

Solidarity Bahrain B.S.C.

**Interim condensed financial information
Period ended 31 March 2021**

Solidarity Bahrain B.S.C.

Interim condensed financial information

Period ended 31 March 2021

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Solidarity Bahrain B.S.C.

General information

Commercial registration

5091 obtained on 17 August 1976

Board of Directors

Tawfeeq Shehab

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

Ashraf Bseisu

Vice Chairman of the Board, Chairman of the Executive Committee and Member of the Nomination & Remuneration Committee (Executive Director)

Dr. Nadhem Al Saleh

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

Sharif Ahmadi

Board Member, Chairman of Corporate Governance Committee, and member of the Executive Committee (Independent Non-Executive Director)

Venkatesan Muniswamy

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

Bashar Sameer Nass

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

Ali Isa Ahmed Abdulrahim

Board member and member of the Executive Committee (Non-Independent Non-Executive Director)

Executive Committee

Ashraf Bseisu – Chairman
Sharif Ahmadi
Venkatesan Muniswamy
Ali Abdulrahim

Audit and Risk Committee

Dr. Nadhem Al Saleh – Chairman
Tawfeeq Shehab
Bashar Sameer Nass

Nomination and Remuneration Committee

Tawfeeq Shehab – Chairman
Dr. Nadhem Al Saleh
Ashraf Bseisu

Solidarity Bahrain B.S.C.

General information (continued)

Corporate Governance Committee

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

Sharia Supervisory Board

Shaikh Dr. Osama Bahar
Chairman of Sharia Supervisory Board and member of Corporate Governance Committee

Shaikh Mohsin Shaikh A. Hussain Al Asfoor
Member of Sharia Supervisory Board

Shaikh Abdul Naser Al Mahmood
Member of Sharia Supervisory Board

Management

Jawad Mohammed
Chief Executive Officer

Nandakumar Duraiswamy
Deputy General Manager – Operations

Jai Prakash Pandey
Assistant General Manager – Business Development

Mohammed Awachi
Assistant General Manager – Corporate Support

Yaser Al Hammadi
Head of Compliance, Risk Management and MLRO

Sanjeev Aggarwal
Head of Finance

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Seef Area, Manama – Kingdom of Bahrain
Telephone: 17585222
Fax: 17585200
Website: www.solidarity.com.bh

Principal bankers

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

Auditor

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

Actuary

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

Shares registrar

Bahrain Clear, Kingdom of Bahrain

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Solidarity Bahrain B.S.C. (the "Company") as at March 31, 2021 and the related interim condensed statements of income and participants' revenue and expenses, participants' surplus and deficit, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and explanatory notes. The Directors of the Company are responsible for the preparation and presentation of this interim condensed financial information in accordance with the basis of preparation stated in note 2 to the interim condensed financial information. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

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

Conclusion

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

Other Matter

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated March 30, 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of interim condensed financial statements for the three-month period ended March 31, 2020. We have not reviewed the comparative information for the three-month period ended March 31, 2020 presented in these interim condensed financial statements which have been extracted from management accounts of the Company and, we do not express any review conclusion on them.



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

May 10, 2021

Solidarity Bahrain B.S.C.

