

**Social Insurance Organization**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

# Social Insurance Organization

---

## CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

<b>CONTENTS</b>	<b>PAGE</b>
INDEPENDENT AUDITORS' REPROT TO THE BOARD OF DIRECTORS	1 - 2
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
CONSOLIDATED STATEMENT OF NET ASSETS	3
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS	4 - 5
CONSOLIDATED STATEMENT OF CASH FLOWS	6 - 7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8 - 52



KPMG Fakhro  
Audit  
12<sup>th</sup> Floor, Fakhro Tower  
PO Box 710, Manama  
Kingdom of Bahrain

Telephone +973 17 224807  
Fax +973 17 227443  
Website: [www.kpmg.com/bh](http://www.kpmg.com/bh)  
CR No. 6220

## **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS**

### **Social Insurance Organization**

Manama, Kingdom of Bahrain

#### **Report on the audit of the consolidated financial statements**

##### *Opinion*

We have audited the accompanying consolidated financial statements of Social Insurance Organization (the "Organization") and its subsidiaries (together the "Group"), which comprise the consolidated statement of net assets as at 31 December 2018, the consolidated statements of changes in net assets, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

##### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Emphasis of matter*

We draw attention to note 2 to the consolidated financial statements which indicates that the unfunded actuarial deficit at 31 December 2018 amounted to BD 14,379 million (2017: BD 12,412 million), and sets out the actions is being taken by the Organization to reduce this deficit. Our opinion is not modified in respect of this matter.

##### *Responsibilities of the board of directors for the consolidated financial statements*

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.



*INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS (Continued)*

*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 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.

As part of an audit in accordance with ISAs, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

KPMG Fakhro  
Partner registration number 83  
2 December 2019

## Social Insurance Organization

### CONSOLIDATED STATEMENT OF NET ASSETS

At 31 December 2018

	Note	2018 BD '000	2017 BD '000
<b>ASSETS</b>			
Bank balances and deposits	11	854,861	950,562
Social insurance contributions receivable	12	201,161	76,599
Other receivables and prepayments	13	52,783	38,332
Social insurance benefits:			
Assumed and past services receivable	14	56,610	60,010
Scheme members' loans	15	21,403	22,425
Early extinguishment loans	16	181,318	180,291
Investment securities:			
Investments carried at fair value through profit or loss	17	1,613,450	761,885
Investments carried at fair value through other comprehensive income	18	377,525	-
Debt securities at amortised cost	19	61,690	-
Available-for-sale investments	18	-	846,641
Held-to-maturity investments	19	-	397,185
Investment in associates and a joint venture	20, 21	176,063	174,896
Investment properties	22	259,836	273,590
Equipment and furniture	23	2,588	2,115
<b>TOTAL ASSETS</b>		<b>3,859,288</b>	<b>3,784,531</b>
<b>LIABILITY</b>			
Accrued expenses and other liabilities	24	30,797	29,511
<b>TOTAL LIABILITY</b>		<b>30,797</b>	<b>29,511</b>
<b>NET ASSETS</b>		<b>3,828,491</b>	<b>3,755,020</b>
<b>REPRESENTED BY:</b>			
Members' funds		3,826,887	3,535,509
Investment securities fair value reserve	34	(1,380)	217,138
<b>Net assets attributable to members' funds</b>		<b>3,825,507</b>	<b>3,752,647</b>
Non-controlling interests	34	2,984	2,373
		<b>3,828,491</b>	<b>3,755,020</b>

The consolidated financial statements were approved by the Board of Directors on 2 December 2019 and signed on its behalf by:



**Mahmood Hashim AlKooheji**  
Chairman



**Eman Mustafa Al Murbati**  
Chief Executive Officer

The accompanying notes from 1 to 43 are an integral part of these consolidated financial statements.

