

Solidarity Bahrain B.S.C.
(Formerly Al Ahlia Insurance Company B.S.C.)

FINANCIAL STATEMENTS

31 DECEMBER 2017

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

**Financial statements
for the year ended 31 December 2017**

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Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

General information

Commercial registration	5091 obtained on 17 August 1976
Board of Directors	
Tawfeeq Shehab	Chairman of the Board and member of Audit Committee and Chairman of Nomination & Remuneration Committee (Independent Non-Executive Director)- Effective 27 December 2017
Ashraf Bseisu	Vice Chairman of the Board, Chairman of the Executive Committee and Member of the Nomination & Remuneration Committee (Executive Director) - Effective 27 December 2017
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) - Effective 27 December 2017
Sharif Ahmadi	Board Member, Chairman of Corporate Governance Committee member of Nomination & Remuneration Committee and member of the Executive Committee (Independent Non-Executive Director)
Venkatesan Muniswamy	Board Member and member of the Executive Committee (Executive Director)
Abhijit Singh	Board member and member of the Executive Committee (Executive Director) - Effective 27 December 2017
Bashar Sameer Nass	Board member and member of Audit Committee (Non-Independent Non-Executive Director)- Effective 19 February 2018
Dr. Osama Taqi Al Baharna	Chairman of the Board (Independent Non-Executive Director) – until 13 December 2017
Abdullellah Al Qassimi	Vice-Chairman of the Board (Non Independent Non-Executive Director) – until 13 December 2017
Abbas Radhi	Board Member (Non Independent Non-Executive Director) – until 13 December 2017
Hani Al Maskati	Board Member (Independent Non-Executive Director) – until 13 December 2017
Dr. Ali Al Wazani	Board Member (Non Independent Non-Executive Director) – until 13 December 2017
Adel Hassan Alaali	Board Member (Independent Non-Executive Director) – until 15 January 2017

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

General information (continued)

Executive Committee

Ashraf Bseisu - Chairman	-Effective 27 Dec 2017
Sharif Ahmadi	-Effective 27 Dec 2017
Venkatesan Muniswamy	
Abhijit Singh	-Effective 27 Dec 2017
Abbas Al Radhi	-until 13 Dec 2017
Dr. Osama Taqi Al Baharna	-until 13 Dec 2017
Dr. Ali Al Wazani	-until 13 Dec 2017

Audit and Risk Committee

Nadhem Al Saleh - Chairman	-Effective 27 Dec 2017
Tawfeeq Shehab	-Effective 27 Dec 2017
Bashar Sameer Nass	-Effective 19 February 2018
Hani Al Maskati	-until 13 Dec 2017
Abdullellah Al Qassimi	-until 13 Dec 2017
Sharif Ahmadi	-until 13 Dec 2017
Adel Hassan Alaali	-until 15 Jan 2017

Nomination and Remuneration Committee

Tawfeeq Shehab – Chairman	-Effective 27 Dec 2017
Sharif Ahmadi	-Effective 15 Jan 2017
Nadhem Al Saleh	-Effective 27 Dec 2017
Ashraf Bseisu	-Effective 27 Dec 2017
Abbas Al Radhi	-until 13 Dec 2017
Hani Al Maskati	-until 13 Dec 2017
Adel Hassan Alaali	-until 15 Jan 2017

Corporate Governance Committee:

Mr. Sharif Ahmadi – Chairman	-Effective 27 Dec 2017
Dr. Nadhem Al Saleh	-Effective 27 Dec 2017
Dr. Osama Bahar – Member of the Sharia Supervisory Board	-Effective 27 Dec 2017

Sharia Supervisory Board (Effective 13 December 2017)

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

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

General information (continued)

Management

Sayed Jawad Mohammed	General Manager
S. Veerapandian	Deputy General Manager
Nandakumar Duraiswamy	Assistant General Manager – Operations
Jai Prakash Pandey	Head of Business Development
Mohammed Awachi	Head of Corporate Support
Yaser Al Hammadi	Head of Compliance and Risk Management & MLRO
Sanjeev Aggarwal	Senior Manager, Finance

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PO Box 5282
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Telephone: 17585222
Fax: 17585200

Principal Banker

Ithmaar Bank, Kingdom of Bahrain
Ahli United Bank, Kingdom of Bahrain

Auditors

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

We are pleased to present the annual report of Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.) ("SB" or "the Company") together with the audited financial statements for the year ended 31 December 2017.

During the Year 2017, the shareholders of the Company and Solidarity General Takaful B.S.C. (c) ("SGT"), a wholly owned subsidiary of Solidarity Group Holding B.S.C. (c) (the "Parent Company") resolved to approve the transfer of business, assets and liabilities from SGT to the Company through a share swap transaction. The Shareholders of the Company held an Extraordinary General Meeting on 3 August 2017 and approved the conversion of the Company's licence from conventional insurance to Takaful insurance. The Board of Directors appointed Shari'a Supervisory Board for overseeing the Sharia compliance with the Company's license having converted to an Islamic Takaful Company as approved by Central Bank of Bahrain ("CBB"), the regulator. The pre-existing conventional portfolio was accordingly put under run-off and being maintained as a separate fund.

On 3 December 2017, the CBB approved the transfer SGT business, assets and liabilities to the Company (Formerly Al Ahlia Insurance Company B.S.C. ("AAIC")). The Company issued 50 million shares to the shareholders of SGT at the agreed swap ratio of 2.5 shares for every one ordinary share held by the shareholders of SGT. The transfer of business from SGT and share swap was completed in December 2017. The name of the Company has been changed to Solidarity Bahrain B.S.C. effective 27 December 2017 after the due approval from regulatory authorities.

Solidarity Bahrain B.S.C. is a subsidiary of Solidarity Group Holding B.S.C. (c), transacting takaful business. The paid up capital of the Company is BHD 11,188,663 divided into 111,886,633 shares of 100 Bahraini Fils each.

The successful conclusion of merger of SGT & AAIC was a unique and landmark achievement for the Company which positions the Company in a top tier of companies operating in Bahrain.

SB's mission is to be a leading Takaful provider with a comprehensive range of takaful products in accordance with the guiding principles of the Islamic Shari'a. The Company aims to achieve the highest levels of service to its participants and generate satisfactory returns for its stakeholders.

Achievements in 2017

The Company's financial performance during the year 2017 was satisfactory with continuous business growth. The comparative results relating to gross contributions, net contributions and net incurred claims are furnished below:

	2017	2016
Gross contributions/premium	15,870	13,529
Net earned contributions/premium	7,351	8,510
Net claims incurred	6,610	6,638
Net profit for the year	96	32
General Takaful net surplus for the year	11	-
Family Takaful net surplus for the year	54	-

The Company achieved overall gross contributions of BD 15.87 million in 2017 showing an increase of 17% when compared to BD 13.53 million achieved in 2016 excluding SGT gross contributions for the eleven-month period ended 30.11.2017 (i.e for the period prior to merger date). Considering the tough market conditions and fierce competition among the peers and prevailing economic and soft market conditions, the performance of the Company is remarkable. The contributions achieved through direct channels have continuously outgrown the contributions booked through intermediaries and brokers. Further, the Company was able to retain most of the existing business and added sizeable new business to its portfolio during 2017. The rationalization of treaty agreements during the year 2017 yielded better results and enhanced the Company's overall risk acceptance levels.

The net profit for the year ended 31 December 2017 is BD 96 thousand against BD 32 thousand for the year ended 31 December 2016 which shows a better result as compared to last year.

Following the successful transfer of business, assets and liabilities from Solidarity General Takaful B.S.C (c) ("SGT") to the Company, the International Rating Agency A.M. Best completed the rating review exercise for Solidarity Bahrain B.S.C ("SB"), the new combined entity, and the Agency resolved to assign the following ratings to Solidarity Bahrain on 4th December 2017:

- Financial Strength Rating of B++ (good with stable outlook) - As per A.M. Best's Ratings classification this is considered a 'Good' rating falling within the 'Secure' category. It is assigned to insurance companies that have a 'good ability to meet their ongoing insurance obligations'.
- Long-Term Issuer credit rating of BBB (with positive outlook) - As per A.M. Best's Ratings classification this is considered a 'Good' rating falling within the 'Investment Grade' category. It is assigned to insurance companies that have a 'good ability to meet their ongoing senior financial obligations'.

The above ratings reflect the Company's niche market positioning, sound level of risk-adjusted capitalization, record of business growth and performance, well diversified investment, strength of balance sheet, and good financial flexibility as a listed company on the Bahrain Bourse.

Solvency Margin and Capital Adequacy

The Company is in full compliance of Volume 3 Rulebook regulations of Central Bank of Bahrain. The Solvency margin requirements and available capital have been determined for the Takaful Fund and the Company as at 31 December, 2017 as per the CBB rulebook regulations (the Rulebook). The capital available of the Company to cover the solvency margin is BD 12.06 million and the minimum solvency margin required is BD 500 thousand for general takaful business, BD 573 thousand for family takaful business and BD 1.384 million for conventional insurance run-off business as at 31 December 2017.

Future Plans

The Company will continue to strengthen its brand image and target higher levels of business growth, stronger market visibility and presence leading to higher market share and a solid positioning as a comprehensive provider of Takaful insurance solutions capitalizing on the merger advantages and consolidation. The Company intends to enhance its overall customer satisfaction, e-distribution channel covering some more lines of business and also improve and introduce social media and e-claims servicing. The Company intends to opt for higher level of digitalization and InsureTech applications in the coming period.

We express our sincere gratitude and appreciation to His Majesty King Hamad Bin Isa Al Khalifa, the King of Kingdom of Bahrain, His Royal Highness Prince Khalifa Bin Salman Al Khalifa, the Prime Minister and His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and

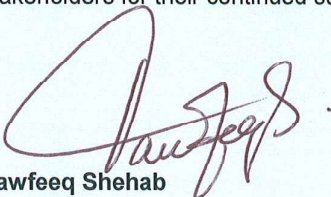
**Report of the Board of Directors (continued)
for the year ended 31 December 2017**

Future Plans (continued)


First Deputy Prime Minister for their continued support and assistance to the takaful and insurance sector in the Kingdom of Bahrain.

We also extend our sincere thanks to all Government ministries and bodies, especially the Central Bank of Bahrain and the Ministry of Industry, Commerce and Tourism, for their continued guidance and support of the takaful and insurance industry and to the Company in particular.

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



Tawfeeq Shehab
Chairman



Ashraf Bseisu
Vice Chairman

Date: 22 February 2018

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Board of Directors profile

For the year ended 31 December 2017

Tawfeeq Shehab – Chairman of the Board, member of Audit Committee and Chairman of Nomination & Remuneration Committee (Independent Non-Executive Director)- Effective 27th December 2017

- Independent Non-Executive Director
- Bahraini National
- Master's Degree "MBA" from University of Pennsylvania, Indiana, USA and an Associate member of the Chartered Insurance Institute of the UK
- Over 30 years of experience in insurance and financial services

Key Positions & Directorships held

- Board Member of Motor Compensation Fund
- Formerly, Director of Insurance Supervision Directorate – Central Bank of Bahrain, Bahrain
- Formerly, Director at Insurance Directorate – Ministry of Industry and Commerce Tourism, Bahrain
- Formerly, General Manager of Al Ahlia Insurance Company B.S.C.

