. Agreements have been made with several large institutions in Bahrain to partner in Life distribution, and the company is excited about the potential for growth in this area.

Technology Investments

Solidarity has invested heavily in creating a digital ecosystem that drives customer journeys, simplifies processes and removes operational cost. 2024 saw a major development of AI-linked service offerings. These included Solidarity Drive, a behavioural change app that rewards safe driving with price savings, rewards and other incentives. The company is actively exploring other applications for new behavioural change technologies, particularly in Health and Medical, and the company looks forward to making more announcements in this field in 2025.

Solidarity also launched a churn reduction process in 2024, a technology that uses AI to predict customer behaviour, to anticipate potential premium losses, and to ensure retention. AI was also deployed to deliver data-based personalized product recommendations and dynamic pricing models for customers.

By deploying the most up to date and smart technology, Solidarity is also able to accelerate the integration of acquisitions, with the result that people, processes and customers receive a seamless and frictionless service and execution.

MANAGEMENT REVIEW

Leveraging technology to provide superior customer care, we have innovated ways to engage and interact with our customers. These include a Digital Branch and Video Insurance service, which is one of a kind in the region. We have also devised an Online Portal that enables remote transactions, facilitates payments and allows customer claims tracking. To ensure we maintain regular communication with our customers, we have integrated an AI Chatbot service on WhatsApp, developed an easy-to-use mobile application, and the company maintains an active social media engagement profile.

Motor Insurance launched a Digital Claims Portal in 2024, an online platform allowing policyholders to file, track, and manage claims digitally, significantly reducing paperwork and improving user convenience.

Motor Insurance also launched Mutalabat, an innovative solution that bridges the gap between the company, workshops, and spare parts providers. Mutalabat streamlines communication and ensures efficient management of claims by facilitating real-time collaboration between all stakeholders involved in the claims process. This ensures faster approvals and sourcing of spare parts, leading to quicker vehicle repair times, reduces delays and enhances the overall customer experience by ensuring smooth claim settlement and repair processes.

Mutalabat's successful implementation is expected to set a new industry standard for claims management and stakeholder collaboration.

Human Capital Developments

Solidarity continues to pursue its policy and philosophy of being a people-centric organization, investing in people and skills to develop and maintain the very best workforce in the industry. This was particularly important in 2024, as we integrated acquisitions that almost doubled the workforce at Solidarity.

Maintaining and guarding a positive corporate culture is critical at times of change, and 2024 was a year of strong achievement in this regard. Solidarity's people are one family, and together we build success. This approach was reflected in the delivery of an average of 25 hours training to large majority of our 215 staff, including the successful achievement of insurance-related professional certifications.

Technology played a role in the human capital developments, too, with 2024 seeing the automation of the full cycle of the Appraisal system through the HR system and the automation of Talent acquisition management through the HR system.

This investment and commitment to Solidarity's most important asset – its people – was underscored by a staff engagement score of 89%, showing a high level of engagement, understanding and support. This highly positive score reflects the responses from staff to a comprehensive annual survey that measures levels of engagement and support among staff for the company, its strategy, and their work-life balance.

ESG and Sustainability

Solidarity will publish its inaugural ESG and Sustainability Report for the year 2024 in 2025. The publication marks a step change in disclosure, measurement and transparency. The ESG Report will contain disclosures in accordance with the Global Reporting Initiative (GRI) standards and will adhere to CBB disclosure guidelines. These disclosures will help the organization to better navigate its impact and track progress on integrating ESG across the business year on year.

Solidarity Bahrain's vision for ESG goes beyond simple regulatory compliance: it represents a strategic business imperative to integrate sustainability into all business operations. Throughout 2024 the company organized several initiatives aimed at promoting environmental consciousness while instilling a culture of sustainability and ESG awareness within the organization. Further details of these activities and initiatives are given in Section 8 below.

STRATEGY REPORT

Sustainability and Environmental and Social Governance:

2024 saw the adoption of a new strategic plan for the company. The ACTS (Agility, Collaboration, Transformation and Scaling-up) strategy implemented in 2021 was judged to have been fully completed by the end of 2023, with planned growth successfully delivered across all metrics including profitability, market share and stakeholder value.

Consequently, a new strategy was launched at the start of 2024: The GROW strategy. Built around the four pillars of Growth, Retention, Optimization, and Work & Collaborate, GROW will be the foundation for achieving the company’s vision to be a leading regional insurance company in terms of market positioning and stakeholder value looking out to 2026 – a date which will also mark the company’s 50th anniversary.

2024 marked the first year of the new GROW strategy cycle, and material progress has been achieved in each of the four pillars.

Looking ahead, Solidarity has embarked on its GROW strategy cycle for 2024-2026. This acronym encapsulates the Company’s commitment to; Growth in market share and profits; Retain customers and staff; Optimisation of operations, costs, and processes; and Work and collaborate with partners and stakeholders.

Solidarity plans to release its first ESG and Sustainability Report for 2024 in 2025. The report will include information aligned with the Global Reporting Initiative (GRI) standards and comply with CBB disclosure guidelines. These disclosures will assist the organization in understanding its impact and monitoring its progress in integrating ESG practices throughout the business each year.

The report will be available in the website.

STRATEGY REPORT

Successful pursuit of inorganic growth strategy:

- Solidarity Bahrain executed and finalised three acquisitions in 2024:

  - Finalised the acquisition of Al Hilal Insurance
  - Acquired 29% of Alliance Insurance, a premier insurance company based in Dubai and listed on the Dubai Financial Market.

- These transactions significantly strengthen Solidarity's position as the number one insurance provider in Bahrain, and mark a first step towards growing an international business. All two acquisitions will be earnings accretive in 2025 and beyond.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Solidarity Bahrain's almost 50 years of operation means it is an important part of Bahraini society and national culture. Its identity is deeply rooted in the local community. As an Islamic financial institution, community engagement, philanthropy and care for the natural, built and social environments are part of Solidarity's DNA.

This philosophy is demonstrated through a diverse range of corporate and social responsibility (CSR) activities.

Some of the highlights from our CSR activities in 2024 include:

Environment:

- As part of its partnership with Nidukki, Solidarity organised a beach clean-up with the American School to enhance environmental awareness through a community cleanup.
- Solidarity's partnership with Nidukki also saw the launch of recycling drives in various schools across Bahrain, giving young students the opportunity to make a positive impact on the environment while raising awareness about the importance of adopting greener practices. The recycling drive was a great success, with over 160 kg of recyclables collected during the event.
- Sponsor of the Bahrain Insurance Association's Electric Vehicle Forum, highlighting our focus on clean energy and innovation.

Education:

- Insurance Awareness Campaign in collaboration with the Bahrain Institute of Banking and Finance: Launched an extensive campaign to enhance public knowledge of the industry.
- Sponsoring BSB School: Invested in education by sponsoring local schools and programs.
- Sponsor of the 25th Annual Bahrain Society for Human Capital Management Congress: "Shaping Strategic Partnerships in Human Resources"

Community Engagement:

- Support for Bahrain Sports Federation for Disabilities, demonstrating our commitment to inclusivity in sports.
- Sponsor of Predator FC football league tournament: supporting local sports initiatives.
- Sponsor of Bahrain Football Association: Supported local sports development through financial contributions.
- Sponsoring Awali Golf Club: Strengthened our brand by supporting local activities.
- Sponsorship of the Walkathon 2024: Promoted health and wellness through community events.

Diversity and Inclusion:

- Sponsoring Bahrain Down Syndrome Society: Advocated for individuals with disabilities by sponsoring relevant organizations.
- Sponsorship for the Good Word Society: Engaged with community organizations through sponsorship, fostering positive social impact.


RISING
ABOVE
EXPANDING
BEYOND

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2024

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

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

The company affirms its adherence to Rule HC-1.10 of the CBB Rulebook (Volume 3) and confirms that the evaluation of the Board and each committee for the financial year 2024 has been diligently conducted by each member.

Ownership Structure

Solidarity Group Holding B.S.C (Closed) owns 75.79% of the Company's capital, and various individual and corporate shareholders own the remaining 24.21%.

The Board

The Board of the Company consists of seven (7) members. At least half of the Company's Board should be non-executive directors and at least two (2) of those persons should be independent directors.

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

The Board term is defined to be three years. Therefore, the current term of the Board began in March 2023 and ends in March 2026.

The specific responsibilities reserved to the Board include:

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

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

CORPORATE GOVERNANCE REPORT

Board Meetings and Attendances Policy

The Board is required to meet at least four times in a financial year.
Schedule of Board Meetings and attendance in 2024) All Board meeting were convened in the Kingdom of Bahrain):

Executive Committee	20 Feb	13 May	13 Aug	4 Nov	12 Nov	5 Dec
H.E. Shaikh Khalid Al Mashani - Chairman (Non-Executive)	√	√	√	√	√	√
Mr. Salman Al Mahmeed – Vice Chairman (Non-Executive)	√	√	√	√	√	√
Mr. Tariq Al Aujaili (Non-Executive)	√	√	√	√	√	√
Mr. Ashraf Bseisu (Executive Director)	√	√	√	√	√	√
Mr. Anwar Murad (Executive Director)	√	√	√	√	√	√
Dr. Nawaf Al Hamar (Independent Non-Executive)	√	√	√	√	√	√
Mr. Ahmed Habib Kassim (Independent Non-Executive)	√	√	√	√	√	√

In line with the CBB Rulebook paragraph (r) of rule HC-8.3.3 of Volume 6 of the HC-Module, the Company would like to disclose that 100% of the Board of Directors are men and 0% women.

Board Committees

Audit and Risk Committee

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

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

Schedule of Audit and Risk Committee meetings and attendance in 2024:

Audit and Risk Committee Members	18 Feb	12 May	12 Aug	11 Nov
Mr. Salman Al Mahmeed – Chairman (Non-Executive)	√	√	√	√
Dr. Nawaf Al Hamar (Independent Non-Executive)	√	√	√	√
Mr. Ahmed Habib Kassim (Independent Non-Executive)	×	√	√	√

Nomination & Corporate Governance Committee

The Nomination & Corporate Governance Committee shall consist of at least three members. The majority of the members of the committee including the Chairman shall be independent and/or non-executive directors. One of the members shall be a Shari'a scholar who is a member of the Shari'a Supervisory Board ("SSB") of the Company for the purpose of leading the Committee on Shari'a-related governance issues. The Committee shall meet at least twice a year.

CORPORATE GOVERNANCE REPORT

The Nomination and Corporate Governance Committee is responsible for assisting in proposing for the appointment of new/additional director(s) to the Board of the Company. The Committee is also responsible for the oversight and monitoring of the implementation of the Corporate Governance Guidelines by working together with the management, the Audit & Risk Committee, and the SSB. In addition, the Committee is responsible for providing to the Board reports and recommendations based on its findings during the normal course of the exercise of its functions.

Schedule of Nomination and Corporate Governance Committee meeting and attendance in 2024:

Nomination & Corporate Governance Committee	4 Feb	21 Nov
Shaikh/ Dr. Osama Bahar – Chairman of the Sharia Supervisory Board	√	√
Mr. Salman Al Mahmeed (Non-Executive)	√	√
Mr. Ashraf Bseisu (Executive Director)	√	√
Dr. Nawaf Al Hamar (Independent Non-Executive)	√	√

Remuneration Committee

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

The Committee shall assist the Board in the consideration of personnel and remuneration issues within Company.

Schedule of Remuneration Committee meeting and attendance in 2024:

Remuneration Committee	5 Feb	25 Dec
H.E. Shaikh Khalid Al Mashani - Chairman (Non-Executive)	√	√
Mr. Tariq Al Aujaili (Non-Executive)	√	√
Mr. Ashraf Bseisu (Executive Director)	√	√
Mr. Anwar Murad (Executive Director)	√	√

Executive Committee

The Executive committee has the following responsibilities:

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

CORPORATE GOVERNANCE REPORT

Schedule of Executive Committee meetings and attendance in 2024:

Executive Committee	13 Mar	4 Jun	8 Sep	27 Dec
H.E. Shaikh Khalid Al Mashani - Chairman (Non-Executive)	√	√	√	√
Mr. Tariq Al Aujaili (Non-Executive)	√	√	√	√
Mr. Ashraf Bseisu (Executive Director)	√	√	√	√
Mr. Anwar Murad (Executive Director)	√	√	√	√

Number of directorships of Board Members:

Board Members	Number of Other Directorships in Bahrain
H.E. Shaikh Khalid Al Mashani - Chairman (Non-Executive)	3
Mr. Salman Al Mahmeed – Vice Chairman(Non-Executive)	6
Mr. Tariq Al Aujaili (Non-Executive)	1
Mr. Anwar Murad (Executive Director)	37
Mr. Ashraf Bseisu (Executive Director)	5
Dr. Nawaf Al Hamar (Independent Non-Executive)	2
Mr. Ahmed Habib Kassim (Independent Non-Executive)	9

Independent Director

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

(a) Was not an employee of the Company;
(b) Did not:

(i) Make to, or receive from, the company payments of more than 31,000 BD or equivalent (not counting director's remuneration);
(ii) Own more than a 10% share or other ownership interest, directly or indirectly, in an entity that made to or received from the company payments of more than such amount;
(iii) Act as a general partner, manager, director or officer of a partnership or company that made to or received from the company payments of more than such amount;
(iv) Have any significant contractual or business relationship with the company which could be seen to materially interfere with the person's capacity to act in an independent manner;

(c) Did not own directly or indirectly (including for this purpose ownership by any family member or related person) 5% or more of the shares of any type or class of the Company;

CORPORATE GOVERNANCE REPORT

(d) Was not engaged directly or indirectly as an auditor or professional advisor for the company; and
(e) Was not an associate of a Director or a member of senior management of the company.

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

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

Executive Management Committee

The Executive Management Committee members shall comprise of the Chief Executive Officer and of SB’s heads of key functions. The Chairman of the Committee shall be the CEO, and the Committee may elect a deputy from its members to stand in, when the CEO is absent. The Executive Management Committee shall meet at least four times a year.

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

Risk Management Committee

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

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

Director Orientation and Continuing Education

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

CORPORATE GOVERNANCE REPORT

Election system of Directors

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

Termination of Directors

The process for the termination of a Board member is governed by the General Shareholders Meeting. The Board of Directors, in consultation with the Nomination and Corporate Governance Committee, is responsible for evaluating the performance of Board members. If deemed necessary, the Board may propose the termination of a Director, which is subject to approval by the General Shareholders Meeting. This process ensures that the composition of the Board remains aligned with the company's best interests and governance standards.

Directors Remuneration

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

Employees Remuneration

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

Communications

The Company ensures to deliver a clear communication with its stakeholders, including shareholders, employees, customers, government agencies, regulators, and the wider community. Shareholders are invited by the Chairman of the Board to attend the Annual General Meeting, where the Chairman and other available directors address any questions regarding the Company's operations and performance. Furthermore, the Company is fully committed to meeting its regulatory and statutory responsibilities concerning the distribution of information to stakeholders. In accordance with disclosure standards and the guidelines set by relevant statutory authorities, both financial and non-financial information is shared by the Company whenever significant events occur. This information is made available on the Company's website (www.solidarity.com.bh), in local newspapers, through the Bahrain Bourse, or via other communication channels. The Company's financial and annual reports are also accessible on its website.