## Social Insurance Organization

### CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2018

	Note	2018 BD '000	2,017 BD '000
<b>Contributions and benefits</b>			
Social insurance contributions	25	556,818	435,092
Compensations from Government	26	13,152	10,521
<b>Total contributions</b>		<b>569,970</b>	<b>445,613</b>
<b>Benefits</b>			
	27	(568,098)	(518,047)
Impairment loss on social insurance receivables	32	(5,202)	(4,514)
<b>Excess of benefits over contributions</b>	<b>(A)</b>	<b>(3,330)</b>	<b>(76,948)</b>
<b>Return on investments</b>			
Net income from investment securities	28	21,361	158,495
Net (loss) / income from investment properties	29	(22,738)	2,406
Share of profits / (losses) of associates - net	20, 21	25,291	(1,725)
Gain on disposal of associate		846	-
Interest income	30	67,325	64,713
<b>Total return on investments</b>		<b>92,085</b>	<b>223,889</b>
Impairment losses on investments	32	(235)	(5,194)
<b>Net return on investments</b>	<b>(B)</b>	<b>91,850</b>	<b>218,695</b>
<b>Expenses</b>			
Staff costs	31	(11,319)	(11,661)
General and administrative expenses		(3,726)	(3,654)
Depreciation	23	(817)	(795)
<b>Total expenses</b>	<b>(C)</b>	<b>(15,862)</b>	<b>(16,110)</b>
<b>Change in net assets before other comprehensive income</b>	<b>A+B+C</b>	<b>72,658</b>	<b>125,637</b>
<b>Attributable to:</b>			
Members' fund		72,020	125,139
Non-controlling interests		638	498
		<b>72,658</b>	<b>125,637</b>

The accompanying notes from 1 to 43 are an integral part of these consolidated financial statements.

## Social Insurance Organization

### CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (continued)

For the year ended 31 December 2018

	Note	2018 BD '000	2,017 BD '000
<b>Change in net assets before other comprehensive income</b>		<b>72,658</b>	125,637
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to the consolidated statement of changes in net assets in subsequent periods:</i>			
Net movement in investment securities fair value reserve	34	572	13,898
Net movement in the share of associates' reserves during the year	34	(5,727)	2,663
Foreign currency translation adjustment	21	(47)	59
		<b>(5,202)</b>	16,620
<i>Other comprehensive income not to be reclassified to the consolidated statement of changes in net assets in subsequent periods:</i>			
Share in the defined benefit reserve of associates	20	134	(26)
		<b>134</b>	(26)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(5,068)</b>	16,594
<b>Change in net assets</b>		<b>67,590</b>	142,231
Dividends paid by subsidiaries to non-controlling interests	34	(75)	(38)
Additional Capital in subsidiaries	34	60	-
Share of associates' other equity movements during the year	20	(2,372)	51
Net assets at 1 January after IFRS 9 initial application	6	3,763,288	3,612,776
<b>NET ASSETS AT 31 DECEMBER</b>		<b>3,828,491</b>	3,755,020



**Mahmood Hashim AlKooheji**  
Chairman



**Eman Mustafa Al Murbati**  
Chief Executive Officer

The accompanying notes from 1 to 43 are an integral part of these consolidated financial statements.

**Social Insurance Organization**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2018

	Note	2018 BD '000	2017 BD '000
<b>OPERATING ACTIVITIES</b>			
Change in net assets		<b>72,658</b>	125,637
Adjustments for:			
Depreciation on equipment and furniture	23	<b>817</b>	795
Depreciation on investment properties	22	<b>1,444</b>	1,371
Unrealized fair value movement on investments at FVTPL	17	<b>9,835</b>	(124,027)
Realized gain on disposal of debt securities at FVOCI	28	<b>(2,096)</b>	-
Gain from sale of available-for-sale investments	28	-	(6,835)
Amortization of discount on debt securities at FVOCI	28	<b>(463)</b>	-
Amortization of discount on held-to-maturity investments	28	-	(685)
Loss on sale of held-to-maturity investments	28	-	374
Gain on disposal of an associate		<b>(846)</b>	-
Dividend income	28	<b>(26,438)</b>	(25,006)
Interest income	30	<b>(67,325)</b>	(64,713)
Share of (profits) / losses of associates - net	20	<b>(25,291)</b>	1,725
Share of loss from a joint venture	21	<b>259</b>	291
Rental income from investment properties	29	<b>(4,964)</b>	(4,776)
Impairment charge on rent receivable	13	<b>193</b>	146
Impairment charge on social insurance contribution receivable	12	<b>5,202</b>	4,514
Impairment (write back) / charge on investments	32	<b>235</b>	5,194
Impairment charge on investment properties	29	<b>25,179</b>	-
Social insurance benefits written off due to death	27	<b>671</b>	459
Equipment written off	23	<b>14</b>	-
<b>Operating loss before working capital changes</b>		<b>(10,916)</b>	(85,536)
Working capital changes:			
Social insurance contributions receivable		<b>(129,764)</b>	14,821
Other receivables and prepayments		<b>(16,823)</b>	1,681
Assumed and past services receivable		<b>3,292</b>	(117)
Scheme members' loans		<b>981</b>	1,035
Early extinguishment loans		<b>(1,549)</b>	(8,681)
Accrued expenses and other liabilities		<b>1,286</b>	539
<b>Net cash used in operating activities</b>		<b>(153,493)</b>	(76,258)

