

# **Solidarity Bahrain B.S.C.**

## **FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

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## Solidarity Bahrain B.S.C.

### Financial statements

For the year ended 31 December 2018

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## Solidarity Bahrain B.S.C.

### General information

For the year ended 31 December 2018

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#### Commercial registration

5091 obtained on 17 August 1976

#### Board of Directors

Tawfeeq Shehab

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

Ashraf Bseisu

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

Dr. Nadhem Al Saleh

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

Sharif Ahmadi

Board Member, Chairman of Corporate Governance Committee, 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)

Bashar Sameer Nass

Board member and member of Audit & Risk Committee (Non-Independent Non-Executive Director)- **Effective 19 February 2018**

Ali Isa Ahmed Abdulrahim

Board member (Non-Independent Non-Executive Director)- **Effective 4 February 2019**

Abhijit Singh

Board member and member of the Executive Committee (Executive Director) – **Until 4<sup>th</sup> February 2019**

#### Executive Committee

Ashraf Bseisu - Chairman

Sharif Ahmadi

Venkatesan Muniswamy

Abhijit Singh

- Until 4<sup>th</sup> February 2019

#### Audit and Risk Committee

Nadhem Al Saleh - Chairman

Tawfeeq Shehab

Bashar Sameer Nass

-Effective 19 February 2018

## Solidarity Bahrain B.S.C.

### General information (continued)

For the year ended 31 December 2018

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#### Nomination and Remuneration Committee

Tawfeeq Shehab – Chairman  
Sharif Ahmadi  
Nadhem Al Saleh  
Ashraf Bseisu

#### Corporate Governance Committee:

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

#### Sharia Supervisory Board

Shaikh Dr. Abdul Satar Abugudda	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

#### Management

Jawad Mohammed	Chief Executive Officer
Nandakumar Duraiswamy	Chief Technical Officer
Jai Prakash Pandey	Chief Business Development Officer
Mohammed Awachi	Head of Corporate Support
Yaser Al Hammadi	Head of Compliance and Risk Management & MLRO
Sanjeev Aggarwal	Head of Finance

## Solidarity Bahrain B.S.C.

### General information (continued)

For the year ended 31 December 2018

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<b>Address</b>	7 <sup>th</sup> Floor – Seef Tower Flat 71, Building 2080, Road 2825, Block 428 PO Box 5282 Seef Area, Manama – Kingdom of Bahrain Telephone: 17585222 Fax: 17585200 Website: <a href="http://www.solidarity.com.bh">www.solidarity.com.bh</a>
<b>Principal bankers</b>	Ithmaar Bank, Kingdom of Bahrain Ahli United Bank, Kingdom of Bahrain
<b>Auditor</b>	Deloitte & Touche – Middle East P.O. Box 421 Manama, Kingdom of Bahrain
<b>Actuary</b>	Lux Actuaries and Consultants PO Box 50912 – Manama, Kingdom of Bahrain
<b>Shares registrar</b>	Bahrain Clear, Kingdom of Bahrain

It is our pleasure to present the annual report of Solidarity Bahrain B.S.C. ("SB" or "the Company") for the year ended 31 December 2018.

This is an opportune time for the Board of Directors of Solidarity to extend our appreciation to the management of Solidarity and their entire team for the successful integration of the operations of Solidarity General Takaful B.S.C. (c) ("SGT") and Al Ahlia Insurance Company B.S.C. ("AAIC") post the merger. This merger is indeed a landmark achievement which positioned the Company amongst the top tiers of Bahrain's insurance industry.

2018 proved to be a turning point and as the Company successfully overcame the challenges associated with consolidation of the two entities - a relatively seamless process through which efficiencies were achieved and synergies were established, while customer engagement remained as the key focus, post the merger. During the year, the Company has demonstrated a robust growth supported by a sound technical performance, healthy investment returns and benefits from operating synergies created post-merger. Furthermore, the actions taken to strengthen the underwriting guidelines and the shedding of the loss making businesses from the merged portfolio led to the improvement of technical results and Company's profitability in 2018.

The Company registered a gross contribution of BD 30.07 million for the year ended 31 December 2018 as compared to BD 15.87 million in 2017. The Company also reported profits of BD 2.6 million as compared to BD 161 thousand in 2017 and overall loss ratio stands at 64% compared to 85% in 2017. The total equity reached BD 25.9 million as compared to BD 23.5 million as at 31 December 2017 and earnings per share is 19.22 Fils as compared to 1.45 Fils in 2017. The Board of Directors has recommended a cash dividend of 12.5% to the shareholders for the year ended 31 December 2018, equivalent to 12.5 Fils per share. The Board of Directors expenses for the year 2018 represent sitting fees amounting to BD 37 thousand.