Code of Conduct

Board of Directors

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

Staff

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

Whistle blower policy

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

External Auditors

Under the recommendation of the Board of Directors through the Audit & Risk Committee, during the Annual General Meeting held on 20th March 2024, the shareholders approved the appointment of KPMG Fakhro as the external auditors.

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

KPMG auditors are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (Including International Independence) (IESBA Code), together with the ethical requirements that are relevant to the Audit of the consolidated statements in the Kingdom of Bahrain and the have fulfilled other Ethical responsibilities in accordance with these requirements and the IESBA Code. In addition to external audit services, our external auditors provide of audit related services, including Agreed-Upon procedures (AUP) in accordance with international standard on Related Services applicable as requested by Central Bank of Bahrain and Ministry of Industry, Commerce and Tourism.

CORPORATE GOVERNANCE REPORT

Audit and Non-audit Fees paid by the Company in 2024:

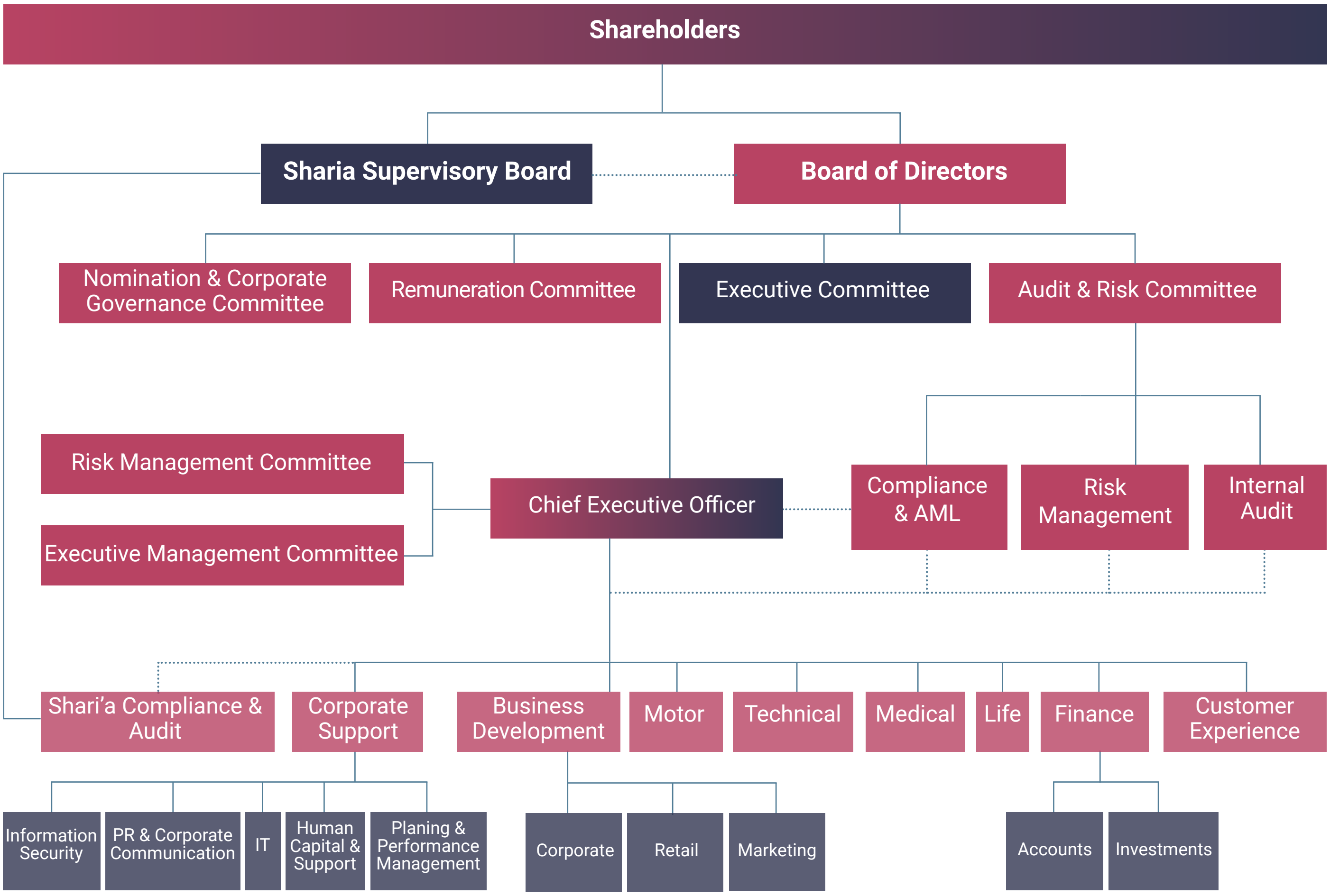
(i) Audit and audit related services

Services	Amt in BD
Audit and review of the Company	40,000
Audit and review of the components of the Company	18,880
Audit related services required by Central Bank of Bahrain	13,000
Audit related services for the components of the Company	3,952
Audit related services required by MOIC	500

(ii) One-off services

Services	Amt in BD
Leadership training program for senior employees as part of staff professional development	8,500
Review of Purchase Price Allocation	20,000
Advisory services related to acquisition financing	30,000

ORGANISATIONAL CHART




AGILE
RESILIENT
READY FOR
TOMORROW

FINANCIAL DISCLOSURES

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)

GENERAL INFORMATION

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 Chairman of Nomination & Corporate Governance Committee
Shaikh Mohsin Shaikh A. Hussain Al Asfoor	Member of Sharia Supervisory Board – Vice Chairman
Shaikh Dr. Abdul Naser Al Mahmood	Member of Sharia Supervisory Board

Management

Jawad Mohammed	Chief Executive Officer
Sanjeev Aggarwal	Chief Financial Officer
Jai Prakash Pandey	Deputy General Manager – Business Development
Husain Sabt	Acting Assistant General Manager – Corporate Support – effective 1st August 2024

GENERAL INFORMATION

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

REPORT OF THE SHARI’A SUPERVISORY BOARD

For the year ended 31 December 2024

In the name of Allah, the Merciful, the Compassionate

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

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

Assalamu Alaikum Wa Rahmat Allah Wa Barakatuh

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

We have reviewed the procedures relating to the transactions and the applications introduced by the Company during the year ended on 31.12.2024. The Board has reviewed and confirmed the implementations of the principles and guidelines governing the relationship between the policyholders and shareholders in order to identify the right of each side. Discussions took place with the Company’s officers with regard to its items on the attached consolidated financial statements. The Board gave its Shari’a directives for the Company transactions and answered the queries made by the management.

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

In our opinion:

a) The surplus distribution, charging of losses and expenses to the policyholders and shareholders fully conforms to the principles established by ourselves in compliance with Shari’a rules and principles.

b) There are no gains realized from prohibited sources or from methods forbidden according to the Shari’a rules and principles.

c) The calculation of Zakah is in compliance with Islamic Shari’a rules and principles and as directed by the Shari’a Supervisory Board. It should be noted that responsibility for payment of Zakah is undertaken by the shareholders.

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

Assalamu Alaikum Wa Rahmat Allah Wa Barakatuh

Dated 26 Shaban 1446 H, corresponding to 16 February 2025

Members of the Shari’a Supervisory Board:

Shaikh Dr. Osama Bahar Chairman	Shaikh Mohsin Al Asfoor Vice Chairman	Shaikh Dr. AbdulNasser Al-Mahmood Member

INDEPENDENT AUDITORS’ REPORT

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

Opinion

We have audited the consolidated financial statements of Solidarity Bahrain B.S.C. (the “Company”) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of income, other comprehensive income, participants’ surplus and deficit, changes in shareholders’ equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”).

In our opinion, the Group has also complied with the Islamic Shari’ah Principles and Rules as determined by the Company’s Shari’ah Supervisory Board during the year ended 31 December 2024.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Valuation of takaful and retakaful arrangement liabilities and assets

Refer to the use of estimate and management judgement in note 3, accounting policies in note 2 and disclosures in note 9 to the consolidated financial statements.

The key audit matter

We focused on this matter because:

- as at 31 December 2024, the Group had significant takaful arrangement liabilities, representing 72% of the Group's total liabilities and relating to liabilities for remaining coverage and liabilities for incurred claims.
- the Group has applied the Contribution Allocation Approach ("CAA") for all groups of takaful contracts, except for the family takaful which is measured under the General Measurement Model ("GMM") approach.
- complex accounting requirements, including the inputs, assumptions, estimates techniques used for contract assets and liabilities and measuring components of takaful arrangement liabilities that include:
    - the estimate of future cash flows within the liability for remaining coverage and liability for incurred claims;
    - estimate the future cash flows to reflect the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils takaful contracts;
    - estimation of the non-financial risk adjustment;
    - takaful residual margin (TRM), loss component, and loss recovery component; and
    - asset and liability for remaining coverage for contracts measured under CAA.
- Susceptibility to management bias and estimation uncertainty when making judgements to determine insurance contract liabilities; and
- Complex disclosure requirements.

How the matter was addressed in our audit

Our audit procedures, with the assistance of our actuarial specialists, included:

- testing the design and operating effectiveness of the key controls around recording and reserving process for underwriting, claims payment and reserving;
- involving our own specialists:
    - evaluating the reasonableness of management's key judgements and estimates made in the measuring components of takaful and retakaful arrangement liabilities and assets, including selection of methods, models, input, assumptions and estimates (consist of present value of future cash flows, non-financial risk, TRM, etc.), as well as the impact of the economic uncertainties;
    - verifying the calculation of the contract asset and liability for remaining coverage and asset and liability for incurred claims and respective retakaful amounts to ensure the calculation methods and the model (CAA) used were appropriate.
- evaluating the competence, capabilities and objectivity of the external experts used by management.
- assessing the completeness, accuracy, and relevance of data.
- testing samples of outstanding claims and related retakaful recoveries and subrogation claims, focusing on those with most significant impact on the consolidated financial statements to assess whether claims and related recoveries are appropriately estimated; and
- assessing the adequacy of the disclosures in the consolidated financial statements relating to this matter against the requirements of the relevant accounting standards.

INDEPENDENT AUDITORS' REPORT

Transition to FAS 42 "Presentation and Disclosures in the financial statements of Takaful Institutions" and FAS 43 "Accounting for Takaful: Recognition and Measurement"
Refer to the use of estimate and management judgement in note 3, accounting policies in note 2 and disclosures in note 9 and disclosures on the transition to FAS 42 and FAS 43 in note 37 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: • During the year, the Group has early adopted FAS 42 and FAS 43. These standards establish principles for the recognition, measurement, presentation and disclosure of takaful contracts, retakaful contracts and investment contracts with direct participation features ("DPF"). The Group has applied the modified retrospective approach to each group of takaful contracts. • resulted in changes to the measurement of takaful and retakaful contracts by using a new estimate and judgments underlying the determination of adjustments on transition as the Group issues a wide range of takaful and retakaful contracts; and • significant changes in process, data, and controls that have not been subject to testing previously. • The adoption of this standard has had a significant impact on the reported financial position and performance of the Group, including key performance indicators.	Our audit procedures, amongst others, included: • Obtaining an understanding of the Group's implementation process for determining the impact of adoption of the standards, including understanding of the changes to the Group's accounting policies, systems, processes and controls. • Evaluating and assessing management's process to identify takaful contracts, to determine the appropriate grouping for such contracts and to determine whether the use of the contribution allocation approach under FAS 43 was appropriate. • validating the application of measurement model choice for selected sample groups of contracts, including testing for Contribution Allocation Approach ("CAA") including testing for onerosity; • involving own specialists to challenge key judgments and estimates made by management in relation to transition. This includes evaluating the reasonableness of management's key estimates and judgements over classification and measurement decisions • considering the appropriateness of the transition approach, this includes evaluating management's process for identifying contracts to be assessed based on the selected transition approach; • Assessing the adequacy of the transition adjustments impact for FAS 43 on the opening retained earnings as at 1 January 2023. • assessing the adequacy of the transitional disclosures in the consolidated financial statements relating to this matter against the requirements of the relevant accounting standards.

INDEPENDENT AUDITORS' REPORT

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of Directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITORS' REPORT

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

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Regulatory Requirements

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

a. the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b. the financial information contained in the Board of Directors’ report is consistent with the consolidated financial statements;
c. Nothing has come to our attention which causes us to believe that the Group has breached any of the applicable provisions of the Commercial Companies Law 2001 (as amended), the Central Bank of Bahrain and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rulebook (Volume 3 and applicable provisions of Volume 6), and the CBB directives and regulations (as contained in Volume 3 of the CBB Rulebook), rules and procedures of the Bahrain Bourse or the terms of the Group’s memorandum and articles of association, during the year that might have had a material adverse effect on the business of the Group or on its financial position; and
d. satisfactory explanations and information have been provided to us by the management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors’ report is Jaafar AlQubaiti.

KPMG

KPMG Fakhro
Partner Registration Number 83

19 February 2025

Consolidated Statement of Financial Position

For the year ended 31 December 2024 | *In thousands of Bahraini Dinars*

	Note	**31 December 2024**	31 December 2023 (restated)	1 January 2023 (restated)
Assets				
Cash and cash equivalents	4	26,866	9,945	4,487
Placements with financial institutions	5	1,810	11,698	26,763
Investments	6	28,362	36,025	24,872
Investment in associates	7	16,377	236	285
Investments of participants in units	6	9,213	9,047	2,138
Intangible assets	8	7,027	6,733	3,267
Retakaful arrangement assets	9	7,978	7,177	5,486
Prepayments and other assets	10	8,875	8,664	4,410
Conventional assets - under run-off management	11	439	5,574	810
Property and equipment	12	885	1,160	995
Right-of-use assets	13	345	167	278
Total assets		**108,177**	96,426	73,791
Liabilities, participants' funds and shareholders' equity				
Liabilities		49,099	45,978	37,546
Takaful arrangement liabilities	9	586	452	-
Retakaful arrangement liabilities	9	9,300	-	-
Murabaha financing	14	8,378	8,624	4,515
Other liabilities	15	439	5,574	810
Conventional liabilities - under run-off management	11	351	178	294
Ijarah liabilities	16			
Total liabilities		**68,153**	60,806	43,165
Participants' funds		**513**	(734)	(1,964)
Shareholders' equity				
Share capital	17	13,333	13,333	13,333
Treasury shares	17	(4)	(4)	(4)
Statutory reserve	18	4,967	4,278	3,844
Share premium		5,733	5,733	5,733
Property revaluation reserve		532	747	747
Investment fair value reserve		3,413	3,601	1,514
Retained earnings		11,537	8,666	7,423
Total equity		**39,511**	36,354	32,590
Total liabilities, participants'		**108,177**	96,426	73,791

The consolidated financial statements were approved and authorised for issue on 19 February 2025 on behalf of the board by:

The notes 1 to 40 form an integral part of the consolidated financial statements.