Ashraf Bseisu – Vice Chairman, Chairman of the Executive Committee and member of the Nomination & Remuneration Committee (Executive Director) - Effective 27th December 2017

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

Key Positions & Directorships held:

- Chairman of Solidarity Takaful S.A, Luxembourg
- Chairman of Solid Ventures W.L.L., Bahrain
- Chairman of the Board and Executive Committee and Member of Nomination & Remuneration Committee of First Insurance Company Plc., Jordan
- Chairman of Al Moazarah Investment Company, Jordan
- Chairman of Al Somood Investment Company, Jordan
- Board Member, and Member of the Executive and Investment Committees of Solidarity Saudi Takaful Company, KSA
- Board Member of the Bank of Bahrain and Kuwait BBK
- Formerly, Chairman of the Arab War Risk Insurance Syndicate (AWRIS)
- Formerly, Chairman of the Bahrain Insurance Association (BIA)
- Formerly, President of the General Arab Insurance Federation (GAIF)
- Member of Board of Trustees Member of Human Resources Development Fund of Bahrain
- Member of the Young Arab Leaders Organization (YAL)

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Board of Directors profile (continued)

For the year ended 31 December 2017

Dr. Nadhem Al Saleh– Board Member, Chairman of Audit Committee, member of Corporate Governance Committee and member of Nomination & Remuneration Committee (Independent Non-Executive Director) - Effective 27th December 2017

- Independent Non-Executive Director.
- Bahraini National.
- Ph.D. in Finance from Brunel University, England, Master's Degree "MBA" from University of Pennsylvania, Indiana, USA and Bachelor Degree of Petroleum Engineering from University of Baghdad, Iraq.
- 44 years of experience in the areas of business administration, financial management, accounting, quality assurance, training development, financial planning and budgeting.

Key Positions & Directorships held:

- Faculty member of College of Business in the University of Bahrain
- Member of Board of Trustee of Kanoo Award for Creativity & Excellence- (2015) & Member of the Award Executive committee
- Formerly, Chairman of the Committee responsible for activating scientific research activities at the University of Bahrain
- Formerly, Chairman of the Committee to draft the by-laws for the Centre for Applied Science and Technology – College of Science
- Formerly, Chairman of the Coordination Committee with the Ministry of Education on the Knowledge Network project
- Formerly, Head of cooperation committee between University of Bahrain and Private Universities
- Formerly, Head of Scientific Research Committee for Excellence – Contractual Projects – Bahrain Centre for Excellence
- Formerly, a Founding Member of the Association of Arab Human Resource Development-December 2011, Federation of Arab Scientific Research Councils
- Formerly, a Founding Member of the Arab Association of Future Studies, Sudan
- Formerly, a Member of Finance & Administrator Committee – Higher Education Council
- Formerly, a Member of Questionnaires Editing Committee – University of Bahrain
- Formerly, Member of the University of Bahrain Committee to review the university budget
- Formerly, Member of the Higher Education Council – Amiri Decree 3, 2005

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

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

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Board of Directors profile (continued)

For the year ended 31 December 2017

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

- Executive Director
- Indian National
- Bachelors' degree in Commerce from University of Madras, India, Fellow member of the Institute of Chartered Accountants of India and an Associate member of the Insurance Institute of India.
- 32 years of experience in Insurance Industry covering Finance, Accounting, Investments, Internal Audit, Reinsurance, Compliance and Risk Management.

Key Positions & Directorships held:

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

Abhijit Singh – Board member and member of the Executive Committee (Executive Director) - Effective 27th December 2017

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

Key Positions & Directorships held:

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

Bashar Sameer Nass - Board member and member of the Audit Committee (Non-Independent Non-Executive) - Effective 19th February 2018

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

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Board of Directors profile (continued)

For the year ended 31 December 2017

Key Positions & Directorships held:

- CEO of Nass Procurements and Logistics
- Director of Nass Commercial
- Managing Director of Nass International Trading
- Director of Abrasive Technology Industries

Dr. Osama Taqi AlBaharna – until 13 December 2017

Dr. Albaharna holds a Doctorate (Ph.D.) in Computer Engineering from Imperial College in the UK and Masters and Bachelor Degrees in Computer Engineering from McGill University in Canada. He has wide experience in management, operations, and marketing of service oriented organizations in Bahrain and Qatar. Dr. Albaharna is a much sought-after IT and e-Commerce consultant in the region and has worked as Project Manager on many strategic IT projects.

He is the Executive Director of Continental Office Equipment & Systems W.L.L. and Taqi Mohammed Albaharna Trading Establishment in Bahrain, Continental Group in Qatar, and Continental Managed Print Services in Dubai. Dr. Albaharna was first elected to the Board in March 2003. He was re-elected to the Board in March 2015 and again elected as a member of the Board in the Extra Ordinary General Meeting held on 15 January 2017.

Abdullellah Ebrahim Al Qassimi - until 13 December 2017

Mr. Al Qassimi holds a Bachelor's degree in Civil Engineering and Master's Degree in Health Facility Planning both from the University of London. He is currently on the Board of a number of organizations: Tamkeen (Labour Fund), Ithmaar Bank, Naseej, Bahrain Development Bank, Solidarity Group Holding, Durrat Resort Management Company.

Prior to his retirement from public sector, Mr. Al Qassimi's most recent position was Chief Executive of Tamkeen. Previously he was the Asst. Undersecretary for Training at the Ministry of Labour and Social Affairs, in addition to Director of Engineering and Maintenance at the Ministry of Health. He also founded the Savings and Lending Co-operative Society at the Ministry of Health. He was formerly Chairman of Bahrain Training Institute (BTI), and was a board member of Bahrain Society of Engineers. Mr. Abdullellah was elected as a member of the Board in the Ordinary General Meeting held on the 25 December 2016 and was re-elected in Extra Ordinary General Meeting held on 15 January 2017.

Abbas Al Radhi - until 13 December 2017

Mr. Radhi is a Certified Public Accountant (CPA) USA, Certified Arab Accountant, MBA Financing & Business Law from University of Maine, USA, M.S.B Accounting from Husson University, Maine, USA and Bachelor's Degree in Accounting from Kuwait University. Certified Director having completed the INSEAD - Directors Program. He has over 31 years of experience in Public Accounting, auditing major public & private sector organizations in the GCC and internationally (including the US and UK).

His key positions include Board Member and Member of Executive Committee of Solidarity Group Holding B.S.C (Closed), Board Member and Chairman of Audit & Risk and Corporate Governance Committees and Member of Nomination & Remuneration Committee of Bahrain Four Mills Co., Bahrain, Board Member and Member of the Audit Committee of Naseej B.S.C. (c), Bahrain, Board Member of Al Areen Palace and Spa, Bahrain, Board Member and Chairman of Financing Committee of Supreme Council of Vocational Training, Bahrain.

He has been a Non-Independent & Non-Executive Director in the Company since 25 December 2016.

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Board of Directors profile (continued)

For the year ended 31 December 2017

Hani Al Maskati - until 13 December 2017

Mr. Al Maskati served as a Director of Zawya Limited. Hani has over 31 years of experience in Transaction Banking, beginning with Citibank in 1984, and held a variety of senior positions with Citibank, working in different countries worldwide. Hani left Citibank in 2000 to co-found Zawya in London, www.zawya.com, the Arab world's first business and finance portal. In 2001, Hani founded Cash Management Matters (CMM), www.cashmanagementmatters.com. With 50% of the top regional banks as its customers, CMM is at the forefront of developments in the transaction banking area, being the first specialized company in the Middle East with the express purpose of assisting Financial Institutions in harnessing the power of Internet Delivery to create market sensitive solutions for their corporate customers. In 2009, Hani founded Cash & Trade Magazine (CTM), www.cashandtrademagazine.com and in 2012 launched the Cash & Trade Academy. Hani holds an MBA from the University of Hull, England.

Member of the SMEs Banking Reform Committee – Kingdom of Bahrain, 2005 Member of the Arbitration Committee – Bahrain Stock Exchange (BSE), 2005 and 2008 (two terms). Board member of BLU Loyalty www.bluloyalty.com

Mr. Hani Ali Rashed Al Maskati has been an Independent & Non-Executive Director in the Company since 15 January 2017

Dr. Ali Wazani – until 13 December 2017

Dr. Al Wazzani holds a Doctorate Degree (Ph.D) in Marketing & Communications, Masters in Business Administration and an Associate Member of the Chartered Insurance Institute of UK, London. He has more than 18 years of extensive experience in the Insurance and Banking industry. Dr. Ali is a Board Member of Solidarity Saudi Takaful Company and Member of its Executive Committee. He is the Board Member of INJAZ, Jordan, Board Member of Jordan Insurance Federation (JOIF), Chairman of Jordan Medical Insurance Association, Member – Board of trustees of UNRWA Educational Sciences & Art University, Jordan, Member - Management Committee, Jordan Motor Accidents Compensation Fund, in addition to his current post as Chief Executive Officer, Solidarity Jordan.

Dr. Ali Wazzani was elected as a Board member in the Extra Ordinary General Meeting held on 15 January 2017

Adel AlAali - until 15 January 2017

Mr. AlAali holds a Bachelor in Science from North Staffordshire University of UK and Bachelor in Science from Aston University of UK. Mr. AlAali has extensive business experience as Director and Board member in various industrial companies.

Mr. AlAali holds directorship in Al Aali House Limited, Al Aali Management Limited, Bahrain Bulk Handling, Bahrain Bulk Trade, Bahrain Precast Concrete, Haji Hassan Group W.L.L, Sky Properties Limited, United Cement Company, United Gulf Asphalt, United Precast Concrete – Dubai and United Precast Concrete – Qatar.

Mr. AlAali was first elected to the Board in March 2000. He was re-elected to the Board in March 2015 and continued as a Board member until 15 January 2017

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Executive management profile

For the year ended 31 December 2017

Jawad Mohammed - General Manager

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

S. Veerapandian- Deputy General Manager

Holds a Post Graduate Degree in Arts and is an Associate member (ACII) of the Insurance Institute of India.

Mr. Veerapandian has vast experience in insurance industry in very senior positions in marketing as well as technical departments. He joined the Company in June 2002.

Nandakumar Duraiswamy – Assistant General Manager – Operations

D. Nandakumar is the Assistant General Manager - Operations in Solidarity Bahrain B.S.C. He has 37 years' experience in General Insurance Industry in India and Bahrain and worked almost all the departments of General Insurance. Prior to joining Solidarity, he was a Senior Manager in Al Ahlia Insurance, Bahrain. Before that he was a Branch/Divisional Manager for 16 years in one of the Nationalized General Insurance Companies in India. He holds a degree in Bachelor of Science, Bachelor of General Law, and Master of Business Administration from Madras University in India, Fellow member of Insurance Institute of India (FIII), Associate member of the Chartered Insurance Institute (ACII), London.

Jai Prakash Pandey – Head of Business Development

Jai Prakash Pandey is the Head of Business Development in Solidarity Bahrain B.S.C. He has over 21 years of experience in Business Development and Marketing activities in Life and General insurance. He is a Qualified Electronics Engineer with MBA in Marketing and holding ACII credentials from CII UK. Commercially astute with a proven track record in managing sales, marketing plan, product development, strategic & budget planning and customer relationship in the Insurance domain. Prior joining Solidarity, he has experience in the IT domain with key focus on data management and analysis.

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Executive management profile (continued)

For the year ended 31 December 2017

Mohammed Awachi – Head of Corporate Support

Mohammed Awachi is an IT professional with over 19 years of experience. He has handled roles in the domain of IT management, project management, general services and corporate communications. Possesses experience in requirement analysis, cost/benefit analysis, project planning and management, systems design, systems development, systems integration, data networking, LANs and WANs.

He joined Solidarity from inception and handled projects which include implementing IT security policies & procedures, data centre & disaster recovery centre design & setup, business continuity plan, company reorganisation, company rebranding, setup of company branches and the launch of company e-channel. Some of the projects handled prior to joining Solidarity include global email system migration, ISO standards documentation & implementation and implementation of a core insurance system.

He holds a Bachelor of Science degree in computer science from AMA International University of Bahrain, a professional systems engineer (Microsoft) and Network Associate (Cisco).