**Interim condensed statement of financial position
As at 31 March 2021**

In thousands of Bahraini Dinars

Note	General Takaful fund		Family Takaful fund		Conventional (run-off) fund		Shareholders' fund		Total		
	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2021 (reviewed)	31 December 2020 (audited)	
Assets											
	Cash and cash equivalents	1,353	2,225	236	137	423	357	2,801	1,617	4,813	4,336
	Placements with financial institutions	8,089	8,476	950	762	254	254	6,921	6,920	16,214	16,412
	Investments	810	1,000	2,331	2,408	-	-	18,691	18,147	21,832	21,555
5	Investments in an associate	-	-	-	-	-	-	175	175	175	175
6	Takaful and insurance receivables	10,284	8,760	45	143	227	246	-	-	10,556	9,149
7	Retakaful and reinsurance share of technical liabilities	10,564	10,137	285	319	390	452	-	-	11,239	10,908
8.1	Deferred acquisition costs	-	-	-	-	3	1	603	497	606	498
	Prepayments and other assets	3,351	1,416	74	163	45	135	1,348	1,076	4,818	2,790
9	Right-of-use assets	-	-	-	-	-	-	249	-	249	-
10	Takaful participants' assets – under run-off management	-	-	-	-	-	-	144	139	144	139
	Property and equipment	-	-	-	-	-	-	2,145	2,177	2,145	2,177
	Total assets	34,451	32,014	3,921	3,932	1,342	1,445	33,077	30,748	72,791	68,139
Liabilities, participants' funds and shareholders' equity											
Liabilities											
7	Takaful and insurance technical liabilities	26,305	24,766	397	432	1,218	1,328	-	-	27,920	26,526
8.2	Unearned commission reserves	532	373	-	-	7	4	-	-	539	377
11	Family takaful technical reserve	-	-	3,080	3,057	-	-	-	-	3,080	3,057
12	Takaful and insurance payables	8,442	7,937	-	138	59	60	-	-	8,501	8,135
	Other liabilities	611	483	177	2	58	53	5,345	2,281	6,191	2,819
13	Ijarah liabilities	-	-	-	-	-	-	251	-	251	-
10	Takaful participants' liabilities – under run-off management	-	-	-	-	-	-	144	139	144	139
	Total liabilities	35,890	33,559	3,654	3,629	1,342	1,445	5,740	2,420	46,626	41,053
	Participants' funds	(1,439)	(1,545)	267	303	-	-	-	-	(1,172)	(1,242)
Shareholders' equity											
14.2	Share capital	-	-	-	-	-	-	12,000	12,000	12,000	12,000
14.3	Treasury shares	-	-	-	-	-	-	(4)	(4)	(4)	(4)
	Statutory reserve	-	-	-	-	-	-	3,182	3,182	3,182	3,182
	Share premium	-	-	-	-	-	-	4,182	4,182	4,182	4,182
	Property revaluation reserve	-	-	-	-	-	-	747	747	747	747
	Investment fair value reserve	-	-	-	-	-	-	2,398	2,064	2,398	2,064
	Retained earnings	-	-	-	-	-	-	4,832	6,157	4,832	6,157
	Total shareholders' equity	-	-	-	-	-	-	27,337	28,328	27,337	28,328
	Total liabilities, participants' funds and shareholders' equity	34,451	32,014	3,921	3,932	1,342	1,445	33,077	30,748	72,791	68,139

This interim condensed financial information was approved and authorised for issue on 10 May 2021 and signed on behalf of the Board by:

Tawfeeq Shehab
Chairman

Ashraf Bseisu
Vice Chairman

Jawad Mohammed
Chief Executive Officer

Notes 1 to 25 form an integral part of the interim condensed financial information.

Solidarity Bahrain B.S.C.

Interim condensed statement of income and participants' revenues and expenses (unaudited)