H.E. Shaikh Khalid Al Mashani
Chairman

Salman Al Mahmeed
Vice Chairman

Jawad Mohammed
Chief Executive Officer

Consolidated Statement of Income

For the year ended 31 December 2024 | *In thousands of Bahraini Dinars*

	Note	General Takaful fund		Family Takaful fund		Shareholders' fund		Total	
		2024	2023 (restated)	**2024**	2023 (restated)	**2024**	2023 (restated)	**2024**	2023 (restated)
Recognised takaful contributions	21	55,902	50,679	3,127	842	-	-	59,029	51,521
Recognised takaful costs	22	(32,568)	(31,247)	(2,266)	(1,035)	-	-	(34,834)	(32,282)
Retakaful net results		(22,789)	(18,787)	(578)	406	-	-	(23,367)	(18,381)
Takaful participants' gross margin		**545**	645	**283**	213	**-**	-	**828**	858
Net participants' investment income	23	831	742	138	63			969	805
Amortisation of deferred cost (related to provision of takaful arrangements)		(580)	(548)	(320)	(148)			(900)	(696)
Amortisation of deferred income (related to retakaful arrangements held)		140	115	140	55			280	170
Net participant's surplus		**936**	954	**241**	183	**-**	-	**1,177**	1,137
Wakala fee income	24	-	-	-	-	13,589	11,618	13,589	11,618
Investment income, net	23	-	-	-	-	2,217	1,625	2,217	1,625
Mudarib share	23	-	-	-	-	646	268	646	268
Share of profit from associates	7	-	-	-	-	2,719	33	2,719	33
Other income		-	-	-	-	416	220	416	220
Total shareholders' income		**-**	-	**-**	-	**19,587**	13,764	**19,587**	13,764
Employee costs		-	-	-	-	(4,626)	(3,725)	(4,626)	(3,725)
Commission expenses incurred		-	-	-	-	(3,348)	(2,106)	(3,348)	(2,106)
Third-party administrators (TPA) fees		-	-	-	-	(838)	(791)	(838)	(791)
Other expenses		-	-	-	-	(3,884)	(2,800)	(3,884)	(2,800)
Total shareholders' expense		**-**	-	**-**	-	**(12,696)**	(9,422)	**(12,696)**	(9,422)
Net profit for the year		**936**	**954**	**241**	**183**	**6,891**	**4,342**	**8,068**	**5,479**
Basic and diluted earnings per share						**51.7 Fils**	32.58 Fils		

The consolidated financial statements were approved and authorised for issue on 19 February 2025 on behalf of the board by:

The notes 1 to 40 form an integral part of the consolidated financial statements.

H.E. Shaikh Khalid Al Mashani
Chairman

Salman Al Mahmeed
Vice Chairman

Jawad Mohammed
Chief Executive Officer

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2024 | *In thousands of Bahraini Dinars*

	General Takaful fund		Family Takaful fund		Shareholders' fund		Total	
	2024	2023 (restated)	**2024**	2023 (restated)	**2024**	2023 (restated)	**2024**	2023 (restated)
Net profit for the year	936	954	241	183	6,891	4,342	8,068	5,479
Items to be reclassified to the statement of income:								
Fair value changes arising during the period	19	(1)	51	(6)	101	2,029	171	2,022
Property revaluation reserve movement during the period	-	-	-	-	(215)	-	(215)	-
Transferred to investment income on disposal of equity instruments	-	-	-	-	(289)	58	(289)	58
Other comprehensive income for the year	**19**	(1)	**51**	(6)	**(403)**	2,087	**(333)**	2,080
Total comprehensive income for the year	**955**	953	**292**	177	**6,488**	6,429	**7,735**	7,559

The consolidated financial statements were approved and authorised for issue on 19 February 2025 on behalf of the board by:

The notes 1 to 40 form an integral part of the consolidated financial statements.

H.E. Shaikh Khalid Al Mashani
Chairman

Salman Al Mahmeed
Vice Chairman

Jawad Mohammed
Chief Executive Officer

Statement of Participants' Surplus and Deficit

For the year ended 31 December 2024 | *In thousands of Bahraini Dinars*

	Accumulated (deficit)/surplus		Investment fair value reserve		
2024	**General Takaful**	**Family Takaful**	**General Takaful**	**Family Takaful**	**Total**
At 1 January	(471)	(217)	(1)	(45)	(734)
Reclassification between General Takaful and Family Takaful post Al Hilal life conversion to Takaful	45	(45)	-	-	-
Surplus/ (deficit) for the year	936	241	-	-	1,177
Change in fair value of equity investments	-	-	19	51	70
At 31 December	**510**	**(21)**	**18**	**6**	**513**
2023 (restated)					
At 1 January, as previously reported	(277)	285	-	-	8
Adjustment on initial application of FAS 30 and FAS 43 (Note 37)	(1,099)	(873)	-	-	(1,972)
At 1 January (restated)	(1,376)	(588)	-	-	(1,964)
Transfer from Al Hilal	(49)	188	-	(39)	100
Surplus/ (deficit) for the year	954	183	-	-	1,137
Change in fair value of equity investments	-	-	(1)	(6)	(7)
At 31 December (restated)	(471)	(217)	(1)	(45)	(734)

The notes 1 to 40 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2024 | *In thousands of Bahraini Dinars*

2024	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 year	-	-	-	-	-	-	6,891	6,891
Dividends declared	-	-	-	-	-	-	(3,331)	(3,331)
Transfer to statutory reserve	-	-	689	-	-	-	(689)	-
Transferred to investment income on disposal of equity instruments	-	-	-	-	-	(289)	-	(289)
Change in fair value of equity investments	-	-	-	-	-	101	-	101
Property revaluation reserve movement during the year	-	-	-	-	(215)	-	-	(215)
At 31 December	**13,333**	**(4)**	**4,967**	**5,733**	**532**	**3,413**	**11,537**	**39,511**
2023 (restated)								
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 37)	-	-	-	-	-	-	(194)	(194)
At 1 January (restated)	13,333	(4)	3,844	5,733	747	1,514	7,423	32,590
Net profit for the year	-	-	-	-	-	-	4,342	4,342
Dividends declared	-	-	-	-	-	-	(2,665)	(2,665)
Transfer to statutory reserve	-	-	434	-	-	-	(434)	-
Transferred to investment income on disposal of equity instruments	-	-	-	-	-	58	-	58
Change in fair value of equity investments	-	-	-	-	-	2,029	-	2,029
At 31 December (restated)	13,333	(4)	4,278	5,733	747	3,601	8,666	36,354

The notes 1 to 40 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024 | *In thousands of Bahraini Dinars*

	Note	**2024**	2023 (restated)
Operating activities			
Net Profit for the year		8,068	5,479
Adjustments for:			
Depreciation		167	134
Depreciation of right-of-use assets		305	227
Ijarah cost		16	10
Amortization of intangible asset		391	215
Murabaha finance cost		99	-
Provision for employees end of service benefits		64	50
Investment income, net	23	(3,186)	(2,430)
Share of profit from associates		(2,719)	(33)
Amortisation during the year, net		4	(31)
		3,209	3,621
Changes in:			
Retakaful arrangement assets	9	(801)	(1,479)
Prepayments and other assets		(377)	(5,492)
Takaful arrangement liabilities	9	3,121	4,815
Retakaful arrangement liabilities	9	134	452
Other liabilities		(260)	(3,544)
Cash used in operating activities		**5,026**	1,331
Payment towards employees end of service benefits		**(149)**	**(45)**
Net cash generated from/ (used in) operating activities		**4,877**	1,286
Cash flows from investing activities			
Purchase of equipment and intangible assets		(792)	(341)
Purchase of investments	6	(22,357)	(19,624)
Placements with financial institutions, net		9,888	15,065
Dividend received from investment associate		27	19
Purchase of share in investment in associate		(13,449)	-
Sales of share in investment in associate		-	63
Proceeds from disposal of investments		30,528	15,282
Investment income received		2,556	2,682
Cash received on transfer of business, assets and liabilities		-	3,674
Cash Paid on transfer of business, assets and liabilities		-	(9,778)
Net cash generated from investing activities		**6,401**	7,042
Cash flows from financing activities			
Dividends paid	20	(3,331)	(2,665)
Ijarah liabilities paid		(326)	(205)
Murabaha financing	14	9,300	-
Net cash used in financing activities		**5,643**	(2,870)
Net increase in cash and cash equivalents		**16,921**	5,458
Cash and cash equivalents at the beginning of the year		9,945	4,487
Cash and cash equivalents at the end of the year		**26,866**	9,945
Shareholders' fund		7,143	3,956
Participants' fund		19,723	5,989
Cash and cash equivalents at the end of the year		**26,866**	9,945

The notes 1 to 40 form an integral part of the consolidated financial statements.

For the year ended 31 December 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 and associates is as follows:

Name of the entity	Location of business/ country	Percentage of ownership 2024	2023	Nature of relationship	Nature of activities
AlHilal Life B.S.C. (c)	Bahrain	100%	100%	Subsidiary	Takaful
Alliance Insurance P.S.C.	UAE	28.99%	-	Associate	Insurance
Health 360 Ancillary Services W.L.L.	Bahrain	22.22%	22.22%	Associate	Third Party Administrator

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

The 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 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 15). All the legal formalities and necessary regulatory approvals have been completed. AlHilal Life BSC (c) has transitioned its conventional insurance portfolio to a Takaful model. This process was commenced in 2023 and has largely completed during the year, resulting in the transfer of the majority of conventional insurance assets and liabilities to the participants' fund.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

2.1. Statement of compliance

The consolidated financial statements for the year ended 31 December 2024 have been prepared in accordance with the Financial Accounting Standards ("FAS") 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).

The Group has certain assets, liabilities and related income and expenses which are not Sharia compliant that pertain to conventional insurance as these existed before the Group converted to an Islamic Takaful Insurance company. These are currently presented in accordance with Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") standards in the consolidated financial statements for the year ended 31 December 2024 as appropriate. The Company's Sharia Supervisory Board has approved the Company's resolution to convert all the assets and liabilities of AAIC into Sharia Compliant Products within two years renewable from the date of the transfer. Further, Company's Sharia Supervisory Board resolved to extend the time period for conversion of conventional assets and liabilities into Sharia Compliant until 30 June 2025.

2.2 Basis of measurement

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

The preparation of consolidated financial statements in conformity with AAOIFI accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore fairly present its financial position as at 31 December 2024 and the results for the year then ended. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Bahrain Dinars (BD), which is the Group's functional and presentation currency and are rounded to the nearest thousand (BD '000) except when otherwise indicated.

(ii) Transactions and balances

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

2.4 Going concern

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

2.5 New accounting standards, amendments and pronouncements

(i) New accounting standards: issued and effective or early adopted

For the year ended 31 December 2024, the Group has adopted all the new and revised standards and interpretations issued by the AAOIFI that are relevant to its operations and effective for periods beginning on 1 January 2024.

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;
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.

As a result of adoption of FAS 1 certain figures have been regrouped or represented to be consistent with the current year presentation. Such regrouping did not affect previously reported net profits, total assets, total liabilities and total equity of the Group. Further the Group has elected to present statement of income and statement of other comprehensive income as two separate statements.

FAS 30 - Impairment, credit losses and onerous commitments

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

For the year ended 31 December 2024 | In thousands of Bahraini Dinars

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

Stage 1	Performing receivables: receivables that are not significantly deteriorated in credit quality since origination. The impairment provision will be recorded based on 12 months ECL.
Stage 2	Underperforming receivables: receivables that have significantly deteriorated in credit quality since origination. The credit losses will be recorded based on life time ECL.
Stage 3	Impaired receivables: For receivables that are impaired, the impairment provision based on life time ECL will be recognised.

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

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

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

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

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

The Group has early adopted FAS 30 with a date of initial application of 1 January 2024. Early adoption is permitted, as the Group also adopts FAS 1, FAS 42 and FAS 43. 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' surplus and deficit.

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

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

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 46: Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

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

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)". 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.

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.

FAS 48: Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) promotional gifts where entitlement occurs instantly; b) promotional prizes that are announced in advance to be awarded at a future date and c) loyalty programs where the obligation is accumulated over the period.

This standard is 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.

FAS 49 - Financial Reporting for Institutions Operating in Hyperinflationary Economies
This standard establishes the principles of financial reporting for the institutions operating in hyperinflationary economies. This standard is applicable to the institutions whose functional currency is the currency of a hyperinflationary economy, and on consolidated financial statements of an institution to the extent of impacts relating to a subsidiary(ies) whose functional currency(ies) is the currency(ies) of a hyperinflationary economy(ies).

The standard prescribes pertinent factors for determination of hyperinflationary economy(ies).

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

AAOIFI recommended that all institutions operating in the same hyperinflationary economy shall apply this standard from the same date to ensure that comparability between their results is possible.

FAS 50 - Financial reporting for Islamic Investment institutions (including investment funds)
This standard replaces "FAS 14 – Investment funds" and is not applicable to a) financial reporting for Sukuk holders and the Sukuk in the books of the originator; b) off-balance sheet assets under management that do not take form of a separate legal entity; c) investment institutions taking the form of a Waqf from Shari'ah perspective; and d) investment funds (e.g., participants' investment funds) managed by Takaful institutions.
If these are subject to financial reporting requirements as prescribed in the respective AAOIFI FAS.

This standard is effective for the financial periods beginning on or after 1 January 2027, with an option to early adopt. The Group does not expect any significant impact on the adoption of this standard.

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

(i)Takaful and retakaful contracts
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.

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

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

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

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

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

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

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

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

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 (TRM)

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.

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:

- 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:
  - othe increases in the Takaful fulfilment cash flows that exceed the carrying amount of the Takaful residual margin, giving rise to a loss; or
  - othe 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.

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.

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.

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

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.

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.

(ii) Cash and cash equivalents

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

(iii) Placements with financial institutions

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

(iv) 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.

Recognition and Initial measurement

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

Subsequent measurement

Investments at 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 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.

(v) Investment in an associate

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

(vi) Property and equipment

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

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

Depreciation on property and equipment is calculated to write off the cost of items of property and equipment less their residual values under the straight-line method over their estimated useful lives is as follows:

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

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

(vii) Intangible Assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately or in a business combination (other than goodwill) are measured on initial recognition at fair value and subsequently at cost less accumulated amortisation and impairment loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates and accounted for on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

A summary of the useful lives and amortisation methods of the Group's intangible assets are as follows:

	Goodwilll	Customer relationships	Software
Useful lives	Indefinite	Finite (15 to 20 years)	Finite (3 to 10 years)
Amortisation method used	Tested for impairment either individually or at cash generating unit level	Amortised on a straight-line basis over the useful life	Amortised on a straight-line basis over the useful life
Internally generated or acquired	Acquired	Acquired	Acquired

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

(ix) Employees' end of service benefits

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

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

Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to SIO, who would be responsible to settle leaving indemnities for expatriates at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Company.