Despite tough market conditions, fierce competition and prevailing economic conditions, The Company has successfully overcome these challenges and have been able to achieve the expected results and growth in its gross contributions. In 2018, the contributions achieved through direct channels have continuously outgrown the contributions 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 2018. The rationalization of treaty agreements during 2018 with enhanced terms, increase in the retention and overall treaty capacity yielded better technical results and is in line with Company's strongest level of risk adjusted capitalization. The Company's benefits from the economies of scale, good level of liquidity, diversified investment and financial flexibility and having no debt leverage. The Company was also successful in launching and enhancing new e-channels facilitating a remarkable growth in contributions through on-line platforms in partnership with other digital platforms such as bwallet, sadad, maxwallet, skiplino, claims tracker etc.

With regard to the credit rating, the International Rating Agency A.M. best carried out the annual review of rating assigned in 2017 and reaffirmed the financial strength rating of B++ (good with stable outlook) and long-term issuer credit rating of BBB (with positive outlook). The current rating reflects 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.

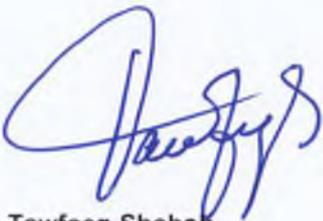
The Company is in full compliance of Volume 3 Rulebook regulations of Central Bank of Bahrain and has determined the solvency margin and available capital as at 31 December 2018. The capital available to cover the solvency margin is BD 15.07 million and the minimum solvency margin required is BD 2.97 million for general takaful business, BD 590 thousand for family takaful business and BD 1.23 million for conventional insurance run-off business as at 31 December 2018. The available capital is over 3 times of the required margin.

In 2018, the Company has embarked on its 3-Years strategy cycle (2018 to 2020), by adopting the Blue Strategy, with the objective of differentiating from the price driven highly competitive market and to establish its position as the market leader in terms of market share, innovation, customer experience, products and performance. Digital transformation, technological advancement and insurtech represent an essential part of the Blue Strategy. In its journey towards digital transformation, the Company has partnered with Tata Consultancy Services ("TCS") in January 2019 to deploy the TCS BaNCS core insurance system as its core platform for digital transformation. The new core insurance system will provide more distinctive and versatile solutions that meet market demand.

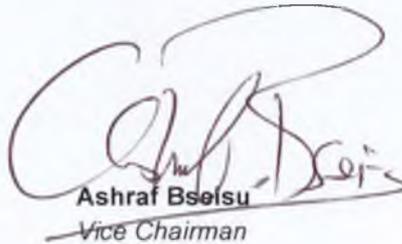
While the Company has decided to upgrade its core insurance system, the management has also prioritized continuous training and skill development as key component to the success of Company's strategic plan. The management has also put in place the succession plan with career path and training plan for its employees. The Company will continue to strengthen its brand image, increase market visibility & presence and focus on improving customer experience which will lead to higher market share and a solid positioning as a leading provider of Takaful insurance solutions. The Board of Directors will continue to exert its best efforts for achieving further growth in sustainable revenue and cost reduction through digital initiatives, process reengineering and improving efficiency.

On behalf of the Board of Directors, 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 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 industry and to the Company in particular.

Finally, we would like to 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, business partners, bankers and all other stakeholders for their continued support and confidence.



Tawfeeq Shehab  
Chairman



Ashraf Bselsu  
Vice Chairman

Date: 25 February 2019

## Solidarity Bahrain B.S.C.

### Board of Directors profile

For the year ended 31 December 2018

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

- 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, Commerce and 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)**

- 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.
- 29 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.
- Vice Chairman, and Chairman of the Executive and Investment Committees of Solidarity Saudi Takaful Company, KSA respectively.
- Board Member and member of the Executive Committee of the Bank of Bahrain and Kuwait BBK.
- Board Member of United Insurance Company B.S.C. (c).
- 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).

## Solidarity Bahrain B.S.C.

### Board of Directors profile (continued) For the year ended 31 December 2018

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#### **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)**

- 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.
- Board Member of APM Terminals.
- Formerly, Chairman of the Committee responsible for activating scientific research activities at the University of Bahrain.
- Formerly, Head of Scientific Research Committee for Excellence – Contractual Projects – Bahrain Centre for Excellence.
- Formerly, a Member of Finance & Administrator Committee – Higher Education Council.
- 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.