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

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

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

Sanjeev Aggarwal – Senior Manager, Finance

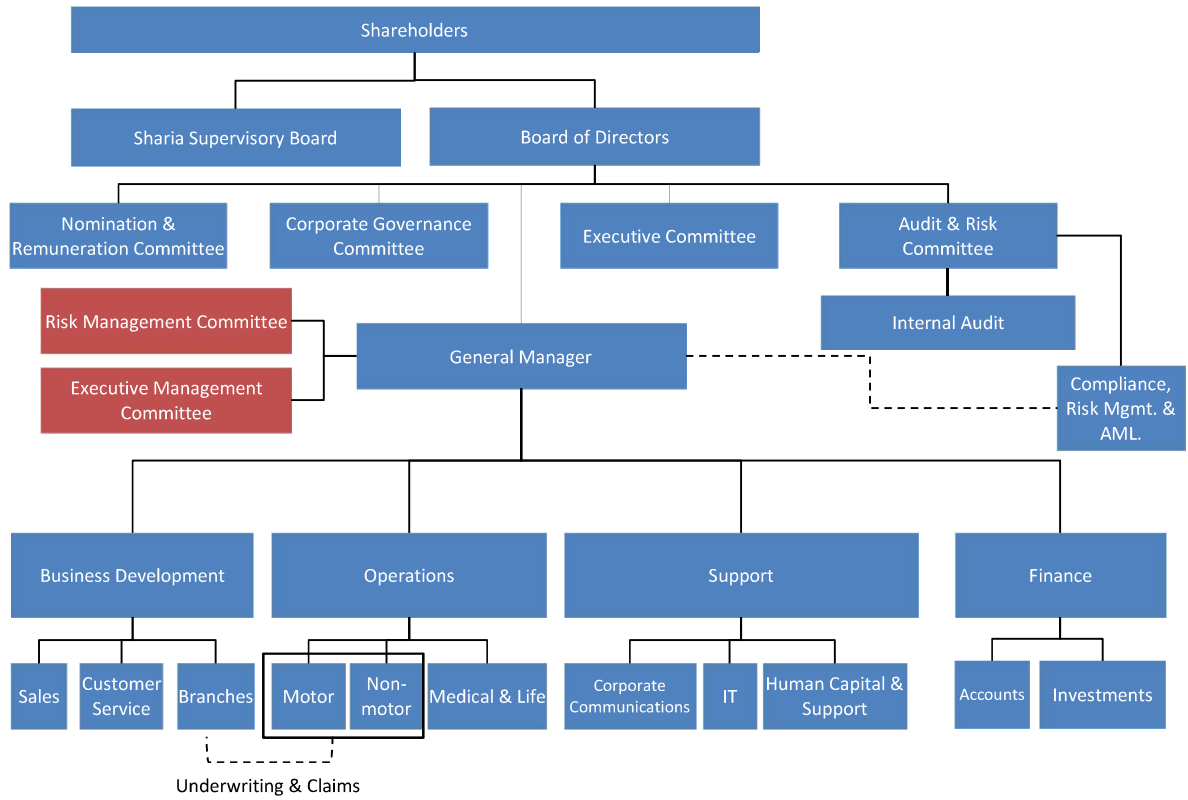
Sanjeev Aggarwal is heading the finance function of Solidarity Bahrain B.S.C. He has 13 years of work experience in finance, accounting, auditing, compliance and risk management. Prior to joining Solidarity Bahrain, he has worked with reputed audit firms and handled external audits, internal audits, system audits and special purpose engagements for clients in insurance, financial services, investment firms, real estate, construction and other commercial entities.

He is graduate in Commerce (Honors) from University of Delhi (India), Associate member of the Institute of Chartered Accountants of India and Associate member (ACII) of the Chartered Insurance Institute, London and Associate member (AIII) of the Insurance Institute of India.

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Organisational chart

For the year ended 31 December 2017



Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Corporate Governance

For the year ended 31 December 2017

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

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

Ownership Structure

Solidarity Group Holding B.S.C (Closed) owns 84.17% of the Company's capital, and various individual and corporate shareholders own the remaining 15.83%. Furthermore, Mr. Ashraf Bseisu (the Vice-Chairman) and Mr. Sayed Jawad Mohammed (the General Manager) each holds 25,000 shares on behalf of and for the beneficial interest of Solidarity Group Holding B.S.C (Closed).

The Board

The Board of the Company consists of seven (7) members. At least half of the Company's Board should be non-executive directors and at least three of those 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 specific responsibilities reserved to the Board include:

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

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

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Corporate Governance (continued) For the year ended 31 December 2017

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 2017 (All Board meeting were convened in the Kingdom of Bahrain):

Board Members	15 Jan	28 Feb	9 May	10 July	11 July	13 Nov	27 Dec	31 Dec
Mr. Tawfeeq Shehab – Chairman (Independent Non-Executive)	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓
Mr. Ashraf Bseisu – Vice Chairman (Executive Director)	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓
Dr. Nadhem Al Saleh (Independent Non-Executive)	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓
Mr. Abhijit Singh (Executive Director)	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓
Mr. Sharif Ahmadi (Independent Non-Executive)	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Venkatesan M. (Executive Director)	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Osama Al Baharna (Independent Non-Executive) - until 13 December 2017	✓	✓	✓	✓	✓	✓	N/A	N/A
Abdullellah Al Qassimi (Independent Non- Executive)- until 13 December 2017	✓	✓	✓	✓	X	✓	N/A	N/A
Abbas Radhi (Executive Director) - until 13 December 2017	✓	✓	✓	✓	✓	✓	N/A	N/A
Dr. Ali Al Wazzani (Executive Director) - until 13 December 2017	✓	✓	✓	X	X	✓	N/A	N/A
Hani Al Muskati (Independent Non- Executive) - until 13 December 2017	✓	✓	✓	✓	✓	✓	N/A	N/A
Adel Hassan Alaali (Independent Non- Executive) – until 15 th January 2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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 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.

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)**Corporate Governance (continued)
For the year ended 31 December 2017**

Schedule of Audit and Risk Committee meetings and attendance in 2017:

Audit and Risk Committee Members	15 Feb	07 May	10 Aug	12 Nov
Hani Al Muskati (Independent Non-Executive) - until 13 December 2017	✓	✓	✓	✓
Abdullellah Al Qassimi (Executive Director) - until 13 December 2017	✓	✓	✓	X
Mr. Sharif Ahmadi (Independent Non-Executive) - until 13 December	✓	✓	✓	✓
Dr.Nadhem Al Saleh (Independent Non-Executive) -effective 27 December 2017	N/A	N/A	N/A	N/A
Tawfeeq Shehab (Independent Non-Executive) -effective 27 December 2017	N/A	N/A	N/A	N/A
Bashar Nass (Non-Independent Non-Executive) -effective 19 February 2018	N/A	N/A	N/A	N/A

Nomination & Remuneration Committee

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

The Nomination and Remuneration Committee is responsible to assist in proposing for the appointment of new/additional director(s) to the Board of the Company. The Committee shall also assist the Board in the consideration of personnel and remuneration issues within Company.

Schedule of Nomination and Remuneration Committee meetings and attendance in 2017:

Nomination & Remuneration Committee	15 Feb	13 May
Tawfeeq Shehab (Independent Non-Executive)	N/A	N/A
Sharif Ahmadi (Independent Non-Executive)	✓	✓
Nadhem Al Saleh (Independent Non-Executive)	N/A	N/A
Ashraf Bseisu (Executive Director)	N/A	N/A
Abbas Radhi (Executive Director) - until 13 December 2017	✓	✓
Hani Al Maskati (Independent Non-Executive) - until 13 December 2017	✓	✓

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Corporate Governance (continued) For the year ended 31 December 2017

Corporate Governance Committee (Effective 27th December 2017)

The Corporate Governance Committee shall consist of at least three members who are only independent directors. One of the members shall be a Shari'a scholar who is a member of the Shari'a Supervisory Board ("SSB") of the Company for the purpose of leading the Committee on Shari'a-related governance issues. The Committee shall meet at least once a year.

The Corporate Governance Committee is responsible for the oversight and monitoring of the implementation of the Corporate Governance Guidelines by working together with the management, the Audit Committee, and the SSB. In addition, the Committee is responsible for providing to the Board reports and recommendations based on its findings during the normal course of the exercise of its functions.

Corporate Governance Committee Members:

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

Executive Committee

The Executive committee has the following responsibilities:

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

Schedule of Executive Committee meetings and attendance in 2017:

Executive Committee	15 Jan	19 Feb	20 April	6 May	9 Nov
Ashraf Bseisu - Chairman	N/A	N/A	N/A	N/A	N/A
Sharif Ahmadi	N/A	N/A	N/A	N/A	N/A
Venkatesan Muniswamy	✓	✓	✓	✓	✓
Abhijit Singh	N/A	N/A	N/A	N/A	N/A
Abbas Al Radhi	✓	✓	✓	✓	✓
Dr. Osama Taqi Al Baharna	✓	✓	✓	✓	✓
Dr. Ali Al Wazani	✓	✓	✓	X	✓

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Corporate Governance (continued)

For the year ended 31 December 2017

Number of directorships of Board Members:

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

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Corporate Governance (continued)
For the year ended 31 December 2017

Executive Management Committee

The Executive Management Committee members shall comprise of the General Manager and of SB's heads of key functions. At all times, the Assistant General Manager – Operations, Head of Business Development and Senior Manager – Finance will be members of the Committee. The Chairman of the Committee shall be the General Manager, and the Committee may elect a deputy from its members to stand in, when the General Manager 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 General Manager. The Risk Management Committee shall meet at least four times a year.

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

Director Orientation and Continuing Education

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

Election system of Directors

The Directors shall be appointed by the General Shareholders Meeting from among candidates proposed by the Board of Directors on the recommendation of the Nomination and Remuneration Committee of Solidarity Bahrain B.S.C. Board. Appointments to the Board of Directors shall be made on the basis of merit and objective criteria. For each new Director's appointment, an assessment shall be made, in 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.

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 Industries, Commerce and Tourism 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.

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

Corporate Governance (continued)
For the year ended 31 December 2017

Employees Remuneration

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

Code of Conduct

Board of Directors

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

Staff

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

Whistle blower policy

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

Auditors

Under the recommendation of the Board of Directors through the Audit Committee, the shareholders reappointed Deloitte and Touche Middle East, Bahrain as the external auditors. In addition, the Board reappointed BDO Jawad Habib as internal auditors.

Under the authority given to the Board by the shareholders, the remuneration details can be obtained on request from the Head of Compliance and Risk Management.

There are no non-Audit services provided by the external auditor for the Company in 2017.

In the name of Allah, the Merciful, the Compassionate

Report of the Shari'a Supervisory Board
For the financial year ended 31 December 2017

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 31.12.2017. The Board has reviewed and confirmed the implementations of the principles and guidelines governing the relationship between the policyholders and shareholders in order to identify the right of each side. Discussions took place with the Company's officers with regard to its items on the attached notes. The Board gave its Shari'a directives for the Company transactions and answered the queries made by the management.

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

In our opinion:

- a) The surplus distribution, charging of losses and expenses to the policyholders and shareholders fully conforms to the principles established by ourselves in compliance with Shari'a rules and principles.
- b) There are no gains realized from prohibited sources or from methods forbidden according to the Shari'a rules and principles.
- c) The calculation of Zakah is in compliance with Islamic Shari'a rules and principles and as directed by the Shari'a Supervisory Board. It should be noted that responsibility for payment of Zakah is undertaken by the shareholders.

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

Assalamu Alaikum Wa Rahmat Allah Wa Barakatuh

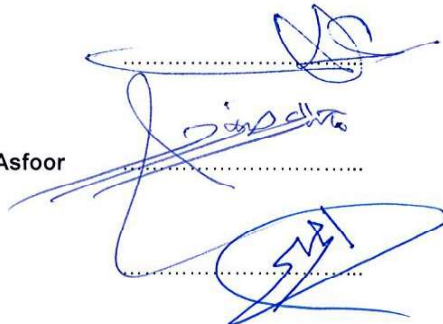
Dated 28 Jumada Al-Awwal 1439 H, corresponding to 14 February 2018

Members of the Shari'a Supervisory Board:

Shaikh Dr. Abdul Satar Abu Guda
Chairman

Shaikh Mohsin Abdul Hussain Al Asfoor
Member

Shaikh Dr. Osama Bahar
Member



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)
Manama, Kingdom of Bahrain

Report on the financial statements

We have audited the accompanying financial statements of Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2017 and the related statements of income and participants' revenues and expenses, participants' surplus and deficit, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and the results of its operations, its cash flows, participants' surplus and deficit and changes in shareholders' equity for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on regulatory requirements and other matters

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

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in report of the Board of directors is consistent with the financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3 and applicable provisions of Volume 6), and CBB directives, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association, having occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position;
- d) satisfactory explanations and information have been provided to us by management in response to all our requests; and
- e) the Company has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Company.