Three month period ended 31 March 2021

In thousands of Bahraini Dinars

Note	General Takaful fund		Family Takaful fund		Conventional (run-off) fund		Shareholders' fund		Total	
	31 March 2021 (reviewed)	31 March 2020 (unreviewed)	31 March 2021 (reviewed)	31 March 2020 (unreviewed)	31 March 2021 (reviewed)	31 March 2020 (unreviewed)	31 March 2021 (reviewed)	31 March 2020 (unreviewed)	31 March 2021 (reviewed)	31 March 2020 (unreviewed)
Takaful/conventional revenues										
Gross contributions/premiums	8,108	7,970	182	58	23	8	-	-	8,313	8,036
Retakaful contributions/reinsurance premiums	(3,771)	(3,689)	(120)	(123)	(24)	(29)	-	-	(3,915)	(3,841)
Retained contributions/premiums	4,337	4,281	62	(65)	(1)	(21)	-	-	4,398	4,195
Movement in unearned contributions/premiums, net	(661)	(388)	-	-	-	2	-	-	(661)	(386)
Net contributions/premiums earned	3,676	3,893	62	(65)	(1)	(19)	-	-	3,737	3,809
Net commission earned	218	225	-	-	1	2	-	-	219	227
Profit commission and other income	537	42	-	-	-	-	-	-	537	42
Total takaful/conventional revenues	4,431	4,160	62	(65)	-	(17)	-	-	4,493	4,078
Takaful/conventional expenses										
Gross claims paid	(2,353)	(2,729)	(41)	-	(39)	(117)	-	-	(2,433)	(2,846)
Claims recovered from retakaful/reinsurance and other parties	326	76	23	-	15	19	-	-	364	95
Net claims paid	(2,027)	(2,653)	(18)	-	(24)	(98)	-	-	(2,069)	(2,751)
Movement in outstanding claims – gross	(815)	215	35	1	125	111	-	-	(655)	327
Movement in outstanding claims – retakaful/reinsurance	365	(138)	(35)	(1)	(77)	12	-	-	253	(127)
Net claims incurred	(2,477)	(2,576)	(18)	-	24	25	-	-	(2,471)	(2,551)
Transfer to family takaful technical reserve	-	-	(66)	-	-	-	-	-	(66)	-
Total takaful/conventional expenses	(2,477)	(2,576)	(84)	-	24	25	-	-	(2,537)	(2,551)
Technical surplus/(deficit)	1,954	1,584	(22)	(65)	24	8	-	-	1,956	1,527
Wakala fee expense	(1,905)	(1,555)	(41)	(14)	-	-	-	-	(1,946)	(1,569)
Surplus/(deficit) from takaful/conventional operations	49	29	(63)	(79)	24	8	-	-	10	(42)
Wakala fee income	-	-	-	-	-	-	1,946	1,569	1,946	1,569
Investment income, net	57	45	27	34	-	-	313	497	397	576
Technical surplus transferred from conventional (run-off) fund	-	-	-	-	(24)	(8)	24	8	-	-
Mudarib share	-	-	-	-	-	-	28	27	28	27
Employee costs	-	-	-	-	-	-	(630)	(569)	(630)	(569)
Commission expenses incurred	-	-	-	-	-	-	(282)	(271)	(282)	(271)
TPA fees	-	-	-	-	-	-	(103)	(102)	(103)	(102)
Other operating expenses	-	-	-	-	-	-	(523)	(398)	(523)	(398)
Net profit and surplus/(deficit) for the period	106	74	(36)	(45)	-	-	773	761	843	790
Basic and diluted earnings per share							6.44Fils	6.34Fils		

This interim condensed financial information was approved and authorised for issue on 10 May 2021 and signed on behalf of the Board by:

Tawfeeq Shenab
Chairman

Ashraf Bseisu
Vice Chairman

Jawad Mohammed
Chief Executive Officer

Notes 1 to 25 form an integral part of the interim condensed financial information.

Solidarity Bahrain B.S.C.

Interim condensed statement of participants' surplus and deficit
Period ended 31 March 2021

In thousands of Bahraini Dinars

	Accumulated (deficit)/surplus	
	General Takaful	Family Takaful
2021		
At 1 January (audited)	(1,545)	303
Surplus/(deficit) for the period	106	(36)
At 31 March (reviewed)	(1,439)	267

	Accumulated (deficit)/surplus	
	General Takaful	Family Takaful
2020		
At 1 January (audited)	(1,920)	284
Surplus/(deficit) for the period	74	(45)
At 31 March (unreviewed)	(1,846)	239

Notes 1 to 25 form an integral part of the interim condensed financial information.