#### **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.

## **Solidarity Bahrain B.S.C.**

### **Board of Directors profile (continued) For the year ended 31 December 2018**

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

##### Key Positions & Directorships held:

- Chief Operating Officer 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.

#### **Bashar Sameer Nass - Board member and member of the Audit & Risk Committee (Non-Independent Non-Executive)**

- 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.

##### Key Positions & Directorships held:

- Director of Nass the Group and Nass Corporation B.S.C.

#### **Ali Isa Ahmed Abdulrahim – Board Member (Non-Independent Non-Executive) – Effective 4th February 2019**

- Non-Independent Non-Executive.
- Bahraini National.
- Holds a Master of Business Administration (Majored in Marketing & Management) - McCallum Graduate School of Business – Boston, USA and a Bachelor of Science (Majored in Economic & Finance with a minor in Politics) – Bentley University – Boston, USA.

##### Key Positions & Directorships held:

- Managing Director – Rahim Holdings (Manama, Bahrain).

#### **Abhijit Singh – Board member and member of the Executive Committee (Executive Director) – Until 4<sup>th</sup> February 2019**

- 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.

**Solidarity Bahrain B.S.C.**

**Board of Directors profile (continued)**  
**For the year ended 31 December 2018**

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**Abhijit Singh – Board member and member of the Executive Committee (Executive Director) – Until 4<sup>th</sup> February 2019** (continued)

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 takaful portfolios.
- Actively involved in special projects on group inorganic expansion via acquisition and merger within the Takaful industry.

## **Solidarity Bahrain B.S.C.**

### **Executive management profile**

**For the year ended 31 December 2018**

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#### **Jawad Mohammed – Chief Executive Officer**

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.

#### **Nandakumar Duraiswamy – Chief Technical Officer**

D. Nandakumar is the Chief Technical Officer in Solidarity Bahrain B.S.C. He has 38 years' experience in General Insurance Industry in India and Bahrain and has extensive experience across various 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, Qualified Chartered Insurer.

#### **Jai Prakash Pandey – Chief Business Development Officer**

Jai Prakash Pandey is the Chief Business Development Officer in Solidarity Bahrain B.S.C. He has over 22 years of experience in Business Development and Marketing activities in the insurance domain. 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 team, 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.

#### **Mohammed Awachi – Head of Corporate Support**

Mohammed Awachi is a professional with over 19 years of experience in strategic planning, project management, change management and service delivery. He joined Solidarity from inception and has been involved in some of the key company projects where he helped in establishing the IT department, Business Continuity Plan, setting up company branches and the launch of the company's e-services. Currently, Mohammed is leading the Corporate Support unit which includes Information Technology, Corporate Communications & Marketing and Human Capital & Support departments. Some of the projects handled prior to joining Solidarity include global email system migration, ISO standards documentation and the implementation of a core insurance system. Mohammed holds a Bachelor of Science degree in computer science from AMA International University of Bahrain.

## **Solidarity Bahrain B.S.C.**

### **Executive management profile (continued) For the year ended 31 December 2018**

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#### **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 possesses 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).