Deloitte & Touche,

22 February 2018

Partner Registration No. 157
Manama, Kingdom of Bahrain

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

In thousands of Bahraini Dinars

Notes	General Takaful fund		Family Takaful fund		Conventional Insurance (Run-off) fund		Shareholders' fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Assets										
Cash and cash equivalents	1,34	-	338	-	875	-	2,964	10,440	5,311	10,440
Placements with financial institutions	3,641	-	401	-	3,348	-	5,328	-	13,218	-
Investments	588	-	2,696	-	5,017	-	14,191	6,593	17,475	6,593
Takaful and insurance receivables	5,159	-	12	-	-	-	-	5,707	10,188	5,707
Retakaful and reinsurance share of technical liabilities	7,523	-	129	-	7,339	-	-	5,867	14,991	5,867
Deferred acquisition costs	-	-	-	-	209	-	402	380	611	380
Prepayments and other assets	215	-	337	-	1,003	-	1,099	417	2,654	417
Takaful participants' assets - under run-off management	-	-	-	-	-	-	330	-	330	-
Property and equipment	-	-	-	-	-	-	924	850	924	850
Total assets	18,260	-	3,913	-	17,791	-	25,738	30,254	65,702	30,254
Liabilities										
Takaful and insurance technical liabilities	16,685	-	186	-	14,893	-	-	12,854	31,764	12,854
Unearned commission reserves	324	-	-	-	206	-	-	392	3,578	392
Family takaful technical reserve	-	-	3,578	-	-	-	-	-	4,737	1,735
Takaful and insurance payables	2,833	-	82	-	1,722	-	-	1,735	3,448	1,594
Other liabilities	531	-	47	-	970	-	1,900	1,594	-	-
Takaful participants' liabilities - under run-off management	-	-	-	-	-	-	330	-	330	-
Total liabilities	20,473	-	3,893	-	17,791	-	2,230	16,575	44,387	16,575
Participants' funds	(2,213)	-	20	-	-	-	-	-	(2,193)	-
Shareholder's equity										
Share capital	-	-	-	-	-	-	11,189	6,189	11,189	6,189
Treasury shares	-	-	-	-	-	-	(4)	(4)	(4)	(4)
Statutory reserve	-	-	-	-	-	-	2,420	2,410	2,420	2,410
Share premium	-	-	-	-	-	-	4,993	-	4,993	-
Property revaluation reserve	-	-	-	-	-	-	747	747	747	747
Investment fair value reserve	-	-	-	-	-	-	1,553	1,813	1,553	1,813
Retained earnings	-	-	-	-	-	-	2,610	2,524	2,610	2,524
Total shareholders' equity	-	-	-	-	-	-	23,508	13,679	23,508	13,679
Total liabilities, participants' funds and shareholders' equity	18,260	-	3,913	-	17,791	-	25,738	30,254	65,702	30,254

Included in the above are balances of Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.) as at 31 December 2017 including balances transferred from Solidarity General Takaful B.S.C. (c). The corresponding previous year figures consist of Al Ahlia Insurance Company B.S.C. balances as at 31 December 2016 and are included in the shareholders' fund above.

The financial statements which consist of pages 26 to 78 were approved by the Board of Directors on 22 February 2018 and signed on its behalf by:

Tawfeeq Shehab
Chairman

Asifraf Bseisu
Vice Chairman

Jawad Mohammed
General Manager

The notes 1 to 35 on pages 31 to 78 form an integral part of the financial statements.

Solidarity Bahrain B.S.C. (Formerly Al Ahlia Insurance Company B.S.C.)

**STATEMENT OF INCOME AND PARTICIPANTS' REVENUES AND EXPENSES
for the year ended 31 December 2017**

In thousands of Bahraini Dinars

Note	General Takaful fund		Family Takaful fund		Conventional Insurance (Run-off) fund		Shareholder's fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Takaful revenues										
Gross contributions/premium	2,777	-	96	-	12,997	13,529	-	-	13,529	-
Retakaful contributions/premium	(1,401)	-	(44)	-	(7,061)	(4,802)	-	-	(8,506)	-
Retained contributions/premium	1,376	-	52	-	5,936	8,727	-	-	7,364	-
Movement in unearned contributions/premium, net	(686)	-	-	-	673	(217)	-	-	(13)	-
Net: contributions/premium earned	660	-	52	-	6,609	8,510	-	-	7,351	8,510
Net: commission earned/(incurred)	86	-	-	-	(37)	(91)	-	-	49	(91)
Profit commission and other income	78	-	152	-	130	296	-	-	360	296
Total takafull/conventional revenues	854	-	204	-	6,702	8,715	-	-	7,760	8,715
Takaful expenses										
Gross claims paid	(658)	-	-	-	(7,608)	(8,012)	-	-	(8,266)	(8,012)
Claims recovered from retakaful/reinsurance and other parties	52	-	-	-	2,554	1,831	-	-	2,606	1,831
Net: claims paid	(606)	-	-	-	(5,054)	(6,181)	-	-	(5,660)	(6,181)
Movement in outstanding claims – gross	258	-	63	-	(2,433)	(1,655)	-	-	(2,112)	(1,655)
Movement in outstanding claims – retakaful/reinsurance	13	-	(44)	-	1,193	1,198	-	-	1,162	1,198
Net claims (incurred)/recovered	(335)	-	19	-	(6,294)	(6,638)	-	-	(6,610)	(6,638)
Transfer to family takaful reserve	-	-	(155)	-	-	-	-	-	(155)	-
Total takafull/conventional expenses	(335)	-	(136)	-	(6,294)	(6,638)	-	-	(6,765)	(6,638)
Technical surplus	519	-	68	-	408	2,077	-	-	995	2,077
Wakala fee	(515)	-	(23)	-	-	-	-	-	(538)	-
Surplus from takafull/conventional operations	4	-	45	-	408	2,077	-	-	457	2,077
Wakala fee	-	-	-	-	-	-	-	-	538	-
Investment income/loss, net	7	-	9	-	-	-	-	-	909	(400)
Technical profit transferred from conventional insurance (run-off) fund	-	-	-	-	(408)	(2,077)	-	-	-	-
Mudarib share and other income	-	-	-	-	-	-	-	-	408	2,077
Employee costs	-	-	-	-	-	-	-	-	5	-
Commission expenses incurred	-	-	-	-	-	-	-	-	(1,244)	(1,072)
Other operating expenses	-	-	-	-	-	-	-	-	(74)	(74)
Provision for doubtful receivables, net	-	-	-	-	-	-	-	-	(419)	(453)
Net profit and surplus for the year	11	-	54	-	-	-	-	-	161	32
Basic and diluted earnings per share	18	-	-	-	-	-	-	-	1.45 fils	0.51 fils

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

The financial statements which consist of pages 26 to 78 were approved by the Board of Directors on 22 February 2018 and signed on its behalf by:

Tawfeeq Shehab
Chairman

Ashraf Baksh
Vice Chairman

Jawad Mohammed
General Manager

The notes 1 to 35 on pages 31 to 78 form an integral part of the financial statements.

STATEMENT OF PARTICIPANTS' SURPLUS AND DEFICIT
for the year ended 31 December 2017

In thousands of Bahraini Dinars

	Accumulated (deficit)/surplus	
	General Takaful	Family Takaful
2017		
Transferred from SGT (Note 33)	(2,224)	(34)
Surplus for the year	11	54
At 31 December	(2,213)	20

The notes 1 to 35 on pages 31 to 78 form an integral part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the period ended 31 December 2017

In thousands of Bahraini Dinars

2017	Share capital	Treasury shares	Share premium	Statutory reserve	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	6,189	(4)	-	2,410	747	1,813	2,524	13,679
Increase in share capital upon transfer of business from SGT (Note 33)	5,000	-	7,000	-	-	-	-	12,000
Goodwill on transfer of business from SGT (Note 33)	-	-	(2,007)	-	-	-	-	(2,007)
Profit for the year	-	-	-	-	-	-	96	96
Transfer to statutory reserve	-	-	-	10	-	-	(10)	-
Change in fair value of investments	-	-	-	-	-	(260)	-	(260)
At 31 December	11,189	(4)	4,993	2,420	747	1,553	2,610	23,508

2016	Share capital	Treasury shares	Share premium	Statutory reserve	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	6,189	(4)	-	2,407	747	1,120	2,495	12,954
Profit for the year	-	-	-	-	-	-	32	32
Transfer to statutory reserve	-	-	-	3	-	-	(3)	-
Change in fair value of investments	-	-	-	-	-	693	-	693
At 31 December	6,189	(4)	-	2,410	747	1,813	2,524	13,679

The notes 1 to 35 on pages 31 to 78 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

In thousands of Bahraini Dinars

	Note (s)	2017	2016
OPERATING ACTIVITIES			
Combined profit & surplus for the year		161	32
<i>Adjustments for:</i>			
Depreciation charge	12	10	26
Provision for employees end of service benefits	15	25	18
Investment income	20	(909)	400
Gain on sale of property and equipment		-	(4)
Provision for doubtful receivables, net	7	11	67
Operating cash flows before working capital changes		(702)	539
<i>Changes in operating assets and liabilities:</i>			
Increase in takaful and insurance receivables		(14)	(845)
Increase in retakaful and reinsurance share of technical liabilities		(2,148)	(2,233)
Decrease/(increase) in deferred acquisition costs		145	(95)
Decrease/(increase) in prepayments and other assets		197	(42)
Increase in takaful and insurance technical liabilities		3,111	2,906
Decrease in unearned commission reserves		(147)	(15)
Increase in family takaful technical reserves		155	-
Increase/(decrease) in takaful and insurance liabilities		318	(148)
Decrease/(increase) in other liabilities		(641)	256
Working capital changes		976	(216)
Payment towards employees end of service benefits	15	(74)	(17)
Net cash generated from operating activities		200	306
INVESTING ACTIVITIES			
Purchase of equipment	12	(29)	(53)
Proceeds from disposal of equipment	12	-	4
Purchase of investments		(8,081)	(51)
Placements with financial institutions		(8,254)	-
Proceeds from disposal of investment in securities		8,133	1,378
Redemption of placements with financial institutions		-	-
Income earned from investments in deposits, placements and investments, net		-	114
Profits/coupons and dividend income received from investment in placements and investment securities		551	-
Cash received on transfer of business, assets and liabilities	33	2,377	-
Dividend income received		-	343
Net cash (used in)/generated from investing activities		(5,303)	1,735
FINANCING ACTIVITY			
Dividends paid during the year		(26)	(65)
Net cash used in financing activities		(26)	(65)
Net decrease in cash and cash equivalents		(5,129)	1,976
Cash and cash equivalents at the beginning of the year	4	10,440	8,464
Cash and cash equivalents at the end of the year	4	5,311	10,440
Shareholders' fund		2,964	-
Participants' fund		875	-
Conventional insurance (run-off) fund		1,472	10,440
Cash and cash equivalents at the end of the year	4	5,311	10,440

Non-cash transactions:

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

The notes 1 to 35 on pages 31 to 78 form an integral part of the financial statements.

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The Company has certain assets, liabilities and related income and expenses which are not Sharia compliant that pertain to conventional insurance as these existed before the Company converted to an Islamic Takaful Insurance company. These are currently presented in accordance with AAOIFI standards in the financial statements for the year ended 31 December 2017 as appropriate. The Parent Company's Sharia Supervisory Board has approved the Parent Company's resolution to convert all the assets and liabilities of AAIC into Sharia Compliant Products within two years from the date of the transfer. As the Company transitioned to Takaful Insurance during the year, the Company is taking necessary steps for converting those non-sharia compliant assets and liabilities into sharia compliant as per its Parent Company's resolution.