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

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

(xi) Share capital

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

(xii) Share premium

The share premium account balance is not available for distribution except in the circumstances stipulated in the Bahrain Commercial Companies Law and following approval of the Central Bank of Bahrain.

(xiii) Property revaluation reserve

Property revaluation reserve relates to revaluation of property and equipment.

(xiv) Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI; and
- the cumulative net change in the fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

(xv) Treasury shares

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

(xvi) Dividends on share capital

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

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

(xvii) Investments of participants in units and related liabilities

Investments of participants in units and related liabilities are measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised as Level I.

(xviii) Impairment

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

(a) Investments carried at amortised cost

For investments carried at amortised cost impairment is measured as the difference between the carrying amount of the investments and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in income statement and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement. The Group considers evidence of impairment for investments carried at amortised cost at both a specific asset and collective level. All individually significant investments are assessed for specific impairment.

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

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.

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.

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

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

(xix) 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.

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

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

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

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

(xxii) Salvage and subrogation reimbursements

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

(xxiii) Conventional insurance run-off portfolio

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

(xxiv) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

In a business combination in which the Group and the acquiree exchange only equity interests, the acquisition-date fair value of the acquiree's equity interests is used to determine the amount of goodwill.

Investments acquired that do not meet the definition of business combination are recorded as assets acquisitions e.g. financial assets or non-financial assets as appropriate. When such investments are acquired, the Group allocates the cost of acquisition between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Cost of such assets is the sum of all consideration given and any non-controlling interest recognised. If the non-controlling interest has a present ownership interest and is entitled to a proportionate share of net assets upon liquidation, the Group recognises the non-controlling interest at its proportionate share of net assets.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in statement of income and participant's revenues and expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually. Any impairment is recognised immediately in the statement of income and participant's revenues and expenses. Goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment exists when carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of goodwill is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash generating units) is less than the carrying amount, an impairment loss is recognised immediately in the statement of income and participant's revenues and expenses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

a. represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
b. is not larger than a segment based on either the Group's primary or the Group's geographic segment reporting format.

(xxv) Basis of consolidation

(a) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(b) Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(c) Non-controlling interests (NCI)
Non-controlling interests represents their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

(d) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

(e) Equity accounted investees
Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other comprehensive Income of equity accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of equity accounted investee. Dividend received from equity accounted investee is recognised as a reduction in the carrying amount of the investment.

(xxvi) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(xxvii) Right-of-use assets
Recognition and measurement
Right-of-use assets are recognized at the ijarah commencement date at cost, which comprises the initial amount of the ijarah liability adjusted for any prepaid and accrued ijarah expense made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any ijarah incentives received.

Subsequent measurement
Items of right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of a right-of-use asset using the straight-line method over the earlier of the ijarah term and its useful life. It is depreciated over its useful life, if the ijarah agreement either transfers ownership of the right-of-use asset to the Group by the end of the ijarah term or reflects that the Group will exercise a purchase option at the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

In addition, the carrying value of a right of use asset may be periodically adjusted for certain remeasurements of the related ijarah liability.

Derecognition
An item of a right-of-use asset is derecognized at the earlier of end of the ijarah term, cancellation of ijarah contract or transfer of control of the underlying asset. In case control of the underlying asset passes to the Group the carrying value of the right-of-use asset is reclassified to property and equipment.

(xxviii) Ijarah

Group as a lessee (Operating lease):
At inception of a contract, the Group assesses whether a contract is, or contains, an ijarah. A contract is, or contains, an ijarah if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:
- the contract involves the use of an identified asset- this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has the right to operate the asset; or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Where it is established that the Group is a lessee, a right-of-use asset and an ijarah liability are recognized at the ijarah commencement date. The Ijarah liability is initially recognized net of (i) gross amount of total Ijarah rentals payable for the Ijarah term and (ii) related deferred Ijarah cost, being the difference between the gross Ijarah liability and the prime cost of right-of-use asset. Deferred Ijarah cost is amortized over the Ijarah term based on effective rate of return method to consolidated income statement within other operating and administrative expenses.

Ijarah payments included in the measurement of the ijarah liability comprise the following:
- fixed ijarah rentals less any incentives receivable.
- variable ijarah rentals including the supplementary rentals duly measured at best estimates applying the index rates and other assumptions as of the commencement date.
- payments of additional rentals, if any, for terminating the ijarah, if the ijarah term reflects the lessee exercising an option to terminate the ijarah, subject to Sharia requirements.
- Short-term ijarah and ijarah of low-value assets

The Group has elected not to recognize right-of-use assets and ijarah liabilities for short-term ijarah of properties that have an ijarah term of 12 months or less and ijarah of low-value assets. The Group recognizes the ijarah payments associated with these ijarah as an expense on a straight-line basis over the ijarah term.

Group as a lessee (Finance lease):
Ijarah of property and equipment where the Group had substantially all the risks and rewards of ownership were classified as finance ijarah. Finance ijarah were capitalized at the inception of the ijarah at the lower of the fair value of the leased property and the present value of the minimum ijarah payments. Each ijarah payment was allocated between the liability and ijarah cost so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of ijarah cost, were shown on the consolidated statement of financial position as finance ijarah liabilities. The cost element of the ijarah cost was charged to consolidated profit or loss over the ijarah period so as to produce a constant periodic rate of return on the remaining balance of the liability for each period. The assets acquired under finance ijarah were depreciated on a straight-line basis over the shorter of the ijarah term and their useful economic life, unless there was reasonable certainty that the Group would obtain ownership by the end of the lease term, in which case the assets were depreciated over their estimated useful lives. The Group did not have finance ijarah in the comparative year.

Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating ijarah. Payments made under operating ijarah (net of any incentives received from the lessor) were charged to consolidated profit or loss on a straight-line basis over the period of the ijarah.

(xxix) Shari'a supervisory board

The Group's business activities are subject to the supervision of a Sharia Supervisory Board appointed by the Shareholders. The Sharia Supervisory Board performs a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Sharia rules and principles.

(xxx) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a separate account where the Group uses these funds based on advice from Shari'ah Supervisory Committee.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 31 and 2.6(i) – impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;
- Notes 7 and 2.6(xxv) – equity accounted investees: whether the Group has significant influence over an investee;
- Notes 9 and 2.6(i) – classification of takaful, re-takaful and investment contracts: assessing whether the contract transfers significant insurance risk and whether a takaful contract contains direct participation features;
- Notes 9 and 2.6(i) – level of aggregation of takaful and re-takaful contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;
- Notes 9 and 2.6(i) – measurement of takaful and re-takaful contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract;
- Note 2.6(xxv) – consolidation: determining whether the Group controls an investee; and
- Notes 37 and 2.6(i) – transition to FAS: determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach.

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b. Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties at 31 December 2024 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Notes 2.6(XX) and 31 – impairment of financial assets: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;
- Note 28 – measurement of the fair value of financial instruments with significant unobservable inputs;

Information about assumptions made in measuring takaful and re-takaful contracts is included in Note 9. Changes in the following key assumptions may change the fulfilment cash flows materially during 2025. However, these changes would adjust the TRM and would not affect the carrying amounts of the contracts, unless they arise from onerous contracts or do not relate to future services:
- *Family takaful contracts:* assumptions about future cash flows relating to mortality, morbidity, policyholder behaviour, participation percentages and crediting rates;
- *non-family takaful contracts*: assumptions about claims development; and
- all contracts: assumptions about discount rates, including any illiquidity premiums.

4. CASH AND CASH EQUIVALENTS

	2024	2023 (restated)
Cash and current account balances	578	2,218
Call account balances	496	1,470
Placements with maturities less than three months	25,792	6,262
Less: Expected credit loss (note 31.2)	-	(5)
	26,866	9,945

Placements are held with Islamic financial institutions in Bahrain with an original maturity of three months or less with average profit rate of 4.85% (2023: 5.19%).

5. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2024	2023 (restated)
Placements held with a related party (Note 25.2 (b))	1,705	1,239
Placements held with other financial institutions	107	10,614
Less: Expected credit loss (note 31.2)	(2)	(155)
	1,810	11,698

Placements are held with Islamic financial institutions in Bahrain with an original maturity of more than three months with average profit rate of 5.58% (2023: 5.83%).

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6. INVESTMENTS

	2024	2023 (restated)
Sukuk		
Amortised cost:		
Quoted instruments	**22,571**	23,136
Fair value through equity:		
Quoted instruments	**2,091**	2,675
Equity type instruments		
Fair value through equity:		
Quoted instruments	**-**	6,820
Unquoted instruments	**3,700**	3,394
	28,362	36,025
Investments of participants in units		
At fair value:		
Investment in funds:	**9,213**	**9,047**
	9,213	9,047

6.1 The movement in investments are as follows:

	2024	2023 (restated)
At the beginning of the year	**36,025**	24,872
Transferred from Al Hilal (Note 36)	**-**	4,952
Additions during the year	**22,357**	19,624
Disposals during the year	**(30,087)**	(15,446)
Amortisation during the year, net	**(4)**	31
Transferred to investment income on disposal of equity instruments	**(289)**	58
Net change in impairment/ECL during the year	**190**	(88)
Change in fair value, net	**170**	2,022
At the end of the year	**28,362**	36,025

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6.2 Maturity profile of investments

2024	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years / no maturity	Total
Equities	-	-	-	3,700	3,700
Government Sukuk	2,530	7,172	5,447	1,746	16,895
Corporate Sukuk	160	5,922	1,685	-	7,767
Equity accounted investees	-	-	-	16,377	16,377
	2,690	**13,094**	**7,132**	**21,823**	**44,739**
2023 (restated)					
Equities	-	-	-	10,214	10,214
Government Sukuk	4,979	2,003	6,021	1,376	14,379
Corporate Sukuk	-	3,658	4,310	3,464	11,432
Equity accounted investees	-	-	-	236	236
	4,979	5,661	10,331	15,290	36,261

Equities not having a fixed maturity date are classified as maturing after ten years. Placements with banks with maturities of more than three months are readily realisable and intended to be held for short term purposes. These are not included in the above maturity profile of investments.

6.3 Geographical concentration of investments

	2024	2023
Kingdom of Bahrain	15,364	16,027
United Arab Emirates	6,821	6,426
Saudi Arabia	2,145	1,781
Oman	1,780	2,277
Kuwait	717	1,543
Rest of the world	1,649	8,138
Expected Credit Loss	(114)	(167)
	28,362	36,025

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7. INVESTMENT IN AN ASSOCIATE

Details of each of the Group's associates at the end of the reporting year are as follows:

Name of the entity	**Location of business/ country**	**Percentage of ownership interest**		**Nature of relationship**	**Nature of activities**
		2024	2023		
Alliance Insurance P.S.C.	UAE	28.99%	-	Associate	Insurance
Health 360 Ancillary Services W.L.L.	Bahrain	22.22%	22.22%	Associate	Third Party Administrator

The movement in the investment in associate is as follows:

2024	**Alliance Insurance P.S.C.**	**Health 360 Ancillary Services W.L.L.**	**Total**
Opening balance	-	236	236
Acquired during the year	13,449	-	13,449
Share of profit	2,681	38	2,719
Dividends received	-	(27)	(27)
Share of other comprehensive income	-	-	-
	16,130	**247**	**16,377**

In November 2024, the Group acquired a 28.99% shareholding in Alliance for a total purchase price of BHD 13.449 million. This acquisition resulted in a bargain purchase gain of BHD 2.681 million. which is included in share of profit from investment in associate in the consolidated statement of income.

Latest available financial information of the material associates of the Group are as follows:

2024	**Alliance Insurance P.S.C.**	**Health 360 Ancillary Services W.L.L.**
Total assets	132,593	4,206
Total liabilities	76,945	3,094
Net assets	55,648	1,112
Group's share of net assets (%)	**28.99%**	**22.22%**
Revenue	-	1,343
Profit	-	191
Other comprehensive income	-	-
Total comprehensive income	-	191
Group's share of net assets	**16,130**	**247**

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2023	Alliance Insurance P.S.C.	Health 360 Ancillary Services W.L.L.
Total assets	-	3,315
Total liabilities	-	2,263
Net assets	-	1,052
Group's share of net assets (%)	-	22.22%
Revenue	-	1,549
Profit	-	181
Other comprehensive income	-	-
Total comprehensive income	-	181
Group's share of net assets	-	234

The investment in associates for Health 360 Ancillary Services W.L.L. as of 31 December 2024 is based on the financial information for the years ended 31 December 2024 and 2023. The investment in associates for Alliance Insurance P.S.C. is recorded as of 30 September 2024.

8. INTANGIBLE ASSETS

Cost or valuation:	Goodwill	Customer relationships	License	Software	Total
Balance at 1 January 2023	2,380	-	-	2,671	5,051
Goodwill arising on business combination from AlHilal upon acquisition (as restated)	3,551	-	-	-	3,551
Transfer from AlHilal – 2023	-	-	-	483	483
Additions during the year	-	-		95	95
Effect of IFRS 3 adjustments	(465)	465		-	-
Balance as at 31 December 2023	5,466	465	-	3,249	9,180
Balance as at 1 January 2024	5,466	465	-	3,249	9,180
Additions during the year	-	-	-	685	685
Effect of IFRS 3 adjustments	(1,171)	786	385	-	-
Balance as at 31 December 2024	4,295	1,251	385	3,934	9,865
Accumulated amortisation:					
Balance at 1 January 2023	-	-	-	1,784	1,784
Transfer from AlHilal - 2023	-	-	-	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 year	-	188	-	203	391
Balance at 31 December 2024	-	247	-	2,591	2,838
Carrying amount:					
At 31 December 2024	**4,295**	**1,004**	**385**	**1,343**	**7,027**
At 31 December 2023 (as restated)	5,466	406	-	861	6,733

Goodwill arising on the acquisition of:

(a) T'azur's net assets

The goodwill arose on the Group's acquisition of T'azur's net assets. Based on the Purchase Price Allocation ("PPA") exercise performed by an external consultant following the merger, the Group recognised BD 465 thousand as intangible assets and BD 1,915 thousand as goodwill.

(b) AlHilal's net assets

The goodwill arose on the Group's acquisition of AlHilal's net assets (Note 36) 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 note 36 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.

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.

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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 December 2023, the Goodwill impairment test determined there was no impairment required to any of the CGUs and goodwill is allocated to the following CGUs:

Cash generating units (CGUs)	Goodwill Allocated
Non-motor	759
Motor	3,057
Medical	234
Family Takaful	137
Group life	108
	4,295

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. The impact of 1% increase in the discount rate and 10% increase in the terminal growth rate keeping other factors constant on the recoverable amount of the CGUs as mentioned in the table below:

	Impact on the recoverable amount of CGUs	
Cash generating units (CGUs)	**One percentage increase in discount rate**	**Increase of multiple used for Terminal value by 10%**
	(507)	1,387
Non-motor	(729)	1,805
Motor	(168)	390
Medical	(124)	314
Family Takaful	(153)	396
Group life	(795)	2,138

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.