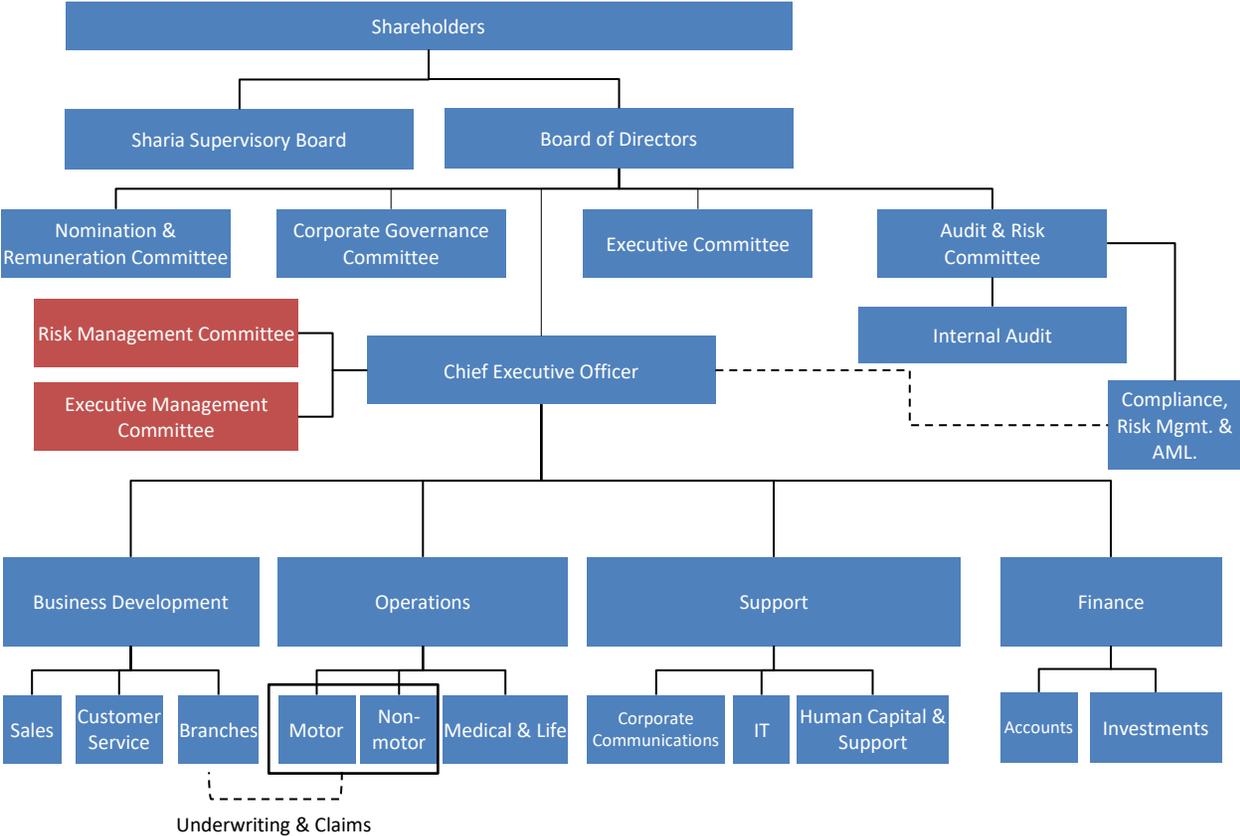
He is a holder of a Master's Degree in Business Administration from the University of Glamorgan, United Kingdom, a Degree in Chemical Engineering from the University of Bahrain, and an advanced Diploma in Islamic Banking & Finance from BIBF. He is also a member of the Chartered Institute for Securities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

#### **Sanjeev Aggarwal – Head of Finance**

Sanjeev Aggarwal is heading the finance function of Solidarity Bahrain B.S.C. He has 14 years of work experience in financial control, 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 assignments for clients in insurance, financial services, investment firms, manufacturing, real estate and construction fields. He is a graduate in Commerce from University of Delhi, Associate of the Institute of Chartered Accountants of India, Associate of the Chartered Insurance Institute, London and Associate of the Insurance Institute of India.

**Solidarity Bahrain B.S.C.**

**Organisational chart  
For the year ended 31 December 2018**



## **Solidarity Bahrain B.S.C.**

### **Corporate Governance**

**For the year ended 31 December 2018**

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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 of Directors.

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 individuals and corporate shareholders own the remaining 15.83%. Furthermore, Mr. Ashraf Bseisu (the Vice-Chairman) and Mr. Sayed Jawad Mohammed (the CEO) each hold 26,812 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 members 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 four sub-committees; the Audit & Risk Committee, the Corporate Governance Committee, the Executive 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.

### Corporate Governance (continued) For the year ended 31 December 2018

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#### **Board Meetings and Attendance Policy**

The Board is required to meet at least four times in a financial year.

Schedule of Board Meetings and attendance in 2018 (All Board meeting were convened in the Kingdom of Bahrain):

<b>Board Members</b>	<b>22 Feb</b>	<b>13 May</b>	<b>12 Aug</b>	<b>13 Nov</b>	<b>11 Dec</b>
Mr. Tawfeeq Shehab – Chairman (Independent Non-Executive)	✓	✓	✓	✓	✓
Mr. Ashraf Bseisu – Vice Chairman (Executive Director)	✓	✓	✓	✓	✓
Dr. Nadhem Al Saleh (Independent Non-Executive)	✓	✓	✓	✓	✓
Mr. Sharif Ahmadi (Independent Non-Executive)	X	✓	✓	✓	✓
Mr. Venkatesan M. (Executive Director)	✓	✓	✓	✓	✓
Mr. Abhijit Singh (Executive Director)	✓	✓	✓	✓	✓
Mr. Bashar Nass (Non-Executive)	✓	✓	✓	✓	✓

#### **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 committee including the chairman must be independent or non-executive directors. The committee must meet at least four times a year.