The financial statements for the year ended 31 December 2017 have been prepared in accordance with the FAS issued by the AAOIFI, and the requirements of the Bahrain Commercial Companies Law Decree Number 21 of 2001, the CBB and Financial Institutions Law 2006 and the insurance regulations set out in the CBB Rulebook Volume 3 and applicable provisions of the CBB Rulebook Volume 6 of the Rulebook issued by the Central Bank of Bahrain as well as the associated resolutions, rules and procedures of the Bahrain Bourse.

2 BASIS OF PREPARATION (CONTINUED)

2.2 Principle financial statements

In accordance with FAS 12 "General Presentation and Disclosure in the Financial Statements of Islamic Takaful Companies" issued by the AAOIFI, the Company is required to present the statement of financial position comprising shareholder and participant assets and liabilities, the statement of income and participants revenues and expenses, the statement of participants' surplus and deficit, the statement of changes in shareholder's equity and the statement of cash flows. Participants include policies issued for both General Takaful and Family Takaful insurance.

Given that the transfer of business, assets and liabilities from SGT occurred during the year ended 31 December 2017, the comparative information does not include the financial position and results of SGT. Therefore, the comparative information is not comparable.

2.3 Basis of measurement

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

The preparation of financial statements in conformity with FAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believe that the underlying assumptions are appropriate and that the Company's financial statements therefore fairly present its financial position as at 31 December 2017 and the results for the year then ended. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Bahrain Dinars (BD), which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

2.5 Going concern

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

2 BASIS OF PREPARATION (CONTINUED)

2.6 New accounting standards, amendments and pronouncements

(i) New accounting standards: issued and effective

There are no new AAOIFI accounting standards, amendments to standards and interpretations that have been issued and are effective for the first time for the financial year beginning on or after 1 January 2017 that would be expected to have material impact on the Company.

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

The following new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018 and are expected to be relevant to the Company:

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

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

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

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

2.7 Summary of significant accounting policies

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

(i) Takaful and retakaful contracts

(a) Takaful contracts

As an Islamic insurance provider, the Company issues contracts that are based on cooperative activity by risk sharing. The Company classifies all its contracts individually as takaful contracts.

Takaful contracts are those contracts where the takaful operator accepts significant takaful risk from the participant by agreeing to compensate the participant if a specified uncertain future event adversely affects the participant. Such contracts may also transfer financial risk. As a general guideline, the Company defines significant takaful risk as the possibility of having to pay benefits on the occurrence of a takaful event. Takaful risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a security price, index of prices or rates or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is significant if, and only if, a takaful event could cause the Company to pay significant additional benefits. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expired.

(b) Retakaful contracts

Retakaful contracts are contracts entered into by the Company with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Company is compensated for losses on takaful contracts issued.

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Company from its direct obligations to its participants.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(i) Takaful and retakaful contracts (continued)

(b) Retakaful contracts (continued)

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

(c) Participants' takaful funds

The participants' takaful funds comprises of general takaful and family takaful fund which represent the accumulated undistributed surplus or deficit in respect of contracts in force at the reporting date. It also includes fair value reserves of investments at fair value through equity.

(d) Gross contributions

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods. Contributions collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written. The unexpired portion of such contributions is included under "Unearned contributions" in the statement of financial position. The earned proportion of contributions is recognised as revenue in the participants' statement of revenues and expenses.

(e) Retakaful contributions

Retakaful contributions are amounts paid to retakaful operators in accordance with the retakaful contracts of the Company. In respect of proportional and non-proportional retakaful contracts, the amounts are recognised in the participants' statement of revenues and expenses as per the terms of these contracts.

(f) Unearned contributions

Unearned contributions are amounts of contributions under takaful contracts which are to be earned in the following or subsequent financial periods, for the unexpired period of takaful content as at the reporting date.

In order to spread the contributions earned over the period of the takaful contracts, the proportion attributable to subsequent periods is deferred as provision for unearned contributions and is calculated as follows:

- by the '24th method' for all annual takaful contracts, except for marine cargo business; and
- by the '6th method' for marine cargo business.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(i) Takaful and retakaful contracts (continued)

(f) Unearned contributions (continued)

The provision for unearned contributions represents contributions received for risks that have not yet expired. The reserve is matched with the contribution earned and released. The change in provision for unearned contributions is taken to the participants' statement of revenues and expenses and accordingly, Takaful revenue is recognised over the period of risk.

(g) Gross claims

Gross claims are recognised in the participants' statement of revenues and expenses when the claim amount payable to participants and third parties is determined as per the terms of the takaful contracts. Gross claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

(h) Claims recovered

Claims recovered include amounts recovered from retakaful operators and other insurance companies in respect of the gross claims paid by the Company, in accordance with the retakaful contracts held by the Company and also includes salvage and other claims recoveries. Claims recovered from retakaful and other parties are recognised when the related gross claims settled are recognised according to the terms of the relevant contracts.

(i) Outstanding claims

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with the related claims handling costs and reduction for salvage and other recoveries. Provisions for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by management based on currently available information and past experience modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Outstanding claims are not discounted for time value of money. The methods used, and the estimates made, are reviewed regularly.

The provision for claims incurred but not reported ('IBNR') is made per the actuarial valuation which is updated on the basis of the latest valuation reports.

Any difference between the provisions for outstanding claims at the statement of financial position date and settlements and provisions for the following year is included in the participants' statement of revenues and expenses for that year.

(j) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the takaful liabilities using current estimates of future cash flows under takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is charged to the participants' statement of revenues and expenses by establishing a provision for losses arising from liability adequacy tests.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(i) Takaful and retakaful contracts (continued)

(k) Commission income and expense

Commission income represents commissions received from reinsurers under the terms of ceding and are deferred over the period of the takaful contract. Commission income that relates to periods of risk that extend beyond the end of the financial year are reported as unearned commission reserves.

Commission expense represents commission, brokerage and other variable underwriting costs directly associated with acquiring business are amortised over the period of the takaful contract. Acquisition costs that relate to periods of risk that extend beyond the end of the financial year are reported as deferred acquisition costs.

In order to spread the commission income and expense earned over the period of the takaful contracts, the Company defers commission income and expense as follows:

- by the '24th method' for all annual takaful contracts, except for marine cargo business; and
- by the '6th method' for marine cargo business.

(l) Family takaful technical reserves

Family takaful technical reserves represent the present value of future obligations in respect of family takaful contracts which comprises of long term decreasing term assurance and level term policies. The fund comprises of only protection takaful policies.

(ii) Cash and cash equivalents

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

(iii) Placements with financial institutions

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

(iv) Investments

(a) Classification

The Company classifies its investments in the following categories:

- Debt type instruments
 - At amortised cost
 - At fair value through income statement
- Equity type instruments
 - At fair value through income statement
 - At fair value through equity

A debt type investment shall be classified and measured at amortised cost if the instrument is managed on a contractual yield basis and if the instrument is not held for trading and has not been designated at fair value through income statement.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(iv) Investments (continued)

(a) Classification (continued)

At inception, a debt type instrument, which is managed on a contractual yield basis, can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring assets or liabilities or recognising the gains and losses on them on different basis.

(b) Recognition and de-recognition

Investments are recognised at the trade date (i.e. the date that the Company contracts to purchase or sell the asset, at which date the Company becomes party to the contractual provisions of the instrument). Investments are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risk and rewards of ownership.

(c) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Company measures the fair value of quoted investments using the market bid-prices in an active market for that instrument.

(d) Measurement

Investments are measured initially at fair value, which is the value of the consideration given. Trading investments are initially recognized at fair value and transaction costs are expenses in the statement of income. Other investments are recognized at fair value, plus attributable transaction costs.

Investments carried at amortised cost

At the end of each financial reporting period, investments carried at amortised cost shall be re-measured as such using the effective profit rate method. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investment, are recognised in the shareholder's statement of income or participants' statement of revenues and expenses.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(iv) Investments (continued)

(d) Measurement (continued)

Investments carried at fair value through income statement

At the end of each financial reporting period, investments carried at fair value through income statement shall be re-measured at their fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, shall be recognised in the shareholder's statement of income or participant's statement of revenues and expenses.

Investments carried at fair value through equity

At the end of each financial reporting period, investments carried at fair value through equity shall be re-measured at their fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, shall be recognised in the equity under "investments fair value reserve" taking into consideration the split between the portion to shareholder's equity and the portion related to the participants' fund.

(v) Takaful and insurance receivables

Takaful and insurance receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of takaful and insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Retakaful and reinsurance contracts are contracts entered into by the Company with reinsurers for the purpose of limiting its net loss potential through the diversification of its risks, under which the Company is compensated for losses on takaful and insurance contracts issued.

Assets, liabilities, income and expense arising from ceded retakaful and reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related takaful and reinsurance contracts because the retakaful and reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

The benefits to which the Company is entitled under its retakaful and reinsurance contracts held are recognised as retakaful and reinsurance assets. These assets consist of balances due from retakaful and reinsurance companies on settlement of claims and other receivables such as profit commissions and retakaful and reinsurance share of outstanding claims that are dependent on the expected claims and benefits arising under the related retakaful and reinsurance contracts.

Amounts receivable from or due to retakaful and reinsurance companies are recognised consistently with the amounts associated with the underlying takaful and insurance contracts and in accordance with the terms of each retakaful and reinsurance contract.

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

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

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

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	20 years
Furniture, fixtures office and computer equipment	3 to 5 years
Motor vehicles	4 to 5 years

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written-down to their recoverable amounts.

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

(vii) Provisions

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

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(viii) Employees' end of service benefits

(a) Bahraini employees

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

(b) Expatriate employees

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

(ix) Surplus / deficit in participants' funds

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

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

In the statement of financial position, receivables from Takaful funds are eliminated against the payables by the Takaful funds for presentation purposes.

(x) Share capital

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

(xi) Treasury shares

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

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(xii) Dividends on share capital

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

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

(xiii) Impairment

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

(a) Investments carried at amortised cost

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

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

(b) Investments designated at fair value through equity

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

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(xiii) Impairment (continued)

(c) Non-financial assets

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

(xiv) Wakala fee and mudarib share

The Company manages the operations on behalf of the participants for a wakala fee calculated as a proportion of gross contributions. Wakala fee rates are approved by the Shari'a Supervisory Board. Wakala fee from takaful funds are recognised in accordance with the takaful contracts and as per the wakala fee structure approved by the Shari'a Supervisory Board.

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

(xv) Investment income

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

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

(xvi) Salvage and subrogation reimbursements

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

(xvii) Conventional insurance run-off portfolio

The Company's principal activities, prior to its transition to Islamic Takaful insurance, involved carrying out insurance and reinsurance of all risks. Following the conversion of the Company, the Company ceased issuing any new conventional contracts with the pre-existing portfolio placed under run-off. The accounting policies for the conventional insurance run-off portfolio are consistent with the accounting policies exhibited in the published financial statement of Al Ahlia Insurance Company B.S.C. for the year ended 31 December 2016.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Provision for outstanding claims

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under Takaful and insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of IBNR at the statement of financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis.

3.2 Impairment of Takaful and insurance receivables

An estimate of the collectible amount of Takaful and insurance receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

3.3 Impairment of investments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

3.4 Family takaful technical reserves

Family Takaful technical reserves represent the present value of future obligations in respect of contracts in force at the reporting date, computed based on internal calculation which is reviewed and assessed by an external actuary.

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4 CASH AND CASH EQUIVALENTS

	2017	2016
Cash and bank balances	3,174	10,440
Placements with maturities less than three months	2,190	53
	5,364	10,493
Less: provision for doubtful deposits	(53)	(53)
	5,311	10,440

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

Placements are held with financial institutions in Bahrain with an original maturity of three months or less with average profit rate of 1.92% (2016: Nil).

Provision for doubtful deposits pertain to deposits held with Arcapita, which are fully provided for.