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9. TAKAFUL AND RETAKAFUL CONTRACTS

The table below sets out the carrying amounts of takaful and re-takaful contract assets and liabilities at the end of the reporting year:

	31 December 2024			31 December 2023		
Takaful contracts issued	**Assets**	**Labilities**	**Net**	**Assets**	**Labilities**	**Net**
General takaful	-	30,294	(30,294)	-	31,197	(31,197)
Family takaful	-	18,805	(18,805)	-	14,781	(14,781)
	-	**49,099**	**(49,099)**	**-**	**45,978**	**(45,978)**
Re-takaful contracts held						
General takaful	5,384	586	4,798	5,973	452	5,521
Family takaful	2,594	-	2,594	1,204	-	1,204
	7,978	**586**	**7,392**	**7,177**	**452**	**6,725**

A. Movement in takaful and retakaful contract balances

The following reconciliations show how the net carrying amounts of takaful and retakaful contracts changed during the year as a result of cash flows and amounts recognised in the consolidated statement of income.

The Group presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of income.

A second reconciliation is presented for contracts not measured under the CAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the TRM.

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i) Takaful contracts - analysis by remaining coverage and incurred claims

31 December 2024 (reviewed)	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liabilities for incured claim: Estimate of present value of future cash flows	Liabilities for incured claim: Risk adjustment for non-financial risk	Total
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**
Transfer from conventional post-conversion to Takaful of Al Hilal life	696	1,367	2,686	-	4,749
Changes in the statement of income					
Recognised takaful contributions	**(59,029)**	**-**	**-**	**-**	**(59,029)**
Takaful service expenses					
Incurred claims and other takaful service expenses	-	(44)	51,054	-	51,010
Adjustments to liabilities	-	-	(15,655)	(619)	(16,274)
Reversal of losses on onerous contracts	-	98	-	-	98
Takaful service expenses	**-**	**54**	**35,399**	**(619)**	**834**
Net deferred cost from insurance contracts	(366)	13	1,166	-	813
Total changes in the statement of income	**(59,395)**	**67**	**36,565**	**(619)**	**(23,382)**
Cash flows					
Contributions received	59,974	-	-	-	59,974
Claims and other takaful service expenses paid	-	-	(38,220)	-	(38,220)
Total cash flows	**59,974**	**-**	**(38,220)**	**-**	**21,754**
Takaful arrangements liabilities - closing	23,843	2,854	21,869	533	49,099
Takaful arrangements assets – closing	-	-	-	-	-
Net closing balance	**23,843**	**2,854**	**21,869**	**533**	**49,099**

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	Liabilities for remaining coverage		Liabilities for incured claim		
31 December 2023 (audited) (restated)	**Excluding loss component**	**Loss component**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Takaful arrangement liabilities – opening	17,747	170	19,072	557	37,546
Takaful arrangement assets – opening	-	-	-	-	-
Opening balance, net	17,747	170	19,072	7	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

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ii) Re-takaful contracts - analysis by remaining coverage and incurred claims

31 December 2024 (reviewed)	Assets of remaining coverage		Assets for incured claim		
	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Retakaful arrangement liabilities – opening	452	-	-	-	452
Retakaful arrangement assets – opening	2,090	(1,827)	(7,071)	(369)	(7,177)
Opening balance, net	**2,542**	**(1,827)**	**(7,071)**	**(369)**	**(6,725)**
Transfer from conventional post-conversion to Takaful of Al Hilal life	(319)	(190)	(1,454)	-	(1,963)
Allocation of retakaful contribution expenses	27,667	-	-	-	27,667
Claims recovered and other directly attributable expenses	-	7	(10,503)	-	(10,496)
Recoveries and reversal of losses on onerous contracts	-	19	-	-	19
Adjustments to assets	-	-	6,016	161	6,177
Net expenses from retakaful contracts	**27,667**	**26**	**(4,487)**	**161**	**23,367**
Net deferred expense from retakaful contracts	**(132)**	**(3)**	**(147)**	**-**	**(282)**
Total changes in the statement of income	**27,535**	**23**	**(4,634)**	**161**	**23,085**
Cashflows					
Contributions paid	(27,455)	-	-	-	(27,455)
Amounts received related to incurred claims	-	-	5,666	-	5,666
Total cash flows	**(27,455)**	**-**	**5,666**	**-**	**(21,789)**
Retakaful arrangements liabilities – closing	586	-	-	-	586
Retakaful arrangements assets – closing	1,717	(1,994)	(7,493)	(208)	(7,978)
Net closing balance	**2,303**	**(1,994)**	**(7,493)**	**(208)**	**(7,392)**

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31 December 2023 (audited) (restated)	Assets of remaining coverage		Assets for incured claim		
	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Retakaful arrangement liabilities – opening	-	-	-	-	-
Retakaful arrangement 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	452	-	-	-	452
Retakaful arrangements assets – closing	2,090	(1,827)	(7,071)	(369)	(7,177)
Net closing balance	2,542	(1,827)	(7,071)	(369)	(6,725)

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iii) Family takaful contract labilities analysis by measurement component – Contracts not measured under the CAA

31 December 2024	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Takaful Residual Margin (TRM)	Total
Net opening balance, 1 January 2024	12,576	286	1,919	14,781
Transfer from Al Hilal Life	**3,346**	**182**	**4**	**3,532**
Changes in the statement of income				
Changes that relate to current services	**(650)**	**(47)**	**(993)**	**(1,690)**
CAA recognised for services provided	-	-	(993)	(993)
Change in risk adjustment for non-financial risk for risk expired	-	(47)	-	(47)
Experience adjustments	(650)	-	-	(650)
Changes that relate to future services	**(1,708)**	**134**	**1,677**	**103**
Contracts initially recognised in the year	(257)	45	331	119
Experience adjustments	(1,447)	88	1,386	27
Changes in estimates that adjust the CAA	(2)	42	(40)	-
Changes in estimates that do not adjust the CAA	(2)	(41)	-	(43)
Changes that relate to past services	**913**	**(187)**	**-**	**726**
Adjustments to liabilities for incurred claims	913	(187)	-	726
Insurance service result	**(1,445)**	**(100)**	**684**	**(861)**
Net finance (income) / expenses from insurance contracts	109	21	104	234
Total changes in the statement of income	**(1,336)**	**(79)**	**788**	**(627)**
Cash flows				
Contribution received	3,180	-	-	3,180
Claims and other insurance service expenses paid	(2,061)	-	-	(2,061)
Total cash flows	**1,119**	**-**	**-**	**1,119**
Net closing balance, 31 December 2024	**15,705**	**389**	**2,711**	**18,805**

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31 December 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Takaful Residual Margin (TRM)	Total
Net opening balance, 1 January 2023	5,088	97	2,221	7,406
Transfer from Al Hilal Life	7,785	10	5	7,800
Changes in the statement of income				
Changes that relate to current services	476	(21)	(280)	175
CAA recognised for services provided	-	-	(280)	(280)
Change in risk adjustment for non-financial risk for risk expired	-	(21)	-	(21)
Experience adjustments	476	-	-	476
Changes that relate to future services	(35)	195	(127)	33
Contracts initially recognised in the year	(28)	37	20	29
Experience adjustments	11	(23)	(58)	(70)
Changes in estimates that adjust the CAA	(12)	102	(89)	1
Changes in estimates that do not adjust the CAA	(6)	79	-	73
Changes that relate to past services	(16)	-	-	16
Adjustments to liabilities for incurred claims	(16)	-	-	(16)
Insurance service result	425	174	(407)	192
Net finance (income) / expenses from insurance contracts	157	5	100	262
Total changes in the statement of income	582	179	(307)	454
Cash flows				
Contribution received	179	-	-	179
Claims and other insurance service expenses paid	(1,058)	-	-	(1,058)
Total cash flows	(879)	-	-	(879)
Net closing balance, 31 December 2023	12,576	286	1,919	14,781

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iv) Family retakaful contract assets analysis by measurement component – Contracts not measured under the CAA

31 December 2024	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Takaful Residual Margin (TRM)	Total
Net opening balance, 1 January 2024	(261)	119	1,346	1,204
Transfer from Al Hilal Takaful	**1,189**	**114**	**48**	**1,351**
Changes in the statement of income				
Changes that relate to current services	**(347)**	**(18)**	**(793)**	**(1,158)**
CAA recognised for services provided	-	-	(793)	(793)
Change in risk adjustment for non-financial risk for risk expired	-	(18)	-	(18)
Experience adjustments	(347)	-	-	(347)
Changes that relate to future services	**(1,682)**	**6**	**1,658**	**(18)**
Contracts initially recognised in the year	13	8	(15)	6
Experience adjustments	377	(17)	(381)	(21)
Changes in estimates that adjust the CAA	(2,071)	17	2,054	-
Changes in estimates that do not adjust the CAA	(1)	(2)	-	(3)
Changes that relate to past services	**721**	**(122)**	**-**	**599**
Adjustments to liabilities for incurred claims	721	(122)	-	599
Insurance service result	**(1,308)**	**(134)**	**865**	**(577)**
Net finance (income) / expenses from insurance contracts	65	14	62	141
Total changes in the statement of income	**(1,243)**	**(120)**	**927**	**(436)**
Cash flows				
Contribution received	1,109	-	-	1,109
Claims and other insurance service expenses paid	(634)	-	-	(634)
Total cash flows	475	-	-	475
Net closing balance, 31 December 2024	**160**	**113**	**2,321**	**2,594**

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31 December 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Takaful Residual Margin (TRM)	Total
Net opening balance, 1 January 2023	(618)	45	1,311	738
Transfer from Al Hilal Takaful	325	2	113	440
Changes in the statement of income				
Changes that relate to current services	497	(7)	(201)	289
CAA recognised for services provided	-	-	(201)	(201)
Change in risk adjustment for non-financial risk for risk expired	-	(7)	-	(7)
Experience adjustments	497	-	-	497
Changes that relate to future services	(121)	76	61	16
Contracts initially recognised in the year	(10)	12	12	14
Experience adjustments	(111)	(9)	56	(64)
Changes in estimates that adjust the CAA	-	7	(7)	-
Changes in estimates that do not adjust the CAA	-	66	-	66
Changes that relate to past services	102	-	-	102
Adjustments to liabilities for incurred claims	102	-	-	102
Insurance service result	478	69	(140)	407
Net finance (income) / expenses from insurance contracts	(10)	3	62	55
Total changes in the statement of income	468	72	(78)	462
Cash flows				
Contribution received	446	-	-	446
Claims and other insurance service expenses paid	(882)	-	-	(882)
Total cash flows	(436)	-	-	(436)
Net closing balance, 31 December 2023	(261)	119	1,346	1,204

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B.Takaful residual margin (TRM)

The following table sets out when the Group expects to recognise the remaining TRM in profit or loss after the reporting date for contracts not measured under the CAA.

Family takaful

31 December 2024	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
Takaful contracts	586	419	307	235	190	523	450	2,710
Re-takaful contracts	519	390	300	240	190	409	273	2,321

31 December 2023	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
Takaful contracts	252	219	193	171	153	481	448	1,917
Re-takaful contracts	193	167	146	129	115	343	252	1,345

C. Claims development

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

i. Gross claims for general takaful business

Accident year	2018 and Prior	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted gross cumulative claims								
At end of reporting year	90,723	14,169	12,553	14,378	25,645	26,723	30,840	30,840
One year later	88,944	11,609	9,190	12,298	20,752	24,341	-	24,341
Two years later	87,918	11,539	9,691	12,640	20,914	-	-	20,914
Three years later	87,507	11,810	9,779	12,833	-	-	-	12,833
Four years later	87,608	11,731	9,459	-	-	-	-	9,459
Five years later	87,145	11,396	-	-	-	-	-	11,396
Six years later	87,834	-	-	-	-	-	-	87,834
Current estimate of cumulative claims (A)	87,834	11,396	9,459	12,833	20,914	24,341	30,840	197,617
Cumulative payments to date (B)	(85,379)	(10,901)	(9,182)	(11,543)	(19,946)	(21,900)	(16,328)	(175,179)
Total (A – B)	**2,455**	**495**	**277**	**1,290**	**968**	**2,441**	**14,512**	**22,438**
Gross undiscounted liabilities for incurred claims								**22,438**
Effect of discounting								**(569)**
Gross liabilities for incurred claims								**21,869**

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	Estimates of the present value of future cash flows	Risk adjustment	Total
Total gross liabilities for incurred claims	21,869	533	22,402

ii. Net claims for general takaful business

Accident year	2018 and Prior	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted gross cumulative claims								
At end of reporting year	52,635	10,544	10,051	10,477	22,504	22,195	25,435	25,435
One year later	52,180	9,995	7,529	9,899	18,045	20,581	-	20,581
Two years later	52,289	9,921	8,095	10,271	18,034	-	-	18,034
Three years later	51,359	10,283	8,179	10,477	-	-	-	10,477
Four years later	52,503	10,180	7,529	-	-	-	-	7,529
Five years later	52,098	9,921	-	-	-	-	-	9,921
Six years later	51,359	-	-	-	-	-	-	51,359
Current estimate of cumulative claims (A)	51,359	9,921	7,529	10,477	18,034	20,581	25,435	143,336
Cumulative payments to date (B)	(50,580)	(9,562)	(7,721)	(9,759)	(17,926)	(18,790)	(14,247)	(128,585)
Total (A – B)	**779**	**359**	**-192**	**718**	**108**	**1,791**	**11,188**	**14,751**
Gross undiscounted liabilities for incurred claims								**14,751**
Effect of discounting								**(374)**
Gross liabilities for incurred claims								**14,377**

	Estimates of the present value of future cash flows	Risk adjustment	Total
Total gross liabilities for incurred claims	14,377	325	14,702

D.Use of judgements and estimates

i. Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows,
- to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Group uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. The Group derives cost inflation assumptions from the difference between the yields on nominal and inflation-linked government bonds.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Group will incur in providing investment services;
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Group generally allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group. Other costs are recognised in profit or loss as they are incurred.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Group's substantive rights and obligations under the contract.

Long-term life risk contracts

Assumptions about mortality/longevity, morbidity and policyholder behaviour that are used in estimating future cash flows are developed by product type at local entity level, reflecting recent experience and the profiles of policyholders within a group of insurance contracts.

Mortality/longevity and morbidity assumptions are generally developed using a blend of national mortality data, industry trends and the local entity's recent experience. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

Mortality and disability rates are key assumptions in the measurement of immediate fixed annuities issued. The actuarial estimate has been prepared by independent actuaries. The mortality rate represents the estimated probability of death for policyholders within a given period, while the disability rate reflects the estimated probability of policyholders becoming disabled. These assumptions are based on established industry mortality tables, including the 75-80 Ultimate Mortality US Tables, which are adjusted to account for anticipated improvements in both mortality and disability over time. Independent actuaries have developed these adjustments in accordance with industry best practices, ensuring that our calculations reflect current demographic trends and evolving expectations regarding policyholder longevity and disability risk

Policyholder behaviour is a key assumption in the measurement of life savings and participating insurance contracts. Each type of policyholder behaviour is estimated by product type, based on trends in recent experience.