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

Schedule of Audit and Risk Committee meetings and attendance in 2018:

<b>Audit and Risk Committee Members</b>	<b>22 Feb</b>	<b>13 May</b>	<b>12 Aug</b>	<b>13 Nov</b>
Dr.Nadhem Al Saleh (Independent Non-Executive)	✓	✓	✓	✓
Tawfeeq Shehab (Independent Non-Executive)	✓	✓	✓	✓
Bashar Nass ( Non-Independent Non-Executive)	✓	✓	✓	✓

## Solidarity Bahrain B.S.C.

### Corporate Governance (continued) For the year ended 31 December 2018

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#### 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 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 2018:

Nomination & Remuneration Committee	21 Feb	27 Sep
Tawfeeq Shehab (Independent Non-Executive)	✓	✓
Nadhem Al Saleh (Independent Non-Executive)	✓	✓
Sharif Ahmadi (Independent Non-Executive)	✓	X
Ashraf Bseisu (Executive Director)	✓	✓

#### Corporate Governance Committee

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 & Risk Committee, and the SSB. In addition, the Committee is responsible for providing to the Board reports and recommendations based on its findings during the normal course of the exercise of its functions.

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

## Solidarity Bahrain B.S.C.

### Corporate Governance (continued) For the year ended 31 December 2018

#### Corporate Governance Committee (continued)

Schedule of Corporate Governance Committee meetings and attendance in 2018:

Corporate Governance Committee	02 Dec
Sharif Ahmadi (Independent Non-Executive)	✓
Dr. Nadhem Al Saleh (Independent Non-Executive)	✓
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 2018:

Executive Committee	28 Jan	21 Mar	06 May	19 Jun	23 Sep	03 Dec
Ashraf Bseisu - Chairman	✓	✓	✓	✓	✓	✓
Sharif Ahmadi	X	✓	✓	✓	✓	✓
Venkatesan Muniswamy	✓	✓	✓	✓	✓	✓
Abhijit Singh	✓	✓	✓	✓	✓	✓

#### 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> )	3
Dr. Nadhem Al Saleh ( <i>Independent Non-Executive</i> )	1
Mr. Sharif Ahmadi (Independent Non-Executive)	-
Mr. Venkatesan M. ( <i>Executive Director</i> )	1
Mr. Ali Isa Abdulrahim (Non-Independent Non-Executive) – Effective 4 <sup>th</sup> February 2019	1
Mr. Bashar Sameer Nass (Non-Independent Non-Executive)	2
Mr. Abhijit Singh ( <i>Executive Director</i> ) – Until 4 <sup>th</sup> February 2019	1

**Independent director**

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

- (a) Was not an employee of the Company;
- (b) Did not:
  - (i) Make to, or receive from, the Company payments of more than 31,000 BD or equivalent (not counting director's remuneration);
  - (ii) Own more than a 10% share or other ownership interest, directly or indirectly, in an entity that made to or received from the company payments of more than such amount;
  - (iii) Act as a general partner, manager, director or officer of a partnership or company that made to or received from the company payments of more than such amount;
  - (iv) Have any significant contractual or business relationship with the Company which could be seen to materially interfere with the person's capacity to act in an independent manner,
- (c) Did not own directly or indirectly (including for this purpose ownership by any family member or related person) 5% or more of the shares of any type or class of the Company;
- (d) Was not engaged directly or indirectly as an auditor or professional advisor for the Company, and
- (e) Was not an associate of a Director or a member of senior management of the Company.

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

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

## **Solidarity Bahrain B.S.C.**

### **Corporate Governance (continued) For the year ended 31 December 2018**

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#### **Executive Management Committee**

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

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

#### **Risk Management Committee**

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

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

#### **Director Orientation and Continuing Education**

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

#### **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 consideration 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 the Ministry of Industry, Commerce and Tourism and the 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.**

### **Corporate Governance (continued) For the year ended 31 December 2018**

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#### **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 & Risk Committee, the shareholders re-appointed Deloitte and Touche Middle East, Bahrain as the external auditors. In addition, the Board re-appointed 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 2018.

*In the name of Allah, the Merciful, the Compassionate*

**Report of the Shari'a Supervisory Board**  
For the financial year ended 31 December 2018

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 31.12.2018. 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 business from suspicions and prohibitions.