Solidarity Bahrain B.S.C.
Interim condensed statement of changes in shareholders' equity
Period ended 31 March 2021

In thousands of Bahraini Dinars

2021	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January (audited)	12,000	(4)	3,182	4,182	747	2,064	6,157	28,328
Net profit for the period	-	-	-	-	-	-	773	773
Dividends declared	-	-	-	-	-	-	(2,098)	(2,098)
Change in fair value of equity investments	-	-	-	-	-	334	-	334
At 31 March (reviewed)	12,000	(4)	3,182	4,182	747	2,398	4,832	27,337

2020	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January (audited)	12,000	(4)	2,913	4,182	747	1,889	5,540	27,267
Net profit for the period	-	-	-	-	-	-	761	761
Dividends declared	-	-	-	-	-	-	(1,799)	(1,799)
Change in fair value of equity investments	-	-	-	-	-	(606)	-	(606)
At 31 March (unreviewed)	12,000	(4)	2,913	4,182	747	1,283	4,502	25,623

Notes 1 to 25 form an integral part of the interim condensed financial information.

Interim condensed statement of cash flows (unaudited)
Period ended 31 March 2021

In thousands of Bahraini Dinars

	Notes	31 March 2021 (reviewed)	31 March 2020 (unreviewed)
OPERATING ACTIVITIES			
Combined profit & surplus for the period		843	791
<i>Adjustments for:</i>			
Depreciation		69	57
Amortization of right-of-use assets	9	52	-
Ijarah cost		3	-
Provision for employees end of service benefits		6	30
Investment income, net	17	(397)	(576)
Amortisation during the period, net		12	10
Operating cash flows before working capital changes		588	312
<i>Changes in working capital:</i>			
Increase in takaful and insurance receivables		(1,407)	(1,541)
(Increase) / decrease in retakaful and reinsurance share of technical liabilities		(331)	393
(Increase) / decrease in deferred acquisition costs		(108)	83
Increase in prepayments and other assets		(1,878)	(564)
Increase/(decrease) in takaful and insurance technical liabilities		1,394	(203)
Increase in unearned commission reserves		162	8
Increase /(decrease) in family takaful technical reserve		23	(21)
Increase in takaful and insurance payables		366	832
Increase in other liabilities		1,268	328
Working capital changes		(511)	(685)
Payment towards employees end of service benefits		-	7
Net cash generated from/(used in) operating activities		77	(366)
INVESTING ACTIVITIES			
Purchase of equipment		(37)	(723)
Purchase of investments		(809)	(743)
Placements with financial institutions, net		198	2,146
Proceeds from disposal of investments carried at amortised cost		880	214
Investment income received		221	608
Net cash generated from investing activities		453	1,502
FINANCING ACTIVITIES			
Ijarah liabilities paid		(53)	-
Dividends paid during the period		-	(1)
Net cash used in financing activities		(53)	(1)
Net increase in cash and cash equivalents		477	1,135
Cash and cash equivalents at the beginning of the period		4,336	3,913
Cash and cash equivalents at the end of the period		4,813	5,048
Shareholders' fund		2,801	3,375
Participants' fund		1,589	1,312
Conventional (run-off) fund		423	361
Cash and cash equivalents at the end of the period		4,813	5,048

Notes 1 to 25 form an integral part of the interim condensed financial information.

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION

The interim condensed financial information has been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”). In line with the requirement of AAOIFI and the CBB Rule Book Volume 3, for matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards (“IFRS”). Accordingly, the interim financial information has been presented in condensed form in accordance with International Accounting Standard 34 – Interim Financial Reporting, which permits the interim financial information to be in summarised form and do not include all of the information required for full annual financial statements. The interim condensed financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2020.

The interim condensed financial information is reviewed, not audited. The comparatives for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2020 and comparatives for the interim condensed statements of income and participants’ revenues and expenses, cash flows, participants’ surplus and deficit and changes in shareholders’ equity have been extracted from the management accounts for the three month period ended 31 March 2020.

Due to the outbreak of the novel coronavirus (COVID-19), the Central Bank of Bahrain had exempted all public shareholding companies from preparation and publication of their interim condensed financial information for the three-month period ended March 31, 2020. Hence, the comparative information included in the statement of income and participants’ revenues and expenses, cash flows, participants’ surplus and deficit and changes in shareholders equity were not reviewed.