For deferred fixed annuity and universal life contracts, crediting rates and discount rates (see 'Discount rates' below), and for participating contracts, the extent to which participation percentages exceed minimum participation percentages are key assumptions in measuring those contracts. The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current year. The crediting rates applied vary between products and Group entities. In the current economic environment, the amounts credited are often determined by interest rate guarantees. The participation percentages applied in both 2024 and 2023 were the minimum participation rates.

To determine how to identify changes in discretionary cash flows for these contracts, the Group generally regards its commitment to be the return implicit in the estimates of the fulfilment cash flows on initial recognition, updated to reflect current financial risk assumptions.

Non-life contracts

The Group estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the chain-ladder and Bornhuetter- Ferguson methods. These techniques assume that the Group's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each line of business, except for large claims, which are assessed separately from other claims.

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

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Discount rates

The Group adjusts the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows.

The discount rates applied to the estimates of the future cash flows reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Group used the Bottom-up approach to determine the required discount rates. The Bottom-up approach is market-driven with minimal ongoing operations.

Bottom-Up Discount Rate = Risk-free Rate + Illiquidity Premium

Risk-free Rate

The risk-free rate in year 1 was derived from the Central Bank of Oman Rates (OMIBOR) rates as at 31 December 2024. This was then adjusted to reflect the trend of the US Treasury yield curve from years 2 to 30 by taking the differences across subsequent years.

Illiquidity Premium

The adjustment to reflect the liquidity characteristics of the insurance contracts has been broadly termed the illiquidity premium. Highly liquid insurance contracts would have a low (or even no) illiquidity premium while very illiquid contracts would have a higher illiquidity premium.

In order to understand the nature of insurance contract liquidity characteristics, the Group has considered the lapse rates and the surrender value. Higher the lapse rates or higher the surrender value, more liquid is the contract.

The tables below set out the yield curves used to discount the cash flows of insurance contracts.

	2024					2023				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**	1 year	5 years	10 years	15 years	20 years
Insurance contracts measured (CAA)	5.36%	5.59%	5.81%	5.99%	6.18%	6.44%	5.47%	5.52%	5.73%	5.95%
Insurance contracts measured (GMM)	5.7%	4.5%	4.6%	4.8%	4.7%	5.4%	5.7%	5.9%	6.1%	6.2%

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation required by the issuing entity for bearing such risks. These adjustments are applied separately to non-life and other contracts and are allocated across contract groups based on a detailed analysis of each group's risk profile. In addition, the risk adjustments incorporate the diversification benefits arising from the portfolio of issued contracts, consistent with the entity's risk tolerance. The quantification of these diversification benefits is achieved using a correlation matrix approach.

For LIC General Takaful, the present value of future cash flows is adjusted to reflect the compensation required for bearing uncertainties in both the amount and timing of cash flows attributable to non-financial risk. The methodology employed combines the Company's own experience variability with a Value at Risk (VaR) approach, wherein the parameters of the underlying distribution are calibrated using historical data and its credibility. Accordingly, the risk adjustment for General Takaful has been estimated at the 90th percentile as of year-end (YE) 2023 and at the 75th percentile as of YE 2024.

For LIC Family Takaful, no risk adjustment is applied for long-term business. This is because the benefits payable under these contracts are considered to be certain.

For the Liability for Remaining Coverage (LRC) under General Takaful, a methodology analogous to the Solvency II risk margin calculation has been adopted. Specifically, each reserving segment was mapped to the most representative Solvency II line of business (LOB), with the prescribed standard deviation for premium risk in that LOB serving as a proxy for the standard deviation of the LRC for the respective portfolio. It was further assumed that the LRC follows a lognormal distribution, with its mean aligned to the unearned premium reserve (UPR) and its standard deviation as determined by the mapping exercise.

The initial risk adjustment was estimated as the 75th percentile of the lognormal distribution—a model widely recognized in actuarial practice for the shortterm liabilities of insurance companies. This assumption, that the Company's best estimate liabilities follow a lognormal distribution with a mean equal to the current LRC, facilitates the derivation of the complete distribution and the subsequent calculation of the risk adjustment at a specified confidence level. Furthermore, diversification benefits—reflecting the business mix and the expected correlation structure—have been incorporated into the calculation in line with the Solvency II framework. The selection of the 75th percentile is in accordance with the Company's policy; however, this confidence level may be revised in the future if necessary.
The diversified risk adjustment for each portfolio is expressed as a ratio relative to the corresponding UPR, with the UPR estimates derived from the reserving exercise as of the Valuation Date. Based on the above methodology and the triangulation data available at the Valuation Date, the tables below present the derived nondiversified and diversified risk adjustment factors by FAS 43 portfolio.

For LRC Family Takaful, risk adjustments have been estimated using a methodology derived from the Solvency II risk margin calculation. In this approach, the Company applied the stress factors—detailed in the table below—to the underlying nonfinancial risk assumptions (including mortality, lapse, expense, and related factors) as prescribed under Solvency II. It is assumed that the resulting fluctuations in the present value of expected outflows, as determined by these sensitivities, adequately represent the risk adjustment under FAS 43. Additionally, diversification benefits driven by the business mix and the expected correlation matrix have been incorporated into the risk adjustment estimation in a manner consistent with the Solvency II framework.

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Solvency ii life risk modules	
Life underwriting risk module	**Prescribed sensitivity**
Mortality Risk Sub-Module	Permanent Increase of 15%
Longevity Risk Sub-Module	Permanent Decrease of 20%
Disability-Morbidity Risk Sub-Module	Increase of 35% in year 1, 25% in year 2 and decrease of 20% in year 3 onwards
Life Expense Risk Sub-Module	Increase of 10% in the Expense rates Increase of 1% in the Inflation rates
Lapse Risk Sub-Module	Permanent Increase of 50% Permanent Decrease of 50%
Mass Lapse Risk Sub-Module	Instantaneous increase of 40% in Lapse Rates
Life Catastrophe Risk Sub-Module	Absolute increase of 0.15% in Mortality Rates in the first year of valuation across all ages

The Group has expressed the risk adjustment as a percentage of present value of expected outflows calculated on best estimate assumptions. As Solvency II determines the Risk Margin at 99.5th percentile, the risk adjustment is determined using the above methodology corresponds to the 99.5th percentile.

Further, the Group assumed that the present value ("PV") of outflows will follow the Lognormal distribution with mean set as Best Estimate PV of Outflows and standard deviation determined using the RA at 99.5th percentile calculated above. The choice of the log-normal distribution for modelling the outflows or benefits amount of insurance company is widely used and accepted in the actuarial community.

The assumption that the best estimate liabilities of the Group follow a log-normal distribution with mean equal to the PV of expected outflows currently held by the Group, enables the derivation of the full distribution, indicating the required risk adjustment for a given level of confidence.

The confidence level has been set to 75th percentile. The level of the percentile has been decided by the Group and can be amended at a later stage if required.

ii. Takaful residual margin

Determination of coverage units

The TRM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

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The Group determines the quantity of the benefits provided under each contract as follows.

• **Term assurance** • **Non-participating whole-life**	Sum assured payable on death
Critical illness	Maximum amount payable (including any premiums waived) on detection of illness
Immediate fixed annuity	Annuity amount payable in each period
• **Universal life** • **Traditional participating** • **Unit-linked and other investment-linked**	• Insurance coverage: Net amount at risk (i.e. guaranteed minimum benefits less account value), if any • Investment services: Account value
Non-life contracts acquired in their claims settlement period	Instantaneous increase of 40% in Lapse Rates
Quota share reinsurance	The same basis as the underlying contracts, including expected new business within the reinsurance contract boundary
Excess of loss and stop loss reinsurance	Expected amount of underlying claims to be covered in each period

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, the Group generally considers the selling prices for the services had they been offered on a stand-alone basis and adjusts the quantity of benefits for each service in proportion to those stand-alone selling prices. The stand-alone selling price for a service may be evidenced by observable prices when the Group sells that service separately to policyholders with similar characteristics.

An analysis of the expected timing of the allocation of the TRM to profit or loss is disclosed in (Note 9.B).

	2024	2023 (restated)
Statutory deposit	1,114	142
Accrued income	535	603
Prepaid expenses and other assets	2,857	5,065
Deferred acquisition cost	1,204	920
Inter-fund fund balances	3,165	1,934
	8,875	8,664

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

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

The receivables/payables balance among these funds as at 31 December 2024 will be fully settled in the first quarter of 2025.

11. CONVENTIONAL ASSETS AND LIABILITIES – UNDER RUN OFF MANAGEMENT

	Conventional run-off fund	
Assets	**31 December 2024**	**31 December 2023**
Cash and cash equivalents	118	647
Investments carried at amortised cost	-	2,515
Reinsurance arrangement assets	285	1,963
Prepayments and other assets	36	449
Total assets under run-off management	**439**	5,574
Liabilities		
Insurance arrangement liabilities	359	4,744
Other liabilities	80	830
Total liabilities under run-off	**439**	5,574

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12. PROPERTY AND EQUIPMENT

2024	**Land and building**	**Furniture, fixtures office and computer equipment**	**Motor vehicles**	**Total**
Cost				
At 1 January	853	2,752	31	3,636
Additions	-	107	-	107
Land and building revaluation	(215)	-	-	(215)
At 31 December	**638**	**2,859**	**31**	**3,528**
Accumulated depreciation				
At 1 January	53	2,392	31	2,476
Charge for the year	-	167	-	167
At 31 December	**53**	**2,559**	**31**	**2,643**
Net book amount				
At 31 December	**585**	**300**	**-**	**885**

2023	**Land and building**	**Furniture, fixtures office and computer equipment**	**Motor vehicles**	**Total**
Cost				
At 1 January	853	2,205	31	3,089
Transferred from T'azur upon merger	-	301	-	301
Additions	-	246	-	246
At 31 December	853	2,752	31	3,636
Accumulated depreciation				
At 1 January	53	2,010	31	2,094
Transferred from T'azur upon merger		248	-	248
Charge for the year	-	134	-	134
At 31 December	53	2,392	31	2,476
Net book amount				
At 31 December	800	360	-	1,160

13. RIGHT-OF-USE ASSETS

	31 December 2024	31 December 2023
At the beginning of the year	167	278
Transferred from AlHilal upon acquisition	-	19
Addition during the year	483	97
Depreciation charge for the year	(305)	(227)
Balance as at 31 December	**345**	167

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14. MURABAHA FINANCING

Murabaha financing	**31 December 2024**
Classified as:	
Non-current	7,440
Current	1,860
Balance as at 31 December	**9,300**
Opening balance	-
Additional during the year	9,300
Balance as at 31 December	**9,300**

The Group availed a Murabaha facility from a local bank for the acquisition of shares in Alliance Insurance. The effective profit rate for the facility is 3-Month BHIBOR plus a margin of 1.06% per annum.

As per the facility terms, Murabaha profit repayments are made quarterly, while principal repayment is made annually. the principal is to be repaid in 5 annual instalments commencing from 6 November 2025.

An accrued Murabaha profit of BHD 99 thousand is included under 'Other Liabilities' in the Statement of Financial Position.

The Group has pledged quoted sukuks with a nominal value of BD 3.18 million (Note 6) as collateral for the Murabaha financing. Additionally, the Parent Company has pledged a placement amounting to BD 7.52 million as collateral for the Murabaha financing.

15. OTHER LIABILITIES

	2024	2023
Employees' end of service benefits (Note 15.b)	458	543
Staff related accruals	1,743	1,424
Payable to third party administrator	104	200
Commission payable	439	338
Accrued expenses and other payables	2,535	4,185
Payable to takaful/conventional fund	3,099	1,934
	8,378	8,624

Employees' end of service benefits are as follows:

(a) Local employees

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2024 amounted to BD 364 thousand (2023: BD 303 thousand).

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(b) Expatriate employees

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

	2024	2023
At the beginning of the year	543	368
Transfer from AlHilal	-	170
Charge for the year	64	50
Payments during the year	(130)	(45)
Transferred to SIO	(19)	-
At the end of the year	**458**	543
Total number of staff employed by the Group	**219**	234

**As per the changes in end-of-service benefits system for expatriate employees introduced by SIO effective from 1 March 2024, employers are required to pay the monthly end-of-service contributions electronically through the SIO portal in relation to the expatriate employees. SIO would be responsible to settle leaving indemnities for expat employees at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Group.

16. IJARAH LIABILITIES

	2024	2023
Maturity analysis – Gross Ijarah liabilities		
Less than one year	295	154
One to five years	67	30
Total gross Ijarah liabilities	**362**	184
Maturity analysis – Net Ijarah liabilities		
Less than one year	285	150
One to five years	66	28
Total net Ijarah liabilities	**351**	178

17. SHARE CAPITAL

17.1 Authorised

	Number of shares (thousands)	Share capital
Authorised shares of 150,000,000 at BD 0.100 each (2023: 150,000,000 shares of BD 0.100 each)	150,000	15,000

17.2 Issued and fully paid

	Number of shares (thousands)	Share capital
At 31 December 2024	133,333	13,333
At 31 December 2023	133,333	13,333

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

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17.3 Additional information on shareholding pattern

(a) The names and nationalities of the major shareholders, holding shareholding interest of 5% or more and the number of shares at 31 December 2024 and 2023 are as follows:

	31 December 2024		
	Nationality	**Number of shares**	**Percentage of holding Interest**
Solidarity Group Holding B.S.C. (c)	Bahrain	101,059,085	75.79%
Others	Various	32,274,247	24.21%
		133,333,332	**100%**

	31 December 2023		
	Nationality	Number of shares	Percentage of holding Interest
Solidarity Group Holding B.S.C. (c)	Bahrain	101,059,085	75.79%
Others	Various	32,274,247	24.21%
		133,333,332	100%

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

(c) The distribution of the Group's equity shares, i.e. the number of holders and their percentage shareholding as at 31 December 2024 and 2023 is set out below:

	31 December 2024		
	Number of shareholders	**Number of shares**	**Percentage of total Outstanding Shares**
Less than 1%	2,222	24,151,077	18.12%
More than 1% up to less than 5%	3	8,123,170	6.09%
More than 5%	1	101,059,085	75.79%
	2,226	**133,333,332**	**100%**

	31 December 2023		
	Number of shareholders	Number of shares	Percentage of total Outstanding Shares
Less than 1%	2,184	18,492,555	13.87%
More than 1% up to less than 5%	5	13,781,692	10.34%
More than 5%	1	101,059,085	75.79%
	2,190	133,333,33	100%

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17.4 Treasury shares

The Group owned 49,781 shares amounting to BD 4 thousand at 31 December 2024 (2023: BD 4 thousand). The shares are held as treasury shares and the Group has the right to reissue these shares at a later date.