Assalamu Alaikum Wa Rahmat Allah Wa Barakatuh

Dated 7 Jumada Al-Akhirah 1440 H, corresponding to 12 February 2019

**Members of the Shari'a Supervisory Board:**

**Shaikh Dr. Abdul Satar Abughuddah**  
Chairman

**Shaikh Mohsin Abdul Hussain Al Asfoor**  
Member

**Shaikh Dr. Osama Bahar**  
Member

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of  
Solidarity Bahrain 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. (the "Company"), which comprise the statement of financial position as at December 31, 2018 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 operate 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 December 31, 2018 and the results of its operations, changes in participants' surplus and deficit, changes in shareholders' equity and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **Report on regulatory requirements and other matters**

As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments) 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 the Directors' report is consistent with the financial statements;
- c) Nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), the Central Bank of Bahrain and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rulebook (Volume 3 and applicable provisions of Volume 6), and the CBB directives and regulations (as contained in Volume 3 of the CBB Rulebook), rules and procedures of the Bahrain Bourse or the terms of the 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 the Directors 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,*

DELOITTE & TOUCHE – MIDDLE EAST  
Partner Registration No. 157  
Manama, Kingdom of Bahrain

February 25, 2019

**Solidarity Bahrain B.S.C.**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Conventional (Run-off) fund		Shareholders' fund		Total	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Assets</b>											
Cash and cash equivalents	4	655	1,134	371	338	283	875	586	2,964	1,895	5,311
Placements with financial institutions	5	5,830	3,641	722	401	314	3,348	9,326	5,828	16,192	13,218
Investments	6	741	588	2,573	2,696	1,195	-	15,949	14,191	20,458	17,475
Takaful and insurance receivables	7	8,327	5,159	154	12	1,948	5,017	-	-	10,429	10,188
Retakaful and reinsurance share of technical liabilities	8	10,771	7,523	436	129	2,621	7,339	-	-	13,828	14,991
Deferred acquisition costs	9.1	-	-	-	-	5	209	575	402	580	611
Prepayments and other assets	10	1,551	215	338	337	817	1,003	1,189	1,099	3,895	2,654
Takaful participants' assets – under run-off management	11	-	-	-	-	-	-	226	330	226	330
Property and equipment	12	-	-	-	-	-	-	1,111	924	1,111	924
<b>Total assets</b>		<b>27,875</b>	<b>18,260</b>	<b>4,594</b>	<b>3,913</b>	<b>7,183</b>	<b>17,791</b>	<b>28,962</b>	<b>25,738</b>	<b>68,614</b>	<b>65,702</b>
<b>Liabilities, participants' funds and shareholders' equity</b>											
<b>Liabilities</b>											
Takaful and insurance technical liabilities	8	24,200	16,685	549	186	5,931	14,893	-	-	30,680	31,764
Unearned commission reserves	9.2	363	324	-	-	24	206	-	-	387	530
Family takaful technical reserve	13	-	-	3,567	3,578	-	-	-	-	3,567	3,578
Takaful and insurance payables	14	4,957	2,933	-	82	506	1,722	-	-	5,463	4,737
Other liabilities	15	483	531	273	47	722	970	2,829	1,900	4,307	3,448
Takaful participants' liabilities – under run-off management	11	-	-	-	-	-	-	226	330	226	330
<b>Total liabilities</b>		<b>30,003</b>	<b>20,473</b>	<b>4,389</b>	<b>3,893</b>	<b>7,183</b>	<b>17,791</b>	<b>3,055</b>	<b>2,230</b>	<b>44,630</b>	<b>44,387</b>
<b>Participants' funds</b>		<b>(2,128)</b>	<b>(2,213)</b>	<b>205</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,923)</b>	<b>(2,193)</b>
<b>Shareholders' equity</b>											
Share capital	16	-	-	-	-	-	-	12,000	11,189	12,000	11,189
Treasury shares	16	-	-	-	-	-	-	(4)	(4)	(4)	(4)
Statutory reserve	17	-	-	-	-	-	-	2,651	2,420	2,651	2,420
Share premium		-	-	-	-	-	-	4,182	4,993	4,182	4,993
Property revaluation reserve		-	-	-	-	-	-	747	747	747	747
Investment fair value reserve		-	-	-	-	-	-	1,646	1,553	1,646	1,553
Retained earnings		-	-	-	-	-	-	4,685	2,610	4,685	2,610
<b>Total shareholders' equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,907</b>	<b>23,508</b>	<b>25,907</b>	<b>23,508</b>
<b>Total liabilities, participants' funds and shareholders' equity</b>		<b>27,875</b>	<b>18,260</b>	<b>4,594</b>	<b>3,913</b>	<b>7,183</b>	<b>17,791</b>	<b>28,962</b>	<b>25,738</b>	<b>68,614</b>	<b>65,702</b>

The financial statements which consist of pages 25 to 79 were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:

Tawfeeq Shehab  
Chairman

Ashraf Bseisu  
Vice Chairman

Jawad Mohammed  
Chief Executive Officer

The notes 1 to 35 on pages 30 to 79 form an integral part of the financial statements.