3 ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the annual audited financial statements of the Company prepared as at, and for the year ended 31 December 2020 except for the adoption of new and amended standards issued and effective for annual periods beginning on or after 1 January 2021.

Adoption of these standards and amendments did not result in changes to previously reported net profit or surplus or shareholders' equity of the Company, however it has resulted in additional disclosures.

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

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

FAS 34 Financial Reporting for Sukuk -holders

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

FAS 36 First Time Adoption of AAOIFI Financial Accounting Standards

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

FAS 32 Ijarah

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

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

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

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

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

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

a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the Ijarah (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment. The cost of right-of-use assets represents the fair value of total consideration paid / payable and includes initial direct costs and any dismantling or decommissioning costs. The Company amortises the right-of-use assets from the commencement date to the end of the useful economic life of the right-of-use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. Right-of-use assets are also subject to impairment in line with FAS 30 requirements.

b) Ijarah liabilities

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

New standards issued but deferred by AAOIFI

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

FAS 30 Impairment, credit losses and onerous commitments

The standard fundamentally changed the accounting for impairment losses for financial assets by replacing FAS 11 "provisions and reserves" incurred loss approach with a 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.

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

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

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

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

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

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

Impairment approach

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

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

Provision for onerous contract or commitment to acquire an asset

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

FAS 33 Investment in sukuk, shares and similar instruments

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

New standards issued but not yet effective

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

- 'FAS 37 "Financial Reporting by Waqf Institutions" (effective 1 January 2022)
The standard establishes principles of financial reporting by Waqf financial institutions, which are established and operated in line with Shari'ah principle and rules.
- FAS 38 Wa'ad Khiyar and Tahawwut (effective 1 January 2022)
The standard prescribes the accounting and reporting principles and requirements for Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for the institutions.

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

4 CYCLICAL VARIABILITY

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

5 INVESTMENTS

	31 March 2021 (reviewed)	31 December 2020 (audited)
Debt type instruments		
Amortised cost:		
Quoted instruments (5.1)	14,975	15,127
Equity type instruments		
Fair value through equity:		
Quoted instruments	5,207	4,778
Unquoted instruments	1,650	1,650
	21,832	21,555

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

	31 March 2021 (reviewed)	31 December 2020 (audited)
At the beginning of the period/year	15,127	15238
Additions during the period/year	714	1,364
Disposals during the period/year	(854)	(1,398)
Amortisation during the period/year, net	(12)	(52)
Exchange loss	-	(25)
At the end of the period/year	14,975	15,127

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

	31 March 2021 (reviewed)	31 December 2020 (audited)
At the beginning of the year	6,428	5,021
Additions during the period/year	95	1,419
Disposals during the period/year	-	(188)
Transferred to investment income on disposal of equity instruments	-	(30)
Change in fair value, net	334	206
At the end of the period/year	6,857	6,428

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

	31 March 2021 (reviewed)	31 December 2020 (audited)
Quoted equity instruments	5,207	4,778
Unquoted equity instruments	1,650	1,650
	6,857	6,428

6 TAKAFUL AND INSURANCE RECEIVABLES

	31 March 2021 (reviewed)	31 December 2020 (audited)
Due from:		
Participants and policyholders	7,024	6,341
Brokers	1,994	1,447
Takaful and insurance companies in relation to subrogation	2,122	1,948
Takaful/retakaful and insurance/reinsurance companies	661	658
	11,801	10,394
Less: provision for doubtful receivables	(1,245)	(1,245)
	10,556	9,149

Included in the above takaful and insurance receivables are BD 227 thousand (2020: BD 246 thousand) that are held under conventional (run-off) fund.