5 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2017	2016
Placements held with a related party (Note 24.2)	4,369	-
Placements held with other financial institutions	8,849	-
	13,218	-

Placements are held with financial institutions in Bahrain with an original maturity of more than three months with average profit rate of 2.98% (2016: Nil).

6 INVESTMENTS

	2017	2016
Debt type instruments		
Amortised cost:		
Quoted instruments	13,139	-
Fair value through equity:		
Quoted instruments	-	791
Equity type instruments		
Fair value through equity:		
Quoted instruments	2,682	4,148
Unquoted instruments	1,654	1,654
	17,475	6,593

Included in investments are BD Nil (2016: BD 6.59 million) held under conventional insurance run-off fund.

NOTES TO THE FINANCIAL STATEMENTS
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6 INVESTMENTS (CONTINUED)

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

	2017	2016
At 1 January	-	-
Transferred from SGT (Note 33)	8,853	-
Additions during the year	7,641	-
Disposals during the year	(3,342)	-
Amortisation during the year, net	(13)	-
	13,139	-
At 31 December		-

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

	2017	2016
At 1 January	6,593	8,084
Transferred from SGT (Note 33)	1,983	-
Additions during the year	440	51
Disposals during the year	(4,735)	(1,792)
Impairment losses during the year	-	(228)
Change in fair value, net	55	478
	4,336	6,593
At 31 December		6,593

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

	2017	2016
Quoted debt instruments	-	791
Quoted equity instruments	2,682	4,147
Unquoted equity instruments	1,654	1,655
	4,336	6,593

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7 TAKAFUL AND INSURANCE RECEIVABLES

	2017	2016
Due from:		
Participants and policyholders	3,638	2,680
Brokers	1,599	657
Takaful and insurance companies in relation to subrogation	4,545	2,064
Takaful and insurance companies	1,401	764
	11,183	6,165
Less: provision for doubtful receivables	(995)	(458)
	10,188	5,707

Included in the above takaful and insurance receivables are BD 5.017 million (2016: BD 5.707 million) that held under conventional insurance run-off fund.

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

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

- 7.1 The movement in provision for doubtful receivables on Takaful and insurance receivables is as follows:

	2017	2016
At 1 January	458	391
Transferred from SGT (Note 33)	526	-
Charge for the year	11	67
At 31 December	995	458

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

	Past due but not impaired			Total
	Neither past due nor impaired	181 to 365 days	More than 365 days	
2017	4,646	2,449	3,093	10,188
2016	2,793	1,541	1,373	5,707

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

	2017		2016	
	Takaful insurance	Conventional insurance	Takaful insurance	Conventional insurance
Gross				
Unearned contributions	8,774	5,548	-	5,942
Outstanding claims	8,097	9,345	-	6,912
	16,871	14,893	-	12,854
Retakaful				
Retakaful share of unearned contributions	(4,116)	(2,989)	-	(2,710)
Retakaful share of outstanding claims	(3,536)	(4,350)	-	(3,157)
	(7,652)	(7,339)	-	(5,867)
Net				
Unearned contributions	4,658	2,559	-	3,232
Outstanding claims	4,561	4,995	-	3,755
	9,219	7,554	-	6,987

8.1 Unearned contributions and their retakaful share

	2017		2016	
	Takaful insurance	Conventional insurance	Takaful insurance	Conventional insurance
Unearned contributions				
Beginning of the year	-	5,942	-	4,508
Transferred from SGT (Note 33)	7,381	-	-	-
Gross contributions written during the year	2,777	12,997	-	13,529
Gross contribution earned	(1,384)	(13,391)	-	(12,095)
Movement in unearned contributions	1,393	(394)	-	1,434
End of the year	8,774	5,548		5,942
Retakaful unearned contributions				
Beginning of the year	-	2,710	-	1,493
Transferred from SGT (Note 33)	3,409	-	-	-
Retakaful contributions ceded during the year	1,401	7,061	-	4,802
Retakaful contributions earned	(694)	(6,782)	-	(3,585)
Movement in retakaful unearned contributions	707	279	-	1,217
End of the year	4,116	2,989	-	2,710
Net unearned contributions	4,658	2,559	-	3,232

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

8.2 Outstanding claims and their retakaful share

	2017		2016	
	Takaful insurance	Conventional insurance	Takaful insurance	Conventional insurance
Outstanding claims				
At the beginning of the year				
- Claims incurred and reported	-	5,977	-	4,599
- Claims incurred but not reported (IBNR)	-	935	-	658
	-	6,912	-	5,257
Transferred from SGT (incurred and reported) (Note 33)	7,347	-	-	-
Transferred from SGT (IBNR) (Note 33)	1,071	-	-	-
Claims paid during the year	(658)	(7,608)	-	(8,012)
Claims incurred during the year	337	10,041	-	9,667
Movement in outstanding claims	(321)	2,433	-	1,655
At the end of the year	8,097	9,345	-	6,912
Represented by:				
- Claims incurred and reported	7,137	7,893	-	5,977
- Claims incurred but not reported (IBNR)	960	1,452	-	935
Retakaful share of outstanding claims				
At the beginning of the year				
- Retakaful share of claims incurred and reported	-	(2,730)	-	(1,714)
- Retakaful share of Claims incurred but not reported (IBNR)	-	(427)	-	(245)
	-	(3,157)	-	(1,959)
Transferred from SGT (incurred and reported) (Note 33)	(3,409)	-	-	-
Transferred from SGT (IBNR) (Note 33)	(158)	-	-	-
Claims recovered during the year	52	2,554	-	1,831
Retakaful share of claims incurred during the year	(21)	(3,747)	-	(3,029)
Movement in retakaful share outstanding claims	31	(1,193)	-	(1,198)
At the end of the year	(3,536)	(4,350)	-	(3,157)
Represented by:				
- Retakaful share of claims incurred and reported	(3,374)	(3,674)	-	(2,730)
- Retakaful share of claims incurred but not reported (IBNR)	(162)	(676)	-	(427)
Net outstanding claims				
At the end of the year	4,561	4,995	-	3,755
Represented by				
- Net claims incurred and reported	3,763	4,219	-	3,247
- Net claims incurred but not reported (IBNR)	798	776	-	508

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

	2017		2016	
	Shareholder' Fund	Conventional insurance	Shareholder' Fund	Conventional insurance
At 1 January	-	380	-	285
Transferred from SGT (Note 33)	376	-	-	-
Commissions paid during the year	100	471	-	720
Commission expense incurred during the year	(74)	(642)	-	(625)
At 31 December	402	209	-	380

9.2 Unearned commission reserves

	2017		2016	
	Takaful insurance	Conventional insurance	Takaful insurance	Conventional insurance
At 1 January	-	392	-	407
Transferred from SGT (Note 33)	285	-	-	-
Commissions received during the year	125	419	-	519
Commissions earned during the year	(86)	(605)	-	(534)
At 31 December	324	206	-	392

The commission expenses incurred and commission income earned under the conventional insurance (run-off) fund for the year ended 31 December 2017 are BD 642 thousand (2016: 625 thousand) and BD 605 thousand (2016: 534 thousand) respectively. Accordingly, net commission expenses incurred is BD 37 thousand (2016: BD 91 thousand) for the year ended 31 December 2017.

10 PREPAYMENTS AND OTHER ASSETS

	2017	2016
Deposit with Third Party Administrator (TPA)	186	185
Statutory deposit	125	125
Accrued income	304	13
Prepaid expenses and other assets	984	94
Receivable from takaful/conventional fund (Note 15)	1,055	-
	2,654	417

Included in the above other assets are BD 1 million (2016: BD 417 thousand) that are held under conventional insurance run-off fund.

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

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

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

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

	2017	2016
Cash and bank balances	119	-
Other investments	211	-
Total assets under run-off management	330	-
	2017	2016
Unearned contribution and mortality reserves	33	-
Takaful and other payables	62	-
Unit linked reserve	195	-
	290	
Participants' surplus assets over liabilities	40	-
Total liabilities under run-off management	330	-

NOTES TO THE FINANCIAL STATEMENTS
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12 PROPERTY AND EQUIPMENT**2017****Cost**

At 1 January 2017	853	277	17	1,147
Transferred from SGT (Note 33)	-	903	-	903
Additions	-	29	-	29
At 31 December 2017	853	1,209	17	2,079

Accumulated depreciation

At 1 January 2017	53	240	4	297
Transferred from SGT (Note 33)	-	848	-	848
Charge for the year	-	4	6	10
At 31 December 2017	53	1,092	10	1,155

Net book amount

At 31 December 2017	800	117	7	924
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	Land and building	Furniture, fixtures office and computer equipment	Motor vehicles	Total
At 1 January 2017	853	277	17	1,147
Transferred from SGT (Note 33)	-	903	-	903
Additions	-	29	-	29
At 31 December 2017	853	1,209	17	2,079
At 1 January 2017	53	240	4	297
Transferred from SGT (Note 33)	-	848	-	848
Charge for the year	-	4	6	10
At 31 December 2017	53	1,092	10	1,155
At 31 December 2017	800	117	7	924

2016**Cost**

At 1 January 2016	853	241	15	1,109
Additions	-	36	17	53
Disposals	-	-	(15)	(15)
At 31 December 2016	853	277	17	1,147

Accumulated depreciation

At 1 January 2016	53	218	15	286
Charge for the year	-	22	4	26
Disposals	-	-	(15)	(15)
At 31 December 2016	53	240	4	297

Net book amount

At 31 December 2016	800	37	13	850
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	Land and building	Furniture, fixtures office and computer equipment	Motor vehicles	Total
At 1 January 2016	853	241	15	1,109
Additions	-	36	17	53
Disposals	-	-	(15)	(15)
At 31 December 2016	853	277	17	1,147
At 1 January 2016	53	218	15	286
Charge for the year	-	22	4	26
Disposals	-	-	(15)	(15)
At 31 December 2016	53	240	4	297
At 31 December 2016	800	37	13	850

NOTES TO THE FINANCIAL STATEMENTS
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13 FAMILY TAKAFUL TECHNICAL RESERVE

	2017	2016
At 1 January	-	-
Transferred from SGT (Note 33)	3,423	-
Net increase during the year	155	-
At 31 December	3,578	-

14 TAKAFUL AND INSURANCE PAYABLES

	2017	2016
Due to participants and policyholders	1,316	703
Due to Takaful and insurance companies	2,625	465
Due to garages	796	567
	4,737	1,735

Included in the above takaful and insurance payables are BD 1.7 million (2016: BD 1.7 million) that are held under conventional insurance run-off fund.

15 OTHER LIABILITIES

	2017	2016
Unclaimed dividends	405	431
Employees' end of service benefits	205	155
Accrued expenses and other payables	1,783	1,008
Receivable from takaful/conventional fund (Note 10)	1,055	-
	3,448	1,594

Included in the above other liabilities are BD 970 thousand (2016: BD 1.6 million) that are held under conventional insurance run-off fund.

Employees' end of service benefits are as follows:

(a) Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2017 amounted to BD 89 thousand (2016: BD 100 thousand).

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

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

	2017	2016
At 1 January	155	154
Transferred from SGT (Note 33)	99	-
Charge for the year	25	18
Payments during the year	(74)	(17)
At 31 December	205	155
Total number of staff employed by the Company	123	77

16 SHARE CAPITAL**16.1 Authorised**

	Number of shares (thousands)	Share capital
Authorised shares of 120,000,000 at BD 0.100 each (2016: 100,000,000 shares of BD 0.100 each)	120,000	12,000

16.2 Issued and fully paid

	Number of shares (thousands)	Share capital
At 1 January 2016	61,886	6,189
At 31 December 2016	61,886	6,189
At 1 January 2017	61,886	6,189
Increase in share capital	50,000	5,000
At 31 December 2017	111,886	11,189

The Company's total issued and fully paid share capital at 31 December 2017 comprises 111,886,000 shares at BD 0.100 each. The share capital of the Company is denominated in BD and these shares are traded on Bahrain Bourse in BD.