# Solidarity Bahrain B.S.C.

## STATEMENT OF INCOME AND PARTICIPANTS' REVENUES AND EXPENSES

For the year ended 31 December 2018

In thousands of Bahraini Dinars

	Note	General Takaful fund		Family Takaful fund		Conventional (Run-off) fund		Shareholder's fund		Total	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Takaful/conventional revenues</b>											
Gross contributions/premiums		29,433	2,777	562	96	77	12,997	-	-	30,072	15,870
Retakaful/reinsurance contributions/premiums		(14,126)	(1,401)	(531)	(44)	(84)	(7,061)	-	-	(14,741)	(8,506)
<b>Retained contributions/premiums</b>		<b>15,307</b>	<b>1,376</b>	<b>31</b>	<b>52</b>	<b>(7)</b>	<b>5,936</b>	-	-	<b>15,331</b>	<b>7,364</b>
Movement in unearned contributions/premiums, net		(2,889)	(686)	-	-	2,549	673	-	-	(340)	(13)
<b>Net contributions/premiums earned</b>		<b>12,418</b>	<b>690</b>	<b>31</b>	<b>52</b>	<b>2,542</b>	<b>6,609</b>	-	-	<b>14,991</b>	<b>7,351</b>
Net commission earned/(incurred)		737	86	-	-	(1)	(37)	-	-	736	49
Profit commission and other income		207	78	364	152	63	130	-	-	634	360
<b>Total takaful/conventional revenues</b>		<b>13,362</b>	<b>854</b>	<b>395</b>	<b>204</b>	<b>2,604</b>	<b>6,702</b>	-	-	<b>16,361</b>	<b>7,760</b>
<b>Takaful/conventional expenses</b>											
Gross claims paid		(9,330)	(658)	(33)	-	(5,180)	(7,608)	-	-	(14,543)	(8,266)
Claims recovered from retakaful/reinsurance and other parties		2,393	52	14	-	1,326	2,554	-	-	3,733	2,606
<b>Net claims paid</b>		<b>(6,937)</b>	<b>(606)</b>	<b>(19)</b>	<b>-</b>	<b>(3,854)</b>	<b>(5,054)</b>	-	-	<b>(10,810)</b>	<b>(5,660)</b>
Movement in outstanding claims – gross		(1,677)	258	(363)	63	3,464	(2,433)	-	-	1,424	(2,112)
Movement in outstanding claims – retakaful/reinsurance		299	13	307	(44)	(1,769)	1,193	-	-	(1,163)	1,162
<b>Net claims (incurred)/recovered</b>		<b>(8,315)</b>	<b>(335)</b>	<b>(75)</b>	<b>19</b>	<b>(2,159)</b>	<b>(6,294)</b>	-	-	<b>(10,549)</b>	<b>(6,610)</b>
Transfer to family takaful reserve	13	-	-	(103)	(155)	-	-	-	-	(103)	(155)
<b>Total takaful/conventional expenses</b>		<b>(8,315)</b>	<b>(335)</b>	<b>(178)</b>	<b>(136)</b>	<b>(2,159)</b>	<b>(6,294)</b>	-	-	<b>(10,652)</b>	<b>(6,765)</b>
Technical surplus		5,047	519	217	68	445	408	-	-	5,709	995
Wakala fee	19	(5,084)	(515)	(140)	(23)	-	-	-	-	(5,224)	(538)
<b>Surplus/(Deficit) from takaful/conventional operations</b>		<b>(37)</b>	<b>4</b>	<b>77</b>	<b>45</b>	<b>445</b>	<b>408</b>	-	-	<b>485</b>	<b>457</b>
Wakala fee	19	-	-	-	-	-	-	5,224	538	5,224	538
Investment income, net	20	122	7	108	9	-	-	1,444	893	1,674	909
Technical profit transferred from conventional insurance (run-off) fund		-	-	-	-	(445)	(408)	445	408	-	-
Mudarib share and other income	20	-	-	-	-	-	-	77	5	77	5
Employee costs		-	-	-	-	-	-	(2,220)	(1,244)	(2,220)	(1,244)
Commission expenses incurred	9	-	-	-	-	-	-	(1,111)	(74)	(1,111)	(74)
Other operating expenses		-	-	-	-	-	-	(1,517)	(419)	(1,517)	(419)
Provision for doubtful receivables, net		-	-	-	-	-	-	(36)	(11)	(36)	(11)
<b>Net profit and surplus for the year</b>		<b>85</b>	<b>11</b>	<b>185</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>2,306</b>	<b>96</b>	<b>2,576</b>	<b>161</b>
<b>Basic and diluted earnings per share</b>	18	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19.22 fils</b>	<b>1.45 fils</b>	<b>-</b>	<b>-</b>