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

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

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

	31 March 2021 (reviewed)	31 December 2020 (audited)
At the beginning of the period/year	1,245	1,389
Charge for the period/year	-	156
Write-off during the period/year	-	(300)
At the end of the period/year	1,245	1,245

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

	Past due but not impaired			Total
	Neither past due nor impaired	181 to 365 days	More than 365 days	
30 March 2021 (reviewed)	7,801	1,737	1,018	10,556
31 December 2020 (audited)	5,937	2,749	463	9,149

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

	31 March 2021 (reviewed)		31 December 2020 (audited)	
	Takaful	Conventional	Takaful	Conventional
Gross				
Unearned contributions/premiums	15,253	25	14,529	10
Outstanding claims	11,449	1,193	10,669	1,318
	26,702	1,218	25,198	1,328
Retakaful				
Retakaful unearned contributions /reinsurance unearned premiums	(7,640)	(24)	(7,577)	(9)
Retakaful/reinsurance outstanding claims	(3,209)	(366)	(2,879)	(443)
	(10,849)	(390)	(10,456)	(452)
Net				
Unearned contributions	7,613	1	6,952	1
Outstanding claims	8,240	827	7,790	875
	15,853	828	14,742	876

8 DEFERRED ACQUISITION COSTS AND UNEARNED COMMISSION RESERVES**8.1 Deferred acquisition costs**

	31 March 2021 (reviewed)		31 December 2020 (audited)	
	Shareholders' fund	Conventional (run-off) fund	Shareholders' fund	Conventional (run-off) fund
At the beginning of the period/year	497	1	428	4
Commissions paid during the period/year	388	4	1,121	3
Commissions incurred during the period/year	(282)	(2)	(1,052)	(6)
At the end of the period/year	603	3	497	1

8.2 Unearned commission reserves

	31 March 2021 (reviewed)		31 December 2020 (audited)	
	Takaful	Conventional	Takaful	Conventional
At the beginning of the period/year	373	4	432	10
Commissions received during the period/year	377	4	786	8
Commissions earned during the period/year	(218)	(1)	(845)	(14)
At the end of the period/year	532	7	373	4

9 RIGHT-OF-USE ASSETS

	31 March 2021 (reviewed)
Recognition of right-of-use assets on initial application of FAS 32	301
Amortisation charge for the period	(52)
Balance as at 31 March	249

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

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

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

	31 March 2021 (reviewed)	31 December 2020 (audited)
Cash and bank balances	64	62
Other investments	80	77
Total assets under run-off management	144	139
	31 March 2021 (reviewed)	31 December 2020 (audited)
Unearned contribution and mortality reserves	33	33
Takaful and other payables	38	38
Unit linked reserve	35	30
	106	101
Participants' surplus assets over liabilities	38	38
Total liabilities under run-off management	144	139

11 FAMILY TAKAFUL TECHNICAL RESERVE

	31 March 2021 (reviewed)	31 December 2020 (audited)
At the beginning of the period/year	3,057	3,258
Refund during the period/year	(43)	(92)
Net increase/(decrease) during the period/year	66	(109)
At the end of the period/year	3,080	3,057

12 TAKAFUL AND INSURANCE PAYABLES

	31 March 2021 (reviewed)	31 December 2020 (audited)
Due to participants and policyholders	765	705
Due to Takaful and insurance companies	6,986	6,584
Due to garages	750	846
	8,501	8,135

Included in the above takaful and insurance payables are BD 59 thousand (2020: BD 60 thousand) that are held under conventional (run-off) fund.

13 IJARAH LIABILITIES

	31 March 2021 (reviewed)
Maturity analysis – Gross Ijarah liabilities	
Less than one year	194
One to five years	68
Total gross Ijarah liabilities	262
Maturity analysis – Net Ijarah liabilities	
Less than one year	185
One to five years	66
Total net Ijarah liabilities	251

14 SHARE CAPITAL**14.1 Authorised**

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

14.2 Issued and fully paid

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

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

14.3 Treasury shares

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

15 BASIC AND DILUTED EARNINGS PER SHARE

	31 March 2021 (reviewed)	31 March 2020 (unreviewed)
Net profit for the period	773	761
Weighted average number of shares outstanding	119,950,219	119,950,219
Basic and diluted earnings per 100 fils share	6.44 Fils	6.34 Fils

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

16 WAKALA FEE

The Company receives Wakala fee for administration of the takaful funds on behalf of the participants in accordance with the contracts of the respective takaful funds. The maximum chargeable Wakala fee which has been certified by Actuary and approved by the Shari'a Supervisory Board is 25% (2020: 25%) for the general Takaful fund and 25% (2020: 25%) for family Takaful fund of the overall gross contributions.