18. STATUTORY RESERVE

In accordance with the provisions of the Bahrain Companies Commercial Law 2001, 10% of the net profit of the Group is transferred to a statutory reserve until such time the statutory reserve equals 50% of the paid-up share capital of the Group. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies law. The Group has transferred BD 689 thousand to the statutory reserve for the year ended 31 December 2024 (2023: BD 434 thousand).

19. BASIC AND DILUTED EARNINGS PER SHARE

	2024	2023
Net profit for the year	6,891	4,342
Weighted average number of shares outstanding	133,283,551	133,283,551
Basic and diluted earnings per 100 fils share	**51.7 Fils**	32.58 fils

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

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effect of any dilutive instruments.

20. DIRECTORS' REMUNERATION AND DIVIDENDS

Directors' remuneration

Proposed by the Board of Directors

The Board of Directors of the Group propose to pay BD 220 thousand towards directors' remuneration apart from the regular sitting fees for the year ended 31 December 2024 (2023: BD 145 thousand for the year ended 31 December 2022 paid in 2023). This is subject to the approval of shareholders in the Annual General Meeting.

Dividends

Declared and paid

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).

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Proposed by the Board of Directors

The Board of Directors of the Group has proposed a stock dividend of 27.5% of the paid-up capital for the year ended 31 December 2024 (2023: cash dividend of 25% of the paid-up capital). The proposed dividend is subject to shareholder approval at the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these consolidated financial statements

21. RECOGNISED TAKAFUL CONTRIBUTIONS

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

31 December 2024	**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	993	-	993
• Change in risk adjustment for nonfinancial risk for risk expired	46	-	46
• Expected incurred claims and other takaful service expenses	2,088	-	2,088
	3,127	**-**	**3,127**
Arrangements measured under contribution allocation approach	**-**	**55,902**	**55,902**
Total recognised takaful contributions	**3,127**	**55,902**	**59,029**

31 December 2023 (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	280	-	280
• Change in risk adjustment for nonfinancial risk for risk expired	20	-	20
• Expected incurred claims and other takaful service expenses	542	-	542
	842	-	842
Arrangements measured under contribution allocation approach	-	50,679	50,679
Total recognised takaful contributions	842	679	51,521

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22. RECOGNISED TAKAFUL COSTS

The following tables present an analysis of the insurance service expenses recognized in the year.

31 December 2024	Family Takaful	General Takaful	Total
Incurred claims and other expenses	1,210	49,800	51,010
Losses on onerous arrangements and reversals of these losses	103	(5)	98
Changes to liabilities for incurred claims	953	(17,227)	(16,274)
Total recognised takaful costs	**2,266**	**32,568**	**34,834**

31 December 2023 (restated)	Family Takaful	General Takaful	Total
Incurred claims and other expenses	67	41,564	41,631
Losses on onerous arrangements and reversals of these losses	34	-	34
Changes to liabilities for incurred claims	934	(10,317)	(9,383)
Total recognised takaful costs	1,035	31,247	32,282

23. INVESTMENT INCOME, NET

	2024	2023
Income from placements with financial institutions	936	1,033
Income from debt instruments	1,683	896
Income from equity instruments	1,013	886
Net change in Impairment during the year	270	(88)
Investment management expenses	(70)	(29)
Net investment income	3,832	2,698
Mudarib share*	(646)	(268)
	3,186	2,430
Shareholders' fund	2,217	1,625
General takaful fund	831	742
Family takaful fund	138	63
	3,186	2,430

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 statement of income.

24. 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.

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25. 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. During the years 2024 and 2023, the Group has entered into transactions with related parties on terms approved by management.

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 year amounted to BD 145 thousand (2023: BD 86 thousand). Sitting fees paid to the members of the Committees of the Board of Directors amounted to BD 71 thousand (2023: BD 48 thousand) and salaries and benefits for key members of management amounted to BD 740 thousand (2023: BD 535 thousand). End of service benefits due to key management personnel as at 31 December 2024 amounted to BD 417 thousand (2023: BD 300 thousand).

Transactions and balances with related parties

a) Transactions with related parties

31 December 2024	**Associate**	**Parent company**	**Ultimate parent**	**Key management personnel**	**Entities under common control**	**Total**
Takaful contributions	-	38	2,640	1	1,071	3,750
Takaful expenses for Retakaful arrangements held	-	-	-	-	16	16
Takaful costs	-	-	791	-	196	987
TPA fees	382	-	-	-	-	382
Income from placements	-	-	261	-	-	261
Share of profit from associates	38	-	-	-	-	38
Other Income	**83**					**83**

31 December 2023 (restated)	**Associate**	**Parent company**	**Ultimate parent**	**Key management personnel**	**Entities under common control**	**Total**
Takaful contributions	-	45	2,849	1	1,232	4,127
Takaful expenses for Retakaful arrangements held	-	-	-	-	16	16
Takaful costs	-	-	982	-	127	1,109
TPA fees	451	-	-	-	-	451
Income from placements	-	-	188	-	-	188
Share of profit from associates	33	-	-	-	-	33
Other Income	**61**					**61**

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b) Balances with related parties

31 December 2024	**Associate**	**Parent company**	**Ultimate parent**	**Key management personnel**	**Entities under common control**	**Total**
Placements with financial institutions	-	-	1,705	-	-	1,705
Cash and cash equivalents	-	-	492	-	-	492
Takaful receivables	-	-	-	-	620	620
Takaful liabilities	653	26	592	-	9	1,280

31 December 2023 (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

26. 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 year and their reconciliation to the total income and profit for the year of the Group.

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	31 December 2024						31 December 2023 (restated)					
	Non- Motor (*)	**Motor**	**Medical**	**Group Life**	**Family Takaful**	**Total**	Non- Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Recognised takaful contributions	15,701	13,529	23,180	3,492	3,127	59,029	14,550	13,339	20,897	1,893	842	51,521
Recognised takaful costs	(4,657)	(12,796)	(12,782)	(2,333)	(2,266)	(34,834)	(6,832)	(10,365)	(12,473)	(1,577)	(1,035)	(32,282)
Takaful service result before retakaful contracts held	**11,044**	**733**	**10,398**	**1,159**	**861**	**24,195**	7,718	2,974	8,424	316	(193)	19,239
Retakaful net results	(11,089)	(243)	(10,305)	(1,152)	(578)	(23,367)	(9,351)	(761)	(8,545)	(130)	406	(18,381)
Takaful gross margin	**(45)**	**490**	**93**	**7**	**283**	**828**	(1,633)	2,213	(121)	186	213	858
Net Investment income	229	217	340	45	138	969	215	193	304	30	63	805
Amortisation of deferred cost (related to provision of takaful arrangements)	(94)	(432)	(40)	(14)	(320)	(900)	(60)	(419)	(62)	(7)	(148)	(696)
Amortisation of deferred profit (related to provision of retakaful arrangements held)	121	1	6	12	140	280	66	40	3	6	55	170
Profit for the year	**211**	**276**	**399**	**50**	**241**	**1,177**	(1,412)	2,027	124	215	183	1,137
Identifiable assets	**523**	**-**	**3,667**	**-**	**19,541**	**23,731**	2,686	-	3,605	289	16,163	22,743
Identifiable liabilities	**7,495**	**17,468**	**3,639**	**1,703**	**19,556**	**49,861**	9,713	16,367	3,417	997	16,425	46,919

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

Assets amounting to BD 83.860 million (2023: BD 72.784 million) and liabilities amounting to BD 18.292 million (2023: BD 13.887 million) are not specifically identifiable.

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	General Takaful fund		Family Takaful fund		Shareholders' fund		Total	
	2024	2023 (restated)	**2024**	2023 (restated)	**2024**	2023 (restated)	**2024**	2023 (restated)
Assets								
Cash and cash equivalents	14,322	4,843	5,401	1,146	7,143	3,956	26,866	9,945
Placements with financial institutions	705	9,491	-	417	1,105	1,790	1,810	11,698
Investments	13,228	10,300	1,758	2,682	13,376	23,043	28,362	36,025
Investment in associates	-	-	-	-	16,377	236	16,377	236
Investments of participants in units	-	-	9,213	9,047	-	-	9,213	9,047
Intangible assets	-	-	-	-	7,027	6,733	7,027	6,733
Retakaful arrangement assets	5,384	5,973	2,594	1,204	-	-	7,978	7,177
Prepayments and other assets	1,725	2,175	575	1,667	6,575	4,822	8,875	8,664
Conventional assets - under run-off management	-	-	-	-	439	5,574	439	5,574
Property and equipment	-	-	-	-	885	1,160	885	1,160
Right-of-use assets	-	-	-	-	345	167	345	167
Total assets	**35,364**	32,782	**19,541**	16,163	**53,272**	47,481	**108,177**	96,426
Liabilities, participants' funds and shareholders' equity								
Liabilities								
Takaful arrangement liabilities	30,294	31,197	18,805	14,781	-	-	49,099	45,978
Retakaful arrangement liabilities	586	452	-	-	-	-	586	452
Murabaha Financing	-	-	-	-	9,300	-	9,300	-
Other liabilities	3,956	1,605	751	1,644	3,671	5,375	8,378	8,624
Conventional liabilities - under run-off management	-	-	-	-	439	5,574	439	5,574
Ijarah liabilities	-	-	-	-	351	178	351	178
Total liabilities	**34,836**	33,254	**19,556**	16,425	**13,761**	11,127	**68,153**	60,806
Participants' funds	**528**	(472)	**(15)**	(262)	**-**	-	**513**	(734)
Shareholders' equity								
Share capital	-	-	-	-	13,333	13,333	13,333	13,333
Treasury shares	-	-	-	-	(4)	(4)	(4)	(4)
Statutory reserve	-	-	-	-	4,967	4,278	4,967	4,278
Share premium	-	-	-	-	5,733	5,733	5,733	5,733
Property revaluation reserve	-	-	-	-	532	747	532	747
Investment fair value reserve	-	-	-	-	3,413	3,601	3,413	3,601
Retained earnings	-	-	-	-	11,537	8,666	11,537	8,666
Total shareholders' equity	**-**	-	**-**	-	**39,511**	36,354	**39,511**	36,354
Total liabilities, participants' funds and shareholders' equity	35,364	32,782	19,541	16,163	53,272	47,481	108,177	96,426

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27. 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 December 2024 (31 December 2023: Nil).

28. 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 December 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments carried at fair value through equity	2,091	-	3,700	5,791
Investments of participants in units	9,213	-	-	9,213
	11,304	**-**	**3,700**	**15,004**

31 December 2023	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 year ended 31 December 2024 (31 December 2023: nil).

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

31 December 2024	**Fair value through equity**	**At amortised cost**	**Total carrying value**	**Fair value**
Cash and cash equivalents	-	26,866	26,866	26,866
Placements with financial institutions	-	1,810	1,810	1,810
Investment securities	5,791	22,571	28,362	28,525
Retakaful arrangement assets	-	7,978	7,978	7,978
Other assets	-	8,875	8,875	8,875
Conventional assets - under run off management	-	439	439	439
Total financial assets	**5,791**	**68,539**	**74,330**	**74,493**
Takaful arrangement liabilities	-	49,099	49,099	49,099
Retakaful arrangement liabilities	-	586	586	586
Other liabilities	-	8,729	8,729	8,729
Conventional liabilities - under run off management	-	439	439	439
Total financial liabilities	**-**	**58,853**	**58,853**	**58,853**

31 December 2023 (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	23,136	36,025	37,479
Retakaful arrangement assets	-	6,725	6,725	6,725
Other assets	-	8,831	8,831	8,831
Conventional assets - under run off management	-	5,574	5,574	5,574
Total financial assets	12,889	66,361	79,250	80,705
Takaful arrangement liabilities	-	45,978	45,978	45,978
Retakaful arrangement liabilities	-	452	452	452
Other liabilities	-	8,802	8,802	8,802
Conventional liabilities - under run off management	-	5,574	5,574	5,574
Total financial liabilities	-	60,806	60,806	60,806

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.

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The following table shows a reconciliation of all movements in the fair value of financial instruments categorized within level 3 between the beginning and the end of the reporting year:

	2024	2023
At the beginning of the year	3,394	1,699
Additions during the year	91	34
Disposal during the year	-	-
Net movement in fair value reserve	215	1,661
At the end of the year	**3,700**	3,394

The carrying amount of the Group's other financial assets and liabilities approximate their fair values due to their short-term nature.

29. TAKAFUL RISK MANAGEMENT

29.1 Overview

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

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

29.2 Underwriting strategy

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

29.3 Sensitivity analysis

The table below analyses how the profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

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Sensitivity	TRM in force	FAS 43 profits	Change in TRM in force	Change in FAS 43 profits
Base	391	208	-	-
Mortality loaded by 15%	176	61	215	148
Mortality reduced by 20%	720	380	(329)	(171)
Disability loaded 35% in year 1, 25% in year 2 & reduced by 20% year 3 onwards	389	217	1	(8)
Expense loaded by 10% and inflation + 1%	390	209	-	-
Lapse loaded by 50%	442	197	(52)	12
Lapse reeduced by 50%	162	124	228	85
Mass lapse of 40%	1,000	412	(609)	(203)
Mortality + 0.15% In year 1	55	(219)	336	427
Yield curve + 1%	386	333	4	(125)
Yield curve - 1%	401	108	(10)	101
Ra loaded by 10%	374	214	17	(6)
Ra reduced by 10%	407	203	(16)	5

29.4 Terms and conditions of significant takaful contracts

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

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Medical	These contracts reimburse costs for medical treatment and hospital expenses. The participant is indemnified for only part of the cost of medical treatment or benefits are fixed.	Claims under these contracts depend on both the incidence of participants becoming ill and the duration over which they remain ill. Claims are generally notified promptly and can be settled without delay. This permits contribution revisions to respond reasonably quickly to adverse claims experience.
Group life	Group life contracts cover the life of the employees of an organization. The benefits covered include death, partial and permanent disablement.	Claims are generally notified promptly and can be settled without delay. The dominant product style is an annually renewable takaful contract. This permits contribution revisions to respond reasonably quickly to adverse claims experience.
Mortgage (DTA)	Mortgage DTA contracts indemnify financing institutions for the value of the loan availed by a participant and takaful protection to participants. Exposure occurs on death, critical illness and total permanent disability. .	Claims reporting lags are minor and claim complexity is relatively low. The amount of claim is limited to the reducing balance based on policy amortization schedule and sum assured against takaful protection policies. The majority of critical illness and total permanent disability claims are decided based on medical judgement and are settled within six months.
Unit linked	These are unit liked saving contracts that are classified as investment contracts.	All the financial risk is borne by the participants as investments performance is directly affects the value of the unit fund and hence benefit payable. Other factors affecting the future net cash flows to the shareholders and participants are the level of charges levied on these unit linked funds.

29.5 Retakaful strategy

The Group retakaful a portion of the takaful risks it underwrites in order to control its exposure to losses and protect capital resources. Ceded retakaful contains credit risk, as in the financial risk management note. The Group's Management Committee decides the minimum security criteria for acceptable retakaful and monitoring the purchase of retakaful by the business units against those criteria. The Committee monitors developments in the retakaful programme and its ongoing adequacy.