The accompanying notes from 1 to 43 are an integral part of these consolidated financial statements.



## Social Insurance Organization

### CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2018

	Note	2018 BD '000	2017 BD '000
<b>INVESTING ACTIVITIES</b>			
Purchase of investments carried at FVTPL	17	(164,187)	-
Purchase of FVOCI investments, net	18	(91,356)	-
Purchase of available for sale investments, net	18	-	(67,274)
Purchase of debt securities amortised at cost	19	(58,150)	(61,103)
Investment in a joint venture	21	(8)	(5)
Purchase of investment properties	22	(12,869)	(13,639)
Purchase of equipment and furniture	23	(1,304)	(238)
Proceeds from sale of investments carried at FVTPL		159,727	523
Proceeds from sale of FVOCI investments, net		92,507	-
Proceeds from sale of available for sale investments, net		-	30,142
Redemption of debt securities FVOCI	18	24,445	-
Redemption of held-to-maturity investments, net		-	138,079
Dividends received		38,952	36,242
Movements in deposits		177,187	(80,492)
Interest received		64,704	63,579
Income related to investment properties		5,406	2,717
<b>Net cash from investing activities</b>		<b>235,054</b>	<b>48,531</b>
<b>FINANCING ACTIVITY</b>			
Dividend paid by subsidiaries to non controlling interest	34	(75)	(38)
<b>Net cash used in financing activity</b>		<b>(75)</b>	<b>(38)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>			
		<b>81,486</b>	<b>(27,765)</b>
Cash and cash equivalents at 1 January		96,632	124,396
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	11	<b>178,118</b>	<b>96,632</b>

The accompanying notes from 1 to 43 are an integral part of these consolidated financial statements.

## Social Insurance Organization

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

#### 1 REPORTING ENTITY

The Social Insurance Organization ("SIO" or the "Organization") was formed on 1 March 2008 in accordance with the Law No. 3 of 2008. The Organization was formed by the merger of the Pension Fund Commission (PFC) and General Organization for Social Insurance (GOSI).

The registered office of the Organization is at P.O. Box 5250, Manama, Kingdom of Bahrain.

PFC was formed on 1 October 1975 in accordance with the Law No. 13 of 1975 and is responsible for the management of funds to provide retirement pension salaries and other related benefits to the civil sector employees in the Kingdom of Bahrain. This plan is a defined benefit retirement pension plan and referred to in the consolidated financial statements as Public Plan.

GOSI was formed on 1 October 1976 in accordance with the Amiri Decree No. 24 of 1976 and is responsible for the management of funds to provide retirement pension salaries and other related benefits to the private sector employees in the Kingdom of Bahrain. This plan is a defined benefit retirement pension plan and referred to in the consolidated financial statements as Private Plan. It is also responsible for managing the unemployment plan formed in accordance with the Law No. 78 of 2006.

The consolidated financial statements for the year ended 31 December 2018 were authorized for issue by the Board of Directors of the Organization on 2 December 2019.