17 INVESTMENT INCOME, NET

	31 March 2021 (reviewed)	31 March 2020 (unreviewed)
Income from placements with financial institutions	128	148
Income from debt instruments	153	190
Income from equity instruments	151	275
Investment management expenses	(7)	(10)
Net investment income	425	603
Mudarib share*	(28)	(27)
	397	576
Shareholders' investment income	313	497
General takaful investment income	57	45
Family takaful investment income	27	34
	397	576

**Mudarib share*

The shareholders manage the participants' investments and charges 25% (2020: 25%) of the investment income earned by takaful funds as mudarib share, as approved by the Shari'a Supervisory Board. Mudarib share has been included in shareholders interim condensed statement of income.

18 RELATED PARTIES

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

18.1 Transactions with key management personnel

Key management personnel of the Company comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Remuneration paid to the Board of Directors of the Company during the period amounted to BD 63 thousand (2020: BD 63 thousand). Sitting fees paid to the members of the Committees of the Board of Directors amounting BD 8 thousand (2020: BD 8 thousand) and salaries and benefits paid to key members of management amounting to BD 169 thousand (2020: BD 151 thousand). End of service benefits due to key management personnel as at 31 March 2021 amounted to BD174 thousand (2020: BD 157 thousand).

18.2 Transactions and balances with related parties**a) Transactions with related parties**

	31 March 2021 (reviewed)	31 March 2020 (unreviewed)
<i>Gross contributions:</i>		
Parent company	5	7
Entities under common control	1,667	1,292
<i>Retakaful contributions:</i>		
Entities under common control	1	2
<i>Income from placements:</i>		
Entities under common control	14	17
<i>Gross paid claims:</i>		
Entities under common control	195	19

b) Balances

	31 March 2021 (reviewed)	31 March 2020 (unreviewed)
<i>Payables:</i>		
Parent company	14	-
Entities under common control	9	15
<i>Placements with financial institutions:</i>		
Entities under common control	588	1,734
<i>Receivables:</i>		
Parent company	-	2
Entities under common control	1,623	654
<i>Claims outstanding:</i>		
Entities under common control	758	642
<i>Cash and cash equivalents:</i>		
Entities under common control	797	1,253

19 SEGMENTAL INFORMATION

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

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

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

19 SEGMENTAL INFORMATION (continued)

	31 March 2021 (reviewed)						31 March 2020 (unreviewed)					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional revenues												
Gross contributions/premium Retakaful contributions /reinsurance premium	1,924	2,102	3,593	512	182	8,313	1,475	2,271	3,688	545	57	8,036
Retained contributions/premium Movement in unearned contributions/premium, net	(1,783)	(104)	(1,593)	(315)	(120)	(3,915)	(1,428)	(98)	(1,833)	(359)	(123)	(3,841)
Net contributions/premium earned	141	1,998	2,000	197	62	4,398	47	2,173	1,855	186	(66)	4,195
Commission income Movement in unearned commission, net Profit commission and other income	267	15	99	-	-	381	170	8	59	-	-	237
Net commission earned/(incurred)	(111)	(8)	(43)	-	-	(162)	33	-	(43)	-	-	(10)
	527	10	-	-	-	537	23	10	-	9	-	42
Total takaful/conventional revenues	845	2,213	1,223	150	62	4,493	367	2,418	1,149	210	(66)	4,078