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

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

- (a) The names and nationalities of the major shareholders, holding shareholding interest of 5% or more and the number of shares at 31 December 2017 and 2016 are as follows:

31 December 2017			
Nationality	Number of shares	Percentage of holding interest	
Solidarity Group Holding B.S.C (c)	Bahrain	94,176,357	84.17%
Taqi Mohamed Al Baharna	Bahrain	3,560,160	3.18%
Others	Various	14,150,116	12.65%
		111,886,633	100%

31 December 2016			
Nationality	Number of shares	Percentage of holding interest	
Solidarity Group Holding B.S.C (c)	Bahrain	44,226,357	71.46%
Taqi Mohamed Al Baharna	Bahrain	3,560,160	5.75%
Others	Various	14,100,116	22.79%
		61,886,633	100%

- (b) The Company has only one class of equity shares and the holders of the shares have equal voting rights.
- (c) The distribution of the Company's equity shares, i.e. the number of holders and their percentage shareholding as at 31 December 2017 and 2016 is set out below:

31 December 2017			
	Number of shareholders	Number of shares	Percentage of total Outstanding Shares
Less than 1%	2,195	12,853,992	11.49%
More than 1% up to less than 5%	2	4,856,284	4.34%
More than 5%	1	94,176,357	84.17%
	2,198	111,886,633	100.00%

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16 SHARE CAPITAL (CONTINUED)**16.4 Additional information on shareholding pattern**

- (c) The distribution of the Company's equity shares, i.e. the number of holders and their percentage shareholding as at 31 December 2017 and 2016 is set out below (continued):

	31 December 2016		
	Number of shareholders	Number of shares	Percentage of total Outstanding Shares
Less than 1%	2,198	12,830,325	21%
More than 1% up to less than 5%	1	1,269,791	2%
More than 5%	2	47,786,517	77%
	2,201	61,886,633	100%

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

<u>Name of the directors</u>	Number of shares	
	2017	2016
Dr Osama Taqi Al Baharna (until 13 December 2017)	242,527	242,527
Adel Hassan Al Aali (until 15 January 2017)	187,110	187,110
Ashraf Adnan Bseisu (effective 27 December 2017)	25,000	-
Sharif Ahmadi	109,077	264,997
	563,714	694,634

Mr. Ashraf Adnan Bseisu holds 25,000 shares on behalf of and for the beneficial interest of Solidarity Group Holding B.S.C (c).

Mr. Jawad Mohammed (General Manager) holds 25,000 shares on behalf of and for the beneficial interest of Solidarity Group Holding B.S.C (C).

16.5 Treasury shares

The Company owned its own shares amounting to BD 4 thousand at 31 December 2017 (2016: BD 4 thousand). The shares are held as treasury shares and the Company has the right to reissue these shares at a later date.

17 STATUTORY RESERVE

In accordance with the provisions of the Bahrain Companies Commercial Law 2001, 10% of the net profit of the Company is transferred to a statutory reserve until such time the statutory reserve equals 50% of the paid-up share capital of the Company. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies law. The Company has transferred BD 10 thousand to the statutory reserve for the year ended 31 December 2017 (2016: BD 3 thousand).

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18 BASIC AND DILUTED EARNINGS PER SHARE

	2017	2016
Net profit for the year	96	32
Weighted average number of shares outstanding	66,051,633	61,840,217
Basic and diluted earnings per 100 fils share	1.45 fils	0.51fils

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

19 WAKALA FEE

The Company receives Wakala fee for administration of the takaful funds on behalf of the participants in accordance with the contracts of the respective takaful funds. The maximum chargeable Wakala fee which has been certified by Actuary and approved by the Shari'a Supervisory Board is 22.52% (2016: Nil) for the general Takaful fund and 24.40% (2016: Nil) for family Takaful fund of the overall gross contributions. The actual Wakala fees charged for the year ended 31 December 2016 is 18.55% (2016: Nil) for general Takaful fund and 23.96% (2016: Nil) for family Takaful fund.

20 INVESTMENT INCOME/(LOSS), NET

	2017	2016
Income from placements	225	67
Income from debt instruments	214	47
Amortisation of discount during the year	(13)	-
Income from equity instruments	507	343
Impairment provision on equity instruments	-	(549)
Impairment provision on debt instruments	-	(308)
Investment management expenses	(19)	-
Net investment income/(loss)	914	(400)
Mudarib share*	(5)	-
	909	(400)
Shareholders' investment income/(loss)	893	(400)
General takaful investment income	7	-
Family takaful investment income	9	-
	909	(400)

**Mudarib share*

The shareholders manage the participants' investments and charges 25% (2016: Nil) of the investment income earned by takaful funds as mudarib share, as approved by the Shari'a Supervisory Board. Mudarib share has been included in shareholders statement of income.

21 TAKAFUL RISK MANAGEMENT**21.1 Overview**

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

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

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

21.2 Underwriting strategy

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

21.3 Sensitivity analysis

The following tables provide an analysis of the sensitivity of participants' revenue and expenses and total participants' fund to changes in the expense rate and expected loss ratio used to measure general takaful and family takaful contract provisions and retakaful assets at the reporting date. The analysis has been prepared for a change in variable with other assumptions remaining constant. The effect is shown before and after Retakaful on the net surplus during the year.

2017	Participants' fund revenues and expenses		Conventional insurance run-off fund revenues and expenses	
	Gross of retakaful	Net of retakaful	Gross of retakaful	Net of retakaful
Expense rate				
1 percent increase	56	56	310	345
1 percent decrease	74	74	506	471
Expected loss ratio				
1 percent increase	62	62	310	345
1 percent decrease	68	68	506	471

2016	Participants' fund revenues and expenses		Conventional insurance run-off fund revenues and expenses	
	Gross of retakaful	Net of retakaful	Gross of retakaful	Net of retakaful
Expense rate				
1 percent increase	-	-	1,982	2,011
1 percent decrease	-	-	2,172	2,143
Expected loss ratio				
1 percent increase	-	-	1,982	2,011
1 percent decrease	-	-	2,172	2,143

21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.4 Terms and conditions of significant takaful contracts**

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property & engineering	Property 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 these 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.
Terms and conditions of significant Directors' & officers' liability	D&O 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.
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. Contribution revisions are responded reasonably quickly to adverse claims experience.

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.4 Terms and conditions of significant takaful contracts (continued)**

Type of contract	Terms and conditions	Key factors affecting future cash flows
Group life	These 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 of an annually renewable takaful contract. This permits contribution revisions to respond reasonably quickly to adverse claims experience.
Mortgage (DTA)	These contracts indemnify financing institutions for the value of the loan availed by a participant and takaful protection to participants. Exposure occurs on death, critical illness and total permanent disability.	Claims reporting lags are minor and claim complexity is relatively low. The amount of claim is limited to the reducing balance based on policy amortization schedule and sum assured against takaful protection policies. The majority of critical illness and total permanent disability claims are decided based on medical judgement, and are settled within six months.

21.5 Retakaful strategy

The Company retakaful a portion of the takaful risks it underwrites in order to control its exposure to losses and protect capital resources. Ceded retakaful contains credit risk, as in the financial risk management note. The Company's Management Committee decides the minimum security criteria for acceptable retakaful and monitoring the purchase of retakaful by the business units against those criteria. The Committee monitors developments in the retakaful programme and its ongoing adequacy. The business units buy a combination of proportionate and non-proportionate retakaful treaties to reduce the net exposure to the Company for any single event. In addition, underwriters are allowed to buy facultative retakaful in certain specified circumstances. All purchases of facultative retakaful are subject to business unit pre-approval and the total expenditure on facultative retakaful is monitored on a policy basis at a business unit level and monthly by the Executive Management Committee.

21.6 Risk exposure and concentration of takaful risk

The following table shows the Company's exposure to general takaful and family takaful risk by category of business. The table also shows the geographical concentration of these risks and the extent to which the Company has covered these risks by retakaful.

2017		Non-Motor	Motor	Medical	Group Life	Family takaful	Total
Geographical area							
Bahrain & GCC:							
	Gross	3,886	6,583	5,078	227	96	15,870
	Net of retakaful	269	6,120	903	20	52	7,364
2016							
Geographical area							
Bahrain & GCC:							
	Gross	2,774	6,215	4,422	118	-	13,529
	Net of retakaful	228	5842	2651	6	-	8,727

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.7 Claims development**

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

(a) Takaful claims – Gross

Accident year	2013 and prior	2014	2015	2016	2017	Total
Estimate of ultimate claims costs:						
At end of reporting year	44,019	11,064	10,192	10,539	10,585	
One year later	37,253	10,593	10,192	10,486		
Two years later	37,492	10,495	10,215			
Three years later	37,530	10,521				
Four years later	37,512					
Current estimate of cumulative claims	37,512	10,521	10,215	10,486	10,585	79,319
Cumulative payments to date	(36,585)	(10,068)	(9,370)	(9,235)	(5,964)	(71,222)
Total reserves included in the statement of financial position	927	453	845	1,251	4,621	8,097

(b) Takaful claims – Net

Accident year	2013 and prior	2014	2015	2016	2017	Total
Estimate of ultimate claims costs:						
At end of reporting year	20,448	6,542	6,693	6,312	6,448	
One year later	19,843	6,079	5,960	5,899		
Two years later	19,968	5,903	5,936			
Three years later	19,984	5,943				
Four years later	20,018					
Current estimate of cumulative claims	20,018	5,943	5,936	5,899	6,448	44,244
Cumulative payments to date	(19,479)	(5,737)	(5,514)	(5,145)	(3,808)	(39,683)
Total reserves included in the statement of financial position	539	206	422	754	2,640	4,561

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21 TAKAFUL RISK MANAGEMENT (CONTINUED)**21.7 Claims development (continued)****(c) Conventional insurance (run-off) claims – Gross**

Accident year	2013 and prior	2014	2015	2016	2017	Total
Estimate of ultimate claims costs:						
At end of reporting year	8,242	7,628	6,890	10,698	10,690	
One year later	8,056	6,351	6,545	10,360		
Two years later	7,993	6,407	6,629			
Three years later	7,842	6,448				
Four years later	7,841					
Current estimate of cumulative claims	7,841	6,448	6,629	10,360	10,690	41,968
Cumulative payments to date	(6,723)	(6,076)	(5,869)	(8,298)	(5,657)	(32,623)
Total reserves included in the statement of financial position	1,118	372	760	2,062	5,033	9,345

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

Accident year	2013 and prior	2014	2015	2016	2017	Total
Estimate of ultimate claims costs:						
At end of reporting year	5,059	5,009	4,822	7,737	6,521	
One year later	4,714	4,430	4,692	7,601		
Two years later	4,640	4,519	4,718			
Three years later	4,397	4,510				
Four years later	4,357					
Current estimate of cumulative claims	4,357	4,510	4,718	7,601	6,521	27,707
Cumulative payments to date	(4,023)	(4,227)	(4,294)	(6,638)	(3,530)	(22,712)
Total reserves included in the statement of financial position	334	283	424	963	2,991	4,995

22 CAPITAL MANAGEMENT

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

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

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

The CBB rulebook stipulates that solvency margin requirements are determined for Takaful funds. The Company has met the above requirements of the CBB.