#### Subsidiaries and associates

The consolidated financial statements incorporate the results of the Organization (which include Public Fund, Private Fund, Unemployment Fund and Shura, Parliament and Municipality Members Fund) and its subsidiaries and associates (together referred to as the "Group"). As at 31 December, SIO had the following equity holdings:

	Country of incorporation	Equity Ownership %	
		2018	2017
<b>Subsidiaries</b>			
Bahrain Marina Development Company S.P.C.	Bahrain	100.00%	100.00%
Amlak Social Insurance Organization Development Co. S.P.C.	Bahrain	100.00%	100.00%
Osool Asset Management Company B.S.C. (c)	Bahrain	75.00%	75.00%
Qalai Real Estate Development Company W.L.L.	Bahrain	75.00%	-
Residence Real Estate Development Company S.P.C.	Bahrain	100.00%	-
<b>Associates</b>			
Hawar Holding Company *	Cayman Island	50.00%	50.00%
Gulf Diabetes Specialist Centre B.S.C. (c) **	Bahrain	-	42.30%
Bahrain Car Parks Company B.S.C.	Bahrain	25.74%	25.74%
Bahrain International Golf Course Company B.S.C. (c)	Bahrain	32.14%	32.14%
National Hotels Company B.S.C.	Bahrain	31.87%	31.87%
Securities and Investment Company B.S.C.	Bahrain	26.28%	26.28%
BBK B.S.C.	Bahrain	25.71%	25.71%
Bahrain Commercial Facilities Company B.S.C.	Bahrain	23.29%	23.29%

\* SIO has significant influence i.e. the power to participate in the financial and operating policy decisions of Hawar Holding Company, but does not have control or joint control over their policies. Hence, these investees are deemed to be associate of the Organization.

\*\* During the year, SIO sold its share in Gulf Diabetes Specialist Centre B.S.C. (c), subject to legal formalities. As of 31 December 2018 SIO has reported receivable of BD 3,003 and gain of BD 846 on the said disposal.

## Social Insurance Organization

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

#### 1 REPORTING ENTITY (continued)

##### Funding policy

The Organization is responsible for managing the operation of the retirement pension plans and other related plans for their members. Presented below is a summary of the plans and the funding arrangements:

Plan	Funding	Applicable law	Coverage
Public Sector	<b>Bahrainis:</b> <u>Pension</u> Employees 6% Employers 15% <u>Work injury</u> Employer 3% <b>Non-Bahrainis:</b> <u>Work injury</u> Employer 3%	Pension Law No. 13 of 1975	<b>Bahrainis:</b> Old age, disability and death  Work injury  <b>Non-Bahrainis:</b> Work injury
Private Sector	<b>Bahrainis:</b> <u>Pension</u> Employees 6% Employers 9% <u>Work injury</u> Employer 3% <b>Non-Bahrainis:</b> <u>Work injury</u> Employer 3%	Decree No. 24 of 1976	<b>Bahrainis:</b> Old age, disability and death  Work injury  <b>Non-Bahrainis:</b> Work injury
Unemployment	<b>Bahrainis and non-Bahrainis:</b> Employee 1% Employer 1% Government 1%	Law No. 78 of 2006	<b>Bahrainis:</b> Unemployed persons
Shura, parliament and municipality members***	<u>Pension</u> Employee 10% Employer 20%  <u>Work injury</u> Employer 3%	Law No. 32 of 2009***	<b>Bahrainis:</b> Old age, disability and death  <b>Bahrainis:</b> Work injury

\*\*\* On 25 September 2018, Decree No. 45 of 2018 was issued and replaced Law No. 32 of 2009 effective from fifth legislative term of Shura, parliament and municipality members. Refer to note 41 for details.

#### 2 ACTUARIAL POSITION

The Organization has appointed an independent actuary, to carry out a valuation of its schemes as at 31 December 2018 using the Projected Unit Method. The valuations for the years ended 31 December 2018 and 31 December 2017 indicated the existence of net unfunded actuarial liabilities. The Government of the Kingdom of Bahrain has undertaken to meet any future unfunded actuarial liabilities as and when they fall due.

The method used to calculate the actuarial present value of promised benefits accruing under the terms and conditions of the plan at 31 December requires the actuarial liability to be calculated based on the present value of the benefits accrued at the valuation date, taking into account the final earnings of members in service. The discount rate has been taken at 6% per annum (2017: 6% per annum), consistent with the expected long-term investment returns to the Organization.