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

19 SEGMENTAL INFORMATION (continued)

	31 Mar 2021 (reviewed)						31 Mar 2020 (reviewed)					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
Takaful/conventional expenses												
Gross claims paid	127	1,011	933	321	41	2,433	43	1,749	1,015	39	-	2,846
Claims recovered from retakaful /reinsurance and other parties	(65)	4	-	(280)	(23)	(364)	(57)	(4)	(5)	(29)	-	(95)
Net claims paid	62	1,015	933	41	18	2,069	(14)	1,745	1,010	10	-	2,751
Movement in outstanding claims – gross	54	501	(36)	171	(35)	655	384	(563)	(80)	(67)	(1)	(327)
Movement in outstanding claims – retakaful/reinsurance	55	(223)	1	(121)	35	(253)	(341)	394	9	64	1	127
Net claims incurred/(recovered)	171	1,293	898	91	18	2,471	29	1,576	939	7	-	2,551
Transfer from Family Takaful technical reserve	-	-	-	-	66	66	-	-	-	-	-	-
Technical surplus/(deficit)	674	920	325	59	(22)	1,956	338	842	210	203	(66)	1,527

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

20 CONTINGENT LIABILITIES AND COMMITMENTS

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

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

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

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

31 Mar 2021 (reviewed)	Level 1	Level 2	Level 3	Total
Investments carried at fair value through equity	5,207	-	1,650	6,857
	5,207	-	1,650	6,857
31 December 2020 (audited)	Level 1	Level 2	Level 3	Total
Investments carried at fair value through equity	4,778	-	1,650	6,428
	4,778	-	1,650	6,428

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

21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

31 March 2021 (reviewed)	Fair value through equity	Amortised cost	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	4,813	4,813	4,813
Placements with financial institutions	-	-	16,214	16,214	16,214
Investments	6,857	14,975	-	21,832	22,263
Takaful and insurance receivables	-	-	10,556	10,556	10,556
Retakaful and reinsurance share of technical liabilities	-	-	10,145	10,145	10,145
Other assets	-	-	2,971	2,971	2,971
Total financial assets	6,857	14,975	44,699	66,531	66,962
Takaful and insurance technical liabilities	-	-	23,027	23,027	23,027
Takaful and insurance payables	-	-	8,501	8,501	8,501
Other liabilities	-	-	4,346	4,346	4,346
Total financial liabilities	-	-	35,874	35,874	35,874

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

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

22 TOTAL COMPREHENSIVE INCOME

	Three month period ended 31 March 2021 (reviewed)					Three month period ended 31 March 2020 (unreviewed)				
	General takaful fund	Family takaful fund	Conventional (run-off) fund	Shareholders' fund	Total	General takaful fund	Family takaful fund	Conventional (run-off) fund	Shareholders' fund	Total
Net profit and surplus/(deficit) for the period	106	(36)	-	773	843	75	(46)	-	761	790
Other comprehensive income to be reclassified to statement of income and participants' revenues and expenses in subsequent period: Fair value changes arising during the period	-	-	-	334	334	-	-	-	(606)	(606)
Other comprehensive income for the period to be reclassified to interim condensed statement of income and participants' revenues and expenses in subsequent period:	-	-	-	334	334	-	-	-	(606)	(606)
Total comprehensive income for the period	106	(36)	-	1,107	1,177	75	(46)	-	155	184

23 Impact of COVID-19

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

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

Impairment of financial assets:

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

Impairment of non-financial assets:

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

Commitment and contingent liabilities:

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

Going concern:

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

24 SUBSEQUENT EVENTS

There were no significant events subsequent to 31 March 2021 and occurring before the date of signing of the interim condensed financial information that would have a significant impact on the interim condensed financial information.

25 COMPARATIVES

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

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

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

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

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

- Achieved modest growth in net profits and gross contributions compared to corresponding previous period.
- No material impact of the value of equity investment portfolio measured at fair value and therefore no impairment was warranted as at 31 March 2021.
- No major impact on the receivable recoverability and the Company's liquidity position is very strong and there is no adverse impact on its working capital.
- The Company hold strong solvency position and its net available capital as at 31 March 2021 is 4.7 times of the solvency margin required as per CBB regulations.

The above information does not represent the full comprehensive assessment of COVID-19 impact on the Company. In addition, this information is not subject to a formal review by the external auditors.