The business units buy a combination of proportionate and non-proportionate retakaful treaties to reduce the net exposure to the Group for any single event. In addition, underwriters are allowed to buy facultative retakaful in certain specified circumstances. All purchases of facultative retakaful are subject to business unit pre-approval, and the total expenditure on facultative retakaful is monitored on a policy basis at a business unit level.

30. CAPITAL MANAGEMENT

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

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

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

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

31. FINANCIAL RISK MANAGEMENT

31.1 Overview

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

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

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

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31.2 Credit risk

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

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

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

(i) Management of credit risk

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

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

(ii) Maximum exposure to credit risk

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

	2024	2023 (restated)
Cash and cash equivalents	26,866	9,945
Placements with financial institutions	1,810	11,698
Investments	28,362	36,025
Other assets	8,875	8,664
	65,913	66,332

Credit quality analysis

The following table sets out information about the credit quality of debt instruments.

The ratings given below are by established rating agencies.

	2024	2023 (restated)
Debt instruments measured at amortized cost		
A- to A+	5,632	4,406
BBB- to BBB+	13,186	8,784
Unrated	3,753	9,946
	22,571	23,136

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Concentrations of credit risk

The Group monitors concentrations of exposures by industry sector and geographic location of the counterparty as well as by individual counterparties. Counterparty concentration occurs mainly because of the investment management accounts maintained with the various investment bankers. Geographical concentrations at the reporting date have been presented in note 6.

The specific concentration of risk from the top counterparties where receivables for any one counterparty or group of connected counterparties is BD 1 million or more at the year-end is as follows:

	2024	2023
Debt instruments		
Kingdom of Bahrain (Government)	11,544	12,215
United Arab Emirates (Government)	2,538	1,658
Sultanate of Oman (Government)	1,059	1,361
Bank balances Including placements		
Ahli United Bank	26,364	4,052
Al Salam Bank	2,195	6,037
Khaleeji Commercial Bank	-	2,721
Arab Bank	-	2,639
Al Baraka Bank	-	2,238
Bahrain Islamic Bank	-	1,777
National Bank of Kuwait	-	1,142
	43,700	35,840

Amounts arising from ECL on financial assets

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument. Transfers due to changes in credit risk are determined in accordance with the accounting policy set out in Note 2.6 (xviii).

Debt instruments as amortized cost	**2024 Stage 1: 12-month ECL**	2023 Stage 1: 12-month ECL (restated)
Balance at 1 January	235	184
Transfer from Al Hilal - 2023	-	51
Transfer from conventional post-conversion to Takaful of Al Hilal life	80	-
Net remeasurement of loss allowance	(201)	-
	114	235

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Cash and cash equivalents and placements with banks with maturities of more than three months	**2024 Stage 1: 12-month ECL**	2023 Stage 1: 12-month ECL (restated)
Balance at 1 January	160	160
Net remeasurement of loss allowance	(158)	-
	2	160

Impairment on cash and cash equivalents, placements with banks and debt instruments has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that these financial assets have low credit risk based on the external credit ratings of the counterparties.

31.3 Liquidity risk

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

(i) Management of liquidity risk

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

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

(ii) Exposure to liquidity risk

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

		31 December 2024						
Financial assets	**Carrying amount**	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**More than 5 years**
Cash and cash equivalents	26,866	26,866	26,866	-	-	-	-	-
Placements with financial institutions	1,810	1,810	-	297	563	950	-	-
Investments	28,362	28,362	2,690	6,285	1,308	3,531	1,970	12,578
Investments of participants in units	9,213	9,213	-	-	-	-	-	9,213
Retakaful arrangement assets	7,978	7,759	5,286	664	322	273	248	966
Other assets	8,875	8,875	8,324	-	-	-	-	551
Conventional assets - under run-off management	439	439	439	-	-	-	-	-
Total assets	**83,543**	**83,324**	**43,605**	**7,246**	**193**	**754**	**218**	**23,308**

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	31 December 2024							
Financial liabilities	**Carrying amount**	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**More than 5 years**
Takaful arrangement liabilities	49,099	66,884	28,213	6,617	2,738	1,463	1,463	26,390
Retakaful arrangement liabilities	586	-	-	-	-	-	-	-
Conventional liabilities - under run-off management	439	439	439	-	-	-	-	-
Murabaha Financing	9,300	11,300	2,526	2,392	2,262	2,127	1,993	-
Other liabilities	8,378	8,378	8,378	-	-	-	-	-
Ijarah liabilities	351	362	295	67	-	-	-	-
Total liabilities	**68,153**	**87,363**	**39,851**	**9,076**	**5,000**	**3,590**	**3,456**	**26,390**

	31 December 2023 (restated)							
Financial assets	**Carrying amount**	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**More than 5 years**
Cash and cash equivalents	9,945	9,945	9,945	-	-	-	-	-
Placements with financial institutions	11,698	11,698	-	11,698	-	-	-	-
Investments	36,025	28,362	2,690	6,285	1,308	3,531	1,970	12,578
Investments of participants in units	9,047	9,047	-	-	-	-	-	9,047
Retakaful arrangement assets	7,177	6,757	5,297	784	131	121	101	323
Other assets	8,664	8,664	8,256	-	-	-	-	408
Conventional assets - under run-off management	5,574	5,574	3,059				97	2418
Total assets	88,130	80,047	29,247	18,767	1,439	3,652	2,168	24,774

	31 December 2023 (restated)							
Financial liabilities	**Carrying amount**	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**More than 5 years**
Takaful arrangement liabilities	45,978	52,078	25,745	5,864	1,255	640	427	18,147
Retakaful arrangement liabilities	452	522	410	100	12	-	-	-
Conventional liabilities - under run-off management	5,574	5,574	5,574	-	-	-	-	-
Other liabilities	8,624	8,624	8,624	-	-	-	-	-
Ijarah liabilities	178	196	168	28	-	-	-	-
Total liabilities	60,806	66,994	40,521	5,992	1,267	640	427	18,147

31.4 Market risks

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

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

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

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

(i) Profit rate risk

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

(ii) Currency risk

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

Equity price risk

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

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(iii) Sensitivity analysis to market risk

The table below shows the results of sensitivity testing on the Group's statement of profit or loss and equity by type of business. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Group's financial assets and liabilities.

	2024		2023	
31-Dec	**Impact on net profit**	**Impact on Equity**	**Impact on net profit**	**Impact on Equity**
Profit rate risk				
+1 percent shift in yield curves	467	467	434	434
-1 percent shift in yield curves	(467)	(467)	(434)	(434)

31.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, liquidity and market risks, such as the risk of mis-selling products, modelling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all Group's operations.

The Group's objectives in managing operational risk is to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness and innovation. In all cases, Group's policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to the Group's Audit, Compliance and Risk Committee, which is responsible for the development and implementation of controls to address operational risk.

This responsibility is supported by management risk committee and the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost-effective.

In addition, the Group uses the following approaches in monitoring and mitigating the various aspects of operational risks:

Risk Registers:
The Group identifies and analyses the root causes of various types of operational risks; recommend necessary mitigations and controls and records/documents such observations in its respective risk registers.

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Others:
The Group has set the followings programs for mitigating and controlling operational risks:

- Business Continuity Program
- Fraud Control Framework
- Outsourcing Risks monitoring

32. SHARI'A SUPERVISORY BOARD

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

33. EARNINGS PROHIBITED BY SHARI'A

There were no earnings (2023: BD Nil) realised during the year from transactions which are not permitted by Sharia Supervisory Board.

34. ZAKAH

Zakah for this fiscal year is Nil based on Net Asset method (2023: BD Nil) and the consolidated financial statements include no provision for Zakah. Zakah base is calculated using the 'Net Asset' method. The components used in Zakah computation Cash & cash equivalents, including placements, Retakaful arrangement assets, other current assets, takaful arrangement liabilities and other current liabilities. The basis of computation is as per FAS 39 issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and approved by the Sharia Supervisory Board and the amounts payable, if any are notified to shareholder.

35. CAPITAL ADEQUACY AND SOLVENCY MARGIN

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

	2024	2023
Margin required for Family Takaful fund	1,454	714
Margin required for General Takaful fund	5,467	5,007
Total margin required	**6,921**	5,721
Capital available to cover solvency margin	10,101	10,338
Excess capital	**3,180**	4,617

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36. ACQUISITION 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. The Group has merged 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 was concluded during the year after obtaining 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 assumed using their preliminary fair values at the acquisition date. As required by IFRS 3, the Company has completed the process of allocating the purchase consideration to the identifiable assets and liabilities within twelve months from the date of acquisition and the resulting impact is as follows.

During the year, the purchase price allocation exercise is completed and, consequently, carrying value of assets acquired and liabilities assumed as at acquisition date have been adjusted from the provisional amounts to their fair value. As a result, there was a decrease in goodwill by BD 66 thousand and the provisional amount and intangible asset are recognized.

Assets	Shareholders Fund	Conventional Run-off	General Takaful Fund	Family Takaful Fund	Total	IFRS 3 Adjustment	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	(363)	7,467
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**	**(363)**	**24,776**

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Less: Liabilities and participants funds assumed	**Shareholders Fund**	**Conventional Run-off**	**General Takaful Fund**	**Family Takaful Fund**	**Total**	**IFRS 3 Adjustment**	**Fair value recognized after adjustment**
Liabilities							
Takaful arrangement liabilities	-	4,744	703	7,800	13,247	-	13,247
Other liabilities	2,842	381	534	1,446	5,203	-	5,203
	2,842	**5,125**	**1,237**	**9,246**	**18,450**	**-**	**18,450**
Participants' funds transferred from AlHilal	**-**	**-**	**(49)**	**148**	**99**		**99**
Net tangible assets	**6,590**	**-**	**-**	**-**	**6,590**	**(363)**	**6,227**
Purchase consideration transferred	-	-	-	-	9,778	-	9,778
Identified intangibles					-	1,171	1,171
Goodwill arising on transfer	**-**	**-**	**-**	**-**	**3,188**	**(808)**	**2,380**

37. TRANSITION ADJUSTMENTS

This is the first set of the Group's 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 consolidated financial information from the adoption of FAS 43 and FAS 30:

Consolidated statement of financial position:

Assets	**1 January 2023 (as previously reported)**	**FAS 43 & FAS 30 adjustments**	**1 January 2023 (restated)**
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

Notes to the Consolidated Financial Statements

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Assets	**31 December 2023 (as previously reported)**	**FAS 43 & FAS 30 adjustments**	**31 December 2023 (restated)**
Cash and Cash Equivalents	9,948	(3)	9,945
Placements with financial institutions	11,853	(155)	11,698
Investments	36,192	(167)	36,025
Other assets	64,419	(25,661)	38,758
Total assets	122,412	(25,986)	96,426
Liabilities & equity			
Total liabilities	84,918	(24,112)	60,806
Participants' funds	946	(1,680)	(734)
Shareholder's equity	36,548	(194)	36,354
Total liabilities, participants' funds and equity	122,412	(25,986)	96,426

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

Consolidated statement of income:

	31 December 2023 (as previously reported)	**FAS 43 & FAS 30 adjustments**	**31 December 2023 (restated)**
Net profit for the year	5,210	269	5,479

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FAS 30 – Transition disclosures

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

Financial assets	Category	31 December 2023 (as previously reported)	FAS 30 adjustments Reclassification	FAS 30 adjustments ECL	1 January 2023 (restated)
Classified from:					
Placements with financial institutions	Amortized cost	26,918	-	(155)	26,763
Investments - Sukuk	Amortised cost - Quoted instruments	10,376	-	(168)	10,208
Investments - Sukuk	Fair value through equity - quoted instruments	4,885	-	(16)	4,869
Investments - Equity	Fair value through equity - quoted instruments	8,096	-	-	8,096
Investments - Equity	Fair value through equity - unquoted instruments	1,699	-	-	1,699
Total		**51,974**	**-**	**(339)**	**51,635**
Classified to:					
Placements with financial institutions	Amortized cost	26,918	-	(155)	26,763
Investments - Sukuk	Amortised cost - Quoted instruments	10,376	-	(168)	10,208
Investments - Sukuk	Fair value through equity - quoted instruments	4,885	-	(16)	4,869
Investments - Equity	Fair value through equity - quoted instruments	8,096	-	-	8,096
Investments - Equity	Fair value through equity - unquoted instruments	1,699	-	-	1,699
Total		**51,974**	**-**	**(339)**	**51,635**

38. SUBSEQUENT EVENTS

On 10 September 2024, the Board of Directors of the Group initially granted an in-principle approval for the acquisition of a 100% ownership stake in Bahrain National Insurance B.S.C. (c) and Bahrain National Life Assurance B.S.C. (c) (collectively referred to as "the entities"), both wholly owned subsidiaries of Bahrain National Holding B.S.C. ("BNH"), for a total purchase price of BD 75 million. This initial approval was subject to the satisfactory completion of confirmatory due diligence, receipt of in- principle regulatory approvals, and fulfillment of other conditions precedent as outlined in the binding offer signed between Solidarity Group Holding B.S.C. (c) and BNH.

Following the successful completion of due diligence and receipt of in-principle regulatory approvals, the Board of Directors granted further approval on 4 November 2024 and proposed the acquisition to the shareholders at the Extraordinary General Assembly ("EGM") meeting scheduled for 26 November 2024. Subsequently on 9 January 2025, following the approval at the EGM, Solidarity Bahrain BSC has signed a binding sale and purchase agreement ("SPA') with BNH for the acquisition of the entities. The SPA includes certain conditions required to be met prior to obtaining control of the entities and settlement of purchase price, including final regulatory approvals and increase of capital.

39. INCOME TAX

The multinational enterprise (MNE) group is subject to the OECD Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules') that apply to MNE groups with total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

Al Salam Bank B.S.C. ('Ultimate Parent Entity'), MNE group, is domiciled and operates in the Kingdom of Bahrain which has issued and enacted Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident constituent entities of the MNE group for fiscal years commencing on or after 1 January 2025.

The Ultimate Parent Entity has assessed that it is in scope of the Bahrain DMTT law. The Group is the constituent entity of the MNE Group which is also domiciled and operates in the Kingdom of Bahrain and therefore it is also within the scope of the Bahrain DMTT law, effective 1 January 2025.

The Ultimate Parent Entity is the designated filing constituent entity responsible for filing DMTT on behalf of the group entities operating in the Kingdom of Bahrain. The Ultimate Parent Entity is currently preparing for compliance with the Bahrain DMTT law and GloBE rules by upgrading reporting systems, evaluating transfer pricing adjustments and aligning with domestic and international DMTT regulations. As at the reporting date, the management has not yet completed their assessment and estimation of the quantitative impact of the Bahrain DMTT law and GloBE rules, including any recharge arrangements which may be entered into with the Group.

40. COMPARATIVES

Other than restatements described in Note 37 and acquisition of business described in Note 36 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 36) occurred on 31 December 2023, the profit and loss comparative information does not include the results of AlHilal. Therefore, the comparative information is not comparable.