23 FINANCIAL RISK MANAGEMENT

23.1 Overview

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

The Group's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The 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 Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)**23.2 Credit risk**

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

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

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

(i) Management of credit risk

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

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

(ii) Maximum exposure to credit risk

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

	2017	2016
Bank balances	5,311	10,439
Placements with financial institutions	13,218	-
Investments	13,139	791
Receivable from takaful and retakaful operators	10,188	5,707
Retakaful operator's share of outstanding claims (excluding IBNR)	7,048	2,730
Other assets	615	323
	49,519	19,990

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)**23.2 Credit risk (continued)**(iii) *Analysis of receivable from takaful and retakaful operators:*

2017	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Provision for doubtful receivables	Total
Receivable from takaful and retakaful operators	4,646	5,542	995	(995)	10,188
Retakaful operators' share of outstanding claims (excluding IBNR)	3,806	3,242	-	-	7,048
	8,452	8,784	995	(995)	17,236

2016	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Provision for doubtful receivables	Total
Receivable from takaful and retakaful operators	2,793	2,914	458	(458)	5,707
Retakaful operators' share of outstanding claims (excluding IBNR)	1,474	1,256	-	-	2,730
	4,267	4,170	458	(458)	8,437

(iv) *Age analysis (Takaful and insurance receivables)*

	2017		2016	
	Gross	Provisions	Gross	Provisions
0 to 6 months	4,646	-	2,793	-
6 to 12 months	2,449	-	1,541	-
More than 12 months	4,088	995	1,831	458
	11,183	995	6,165	458

23.2 Liquidity risk

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

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)**23.2 Liquidity risk (continued)***(i) Management of liquidity risk*

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

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

(ii) Exposure to liquidity risk

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

		Contractual undiscounted cash flows	
		Carrying amount	Total cash outflows
2017			
	Takaful and insurance technical liabilities	31,764	31,764
	Payables to takaful and retakaful operators	4,737	4,737
	Other liabilities	2,393	2,393
		38,894	38,894
		Contractual undiscounted cash flows	
		Carrying amount	Total cash outflows
2016			
	Takaful and insurance technical liabilities	12,854	12,854
	Payables to takaful and retakaful operators	1,735	1,735
	Other liabilities	1,594	1,594
		16,183	16,183

23.3 Market risks

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.3 Market risks (continued)

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

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

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

(i) Profit rate risk

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

(ii) Currency risk

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

(iii) Other market price risk

The Company is exposed to equity price risk which arises from equity type instruments. The primary goal of the Company's investment strategy is to ensure risk free returns and invest excess surplus fund available with the Company in risk free securities. Market price risk arises from investment held by the Company. The Company's Investment Committee monitors its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Company's Investment Committee.

(iv) Sensitivity analysis to profit rate risk

The table below shows the results of sensitivity testing on the Company's combined profit and surplus and the equity. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Company's financial assets and liabilities and its takaful assets and liabilities.

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)**23.3 Market risks (continued)**

2017	Combined profit and surplus	Equity
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	308	308
- 100 basis points shift in yield curves	14	14
2016	Combined profit and surplus	Equity
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	40	40
- 100 basis points shift in yield curves	24	24

Assumptions, methodology and limitations of sensitivity analysis:

The effects of the specified changes in factors are determined using internally developed models. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors. The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. As investment markets move past pre-determined trigger points, management action would be taken which would alter the Company's position. Additionally, the sensitivity analysis is based on the Company's financial position at the reporting date and may vary at the time that any actual market movement occurs.

24 RELATED PARTIES

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

24.1 Transactions with key management personnel

Key management personnel of the Company comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. No remuneration is paid to the Board of Directors of the Company during the year (2016: nil). Sitting fees paid to the members of the Committees of the Board of Directors amounting BD 41 thousand (2016: BD 35 thousand) and salaries and benefits paid to key members of management amounting to BD 129 thousand (2016: BD 162 thousand). End of service benefits due to key management personnel as at 31 December 2017 amounting to BD 103 thousand (2016: BD 73 thousand).

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

a) Transactions with related parties	2017	2016
<i>Gross contributions:</i>		
Entities under common control	80	32
<i>Retakaful contributions:</i>		
Entities under common control	1	-
<i>Income from placements:</i>		
Entities under common control	36	-
<i>Gross paid claims:</i>		
Entities under common control	35	4
b) Balances	2017	2016
<i>Payables:</i>		
Entities under common control	80	-
<i>Placements with financial institutions:</i>		
Entities under common control	4,369	-
<i>Receivables:</i>		
Parent company	93	-
Entities under common control	2	36
<i>Claims outstanding:</i>		
Entities under common control	730	7
<i>Cash and cash equivalents:</i>		
Entities under common control	1,565	-

25 SHARI'A SUPERVISORY BOARD

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

26 EARNINGS PROHIBITED BY SHARI'A

There were no earnings (2016: BD nil) realised during the year from transactions which are not permitted by Sharia Supervisory Board.

27 ZAKAH

Zakah of BD 526 thousand (2016: Nil) at the rate of 4.7 fils (2016: Nil) per share is to be directly borne by the shareholder and, accordingly, the financial statements include no provision for Zakah. The components used in Zakah computation are share capital, statutory reserve, retained earnings and fair value reserves reduced by participants' equity and property and equipment. The basis of computation is approved by the Sharia Supervisory Board and the amounts payable are notified to shareholder.

28 SEGMENTAL INFORMATION

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

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

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

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28 SEGMENTAL INFORMATION (CONTINUED)

	2017						2016					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
REVENUE												
Gross contributions/premium	3,886	6,583	5,078	227	96	15,870	2,774	6,215	4,422	118	-	13,529
Retakaful contributions/premium	(3,617)	(463)	(4,175)	(207)	(44)	(8,506)	(2,546)	(373)	(1,771)	(112)	-	(4,802)
Retained contributions/premium	269	6,120	903	20	52	7,364	228	5,842	2,651	6	-	8,727
Movement in unearned contributions/premium, net	(20)	181	(165)	(9)	-	(13)	46	(363)	93	7	-	(217)
Net contributions/premium earned	249	6,301	738	11	52	7,351	274	5,479	2,744	13	-	8,510
Commission income/(expense)	326	(195)	(89)	31	-	73	307	(262)	(243)	(3)	-	(201)
Movement in unearned commission, net	12	(47)	5	6	-	(24)	91	(54)	72	1	-	110
Profit commission and other income	5	99	74	30	152	360	25	90	164	17	-	296
Net commission earned/(incurred)	343	(143)	(10)	67	152	409	423	(226)	(7)	15	-	205
Total revenues	592	6,158	728	78	204	7,760	697	5,253	2,737	28	-	8,715

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

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28 SEGMENTAL INFORMATION (CONTINUED)

	2017						2016					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
EXPENSES												
Gross claims paid	1,038	5,385	1,317	526	-	8,266	407	3,915	3,623	67	-	8,012
Claims recovered from retakaful/reinsurance and others	(933)	(398)	(802)	(473)	-	(2,606)	(336)	(394)	(1,041)	(60)	-	(1,831)
Net claims paid	105	4,987	515	53	-	5,660	71	3,521	2,582	7	-	6,181
Movement in outstanding claims – gross	1,019	1,263	(311)	(45)	(63)	1,863	879	768	8	-	-	1,655
Movement in outstanding claims – retakaful	(1,005)	(176)	213	11	44	(913)	(923)	(279)	-	4	-	(1,198)
Net claims incurred/(recovered)	119	6,074	417	19	(19)	6,610	27	4,010	2,590	11	-	6,638
Transfer to Family Takaful technical reserve	-	-	-	-	155	155	-	-	-	-	-	-
Technical surplus	473	84	311	59	68	995	670	1,243	147	17	-	2,077
Identifiable assets	7,060	3,070	3,652	1,015	129	14,926	2,993	641	2,025	161	-	5,820
Identifiable liabilities	8,056	17,501	5,679	1,327	3,764	36,327	3,378	6,869	2,409	163	-	12,819

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

Assets amounting to BD 50.78 million (2016: BD 24.43 million) and liabilities amounting to 8.06 million (2016: BD 3.76 million) are not specifically identifiable.

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29 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
31 December 2017				
Investments at fair value	2,682	-	1,654	4,336
	2,682	-	1,654	4,336
31 December 2016	Level 1	Level 2	Level 3	Total
Investments at fair value	4,939	-	1,654	6,593
	4,939	-	1,654	6,593

No transfers out of, or into, the level 3 measurement classification occurred during the year ended 31 December 2017 (31 December 2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

In thousands of Bahraini Dinars

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

2017	Fair value through equity	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	5,311	5,311	5,311
Placements with financial institutions	-	-	13,218	13,218	13,218
Investments	4,336	13,139	-	17,475	17,441
Takaful and insurance receivables	-	-	10,188	10,188	10,188
Retakaful and reinsurance share of technical liabilities	-	-	14,991	14,991	14,991
Deferred acquisition cost	-	-	611	611	611
Prepayments and other assets	-	-	615	615	615
Total financial assets	4,336	13,139	44,934	62,409	62,375
Takaful and insurance technical liabilities	-	-	31,764	31,764	31,764
Takaful and insurance payables	-	-	4,737	4,737	4,737
Other liabilities	-	-	2,393	2,393	2,393
Total financial liabilities	-	-	38,894	38,894	38,894

2016	Fair value through equity	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	10,440	10,440	10,440
Placements with financial institutions	-	-	-	-	-
Investments	6,593	-	-	6,593	6,593
Takaful and insurance receivables	-	-	5,707	5,707	5,707
Retakaful and reinsurance share of technical liabilities	-	-	5,867	5,867	5,867
Deferred acquisition cost	-	-	380	380	380
Prepayments and other assets	-	-	323	323	323
Total financial assets	6,593	-	22,717	29,310	29,310
Takaful and insurance technical liabilities	-	-	12,854	12,854	12,854
Takaful and insurance payables	-	-	1,735	1,735	1,735
Other liabilities	-	-	1,594	1,594	1,594
Total financial liabilities	-	-	16,183	16,183	16,183

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

In thousands of Bahraini Dinars

30 CAPITAL ADEQUACY AND SOLVENCY MARGIN

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

	2017	2016
Margin required for Conventional Insurance run-off fund	1,384	1,700
Margin required for Family Takaful fund	574	-
Margin required for General Takaful fund	500	-
Total margin required	2,458	1,700
Capital available to cover solvency margin	12,062	8,570
Excess capital	9,604	6,870

31 CONTINGENT LIABILITIES AND COMMITMENTS

The Company is a defendant in a number of cases brought by policy holders in respect of claims which the Company disputes. While it is not possible to predict the eventual outcome of such legal actions, the management has made provisions which, in their opinion, are adequate. There are no commitments as at the statement of financial position date (2016: BD Nil).

32 SUBSEQUENT EVENTS

There were no significant events subsequent to 31 December 2017 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.

33 TRANSFER OF BUSINESS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

In thousands of Bahraini Dinars

33 TRANSFER OF BUSINESS (CONTINUED)

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

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

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

SUMMARISED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 NOVEMBER 2017

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

33 TRANSFER OF BUSINESS (CONTINUED)

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

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

33 TRANSFER OF BUSINESS (CONTINUED)**SUMMARISED STATEMENT OF FAMILY TAKAFUL REVENUES AND EXPENSES FOR THE PERIOD ENDED 30 NOVEMBER 2017**

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

34 DIRECTORS' REMUNERATION AND DIVIDENDS***Directors' remuneration*****Proposed by the Board of Directors**

The Board of Directors of the Company do not propose to pay any directors' remuneration for the year ended 31 December 2017 (2016: BD Nil). This is subject to the approval of shareholders in the Annual General Meeting.

Dividends***Declared and paid***

No dividend was declared or paid for the year ended 31 December 2017 (2016: Nil).

34 DIRECTORS' REMUNERATION AND DIVIDENDS (CONTINUED)

Proposed by the Board of Directors

The Board of Directors of the Company do not propose to pay any dividend for the year ended 31 December 2017 (2016: Nil). The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these financial statements.

35 COMPARATIVES

The Company's assets and liabilities as at 31 December 2017 (disclosed on page 26) include the assets and liabilities transferred from SGT (disclosed in Note 33) during the year ended 31 December 2017. The corresponding figures represent the Company's assets and liabilities reported as at 31 December 2016, which have been disclosed under the shareholders' fund.

The results of General Takaful and Family Takaful funds (as disclosed on page 27) represent the one-month operation of the Company post conversion. The conventional insurance (under run-off) fund represents the results for the year ended 31 December 2017 pertaining to the conventional policies issued prior to the conversion. The results of shareholders' fund consist of one month Takaful operations as well as the results of the conventional operations for the year ended 31 December 2017. Accordingly, the comparative information is not comparable.

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