## Social Insurance Organization

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

#### 2 ACTUARIAL POSITION (continued)

The Organization's net unfunded deficit at 31 December 2018 amounted to BD 14,379 million (2017: BD 12,412 million). In order to reduce this net unfunded deficit, the Board of Directors of the Organization has taken a number of actions including:

- (i) Developing and diversifying investments for reasonable return to support sources of funding;
- (ii) Recommending to increase contributions in order to match the pension benefits paid; and
- (iii) Recommending major reforms to the social insurance and pension schemes including increase in contributions, years of service and minimum retirement age in order to have sustainable funds.

The Organization's actuarial liability at 31 December is as follows:

	Public Fund BD million	Private Fund BD million	Shura, parliament & municipality members Fund BD million	Total BD million
<b>2018</b>				
Net assets of the funds	1,075	1,855	126	3,056
Actuarial liability of the fund:				
Vested	(8,669)	(7,292)	(116)	(16,077)
Non-vested	(532)	(826)	-	(1,358)
Total actuarial liability	(9,201)	(8,118)	(116)	(17,435)
(Unfunded) / funded liabilities	(8,126)	(6,263)	10	(14,379)
<b>2017</b>				
Net assets of the funds	1,158	1,877	-	3,035
Actuarial liability of the fund:				
Vested	(7,704)	(6,509)	-	(14,213)
Non-vested	(461)	(773)	-	(1,234)
Total actuarial liability	(8,165)	(7,282)	-	(15,447)
Unfunded liabilities	(7,007)	(5,405)	-	(12,412)

The movements in the Organization's actuarial liability for the years 2018 and 2017 as provided by the actuary were as follows:

	Public Fund BD million	Private Fund BD million	Shura, parliament & municipality members Fund BD million	Total BD million
<b>2018</b>				
Actuarial liability at 1 January	8,165	7,282	-	15,447
Increase in interest cost	480	429	-	909
Increase in service cost	206	248	-	454
Benefits paid	(311)	(245)	-	(556)
Actuarial loss	661	404	116	1,181
Actuarial liability at 31 December	9,201	8,118	116	17,435
<b>2017</b>				
Actuarial liability at 1 January	7,606	6,439	-	14,045
Increase in interest cost	447	379	-	826
Increase in service cost	205	238	-	443
Benefits paid	(285)	(222)	-	(507)
Actuarial loss	192	448	-	640
Actuarial liability at 31 December	8,165	7,282	-	15,447

## Social Insurance Organization

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

#### 2 ACTUARIAL POSITION (continued)

The explanatory notes for the above items appearing in the movements of the actuarial liability are as follows:

**a) Increase in interest cost**

This cost represents the accrued interest for one year of the actuarial liability as at 31 December 2018 calculated at the rate of 6% per annum (2017: 6% per annum).

**b) Increase in service cost**

This cost represents the accrued additional benefits in respect of one extra year of service of the insured employees covered by the Organizations' schemes.

**c) Benefits paid**

The amount represents reduction in the actuarial liability due to payments made to the beneficiaries during the year.

**d) Actuarial loss**

Actuarial loss relates to the increase in the defined benefit obligations due to changes in the law, profile of the scheme members including the average salary growth, age on retirement, number of dependents and life expectancy rate.

#### 3 BASIS OF ACCOUNTING

##### 3.1 Basis of preparation

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the provisions of the Pension Law No. 13 of 1975, Amiri Decree No. 24 of 1976, Law No. 78 of 2006, Law No. 32 of 2009 and Decree No. 45 of 2018.

**Accounting convention**

The consolidated financial statements are prepared under the historical cost convention except for the measurement of investment securities carried at fair value through profit or loss and at fair value through other comprehensive income that have been measured at fair value.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Organization and its subsidiaries at 31 December. Control is achieved when the Organization is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Organization controls an investee if and only if the Organization has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Organization has less than a majority of the voting or similar rights of an investee, the Organization considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Organization's voting rights and potential voting rights.

The Organization re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Organization obtains control over the subsidiary and ceases when the Organization loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Organization gains control until the date the Organization ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to scheme members and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Organization's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from inter-group transactions and dividends are eliminated in full on consolidation.

If the Organization loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.