Prior year comparative figures include the results of general takaful and family takaful funds for a one month period of Solidarity Bahrain B.S.C. (post conversion) for the year ended 31 December 2017. The prior year comparative results of shareholders fund consist of 1 month takaful operations and the performance of the conventional operations for the year ended 31 December 2017 and 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 prior year comparatives in the above statement. The Conventional insurance (under run-off) fund represents the results of Al Ahlia Insurance Company B.S.C. for the year ended 31 December 2018 and 2017 and pertains to the conventional policies (pre-conversion).

The financial statements which consist of pages 25 to 79 were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:

Tawfeeq Sherab  
Chairman

Ashraf Bseisu  
Vice Chairman

Jawad Mohammed  
Chief Executive Officer

The notes 1 to 35 on pages 30 to 79 form an integral part of the financial statements.

**STATEMENT OF PARTICIPANTS' SURPLUS AND DEFICIT**  
**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

**2018**

At 1 January  
 Surplus for the year

**At 31 December**

<b>Accumulated (deficit)/surplus</b>	
<b>General Takaful</b>	<b>Family Takaful</b>
(2,213)	20
85	185
<b>(2,128)</b>	<b>205</b>

**2017**

At 1 January  
 Surplus for the year

At 31 December

Accumulated (deficit)/surplus	
General Takaful	Family Takaful
(2,224)	(34)
11	54
(2,213)	20

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

In thousands of Bahraini Dinars

2018	Share capital	Treasury shares	Statutory reserve	Share premium	Property revaluation reserve	Investment fair value reserve	Retained earnings	Total
At 1 January	11,189	(4)	2,420	4,993	747	1,553	2,610	23,508
Bonus shares issued during the year (Note 16.2)	811	-	-	(811)	-	-	-	-
Profit for the year	-	-	-	-	-	-	2,306	2,306
Transfer to statutory reserve (Note 17)	-	-	231	-	-	-	(231)	-
Change in fair value of investments	-	-	-	-	-	93	-	93
<b>At 31 December</b>	<b>12,000</b>	<b>(4)</b>	<b>2,651</b>	<b>4,182</b>	<b>747</b>	<b>1,646</b>	<b>4,685</b>	<b>25,907</b>
2017	Share capital	Treasury shares	Statutory reserve	Share premium	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 (Note 17)	-	-	10	-	-	-	(10)	-
Change in fair value of investments	-	-	-	-	-	(260)	-	(260)
At 31 December	11,189	(4)	2,420	4,993	747	1,553	2,610	23,508

The notes 1 to 35 on pages 30 to 79 form an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2018**

In thousands of Bahraini Dinars

	Note	2018	2017
<b>OPERATING ACTIVITIES</b>			
Combined profit & surplus for the year		2,576	161
<i>Adjustments for non-cash items:</i>			
Depreciation charge for the year	12	95	10
Provision for employees end of service benefits	15 (b)	30	25
Investment income, net	20	(1,729)	(909)
Provision for impairment in investment securities	20	55	-
Provision for doubtful receivables, net	7.1	36	11
<b>Operating cash flows before working capital changes</b>		<b>1,063</b>	<b>(702)</b>
<i>Changes in operating assets and liabilities:</i>			
Increase in takaful and insurance receivables		(277)	(14)
Decrease/(increase) in retakaful and reinsurance share of technical liabilities		1,163	(2,148)
Decrease in deferred acquisition costs		31	145
(Increase)/decrease in prepayments and other assets		(815)	501
(Decrease)/increase in takaful and insurance technical liabilities		(1,084)	3,111
Decrease in unearned commission reserves		(143)	(147)
(Decrease)/increase in family takaful technical reserves		(11)	155
Increase in takaful and insurance liabilities		726	318
Increase/(decrease) in other liabilities		907	(641)
<b>Working capital changes</b>		<b>497</b>	<b>1,280</b>
Payment towards employees end of service benefits	15 (b)	(65)	(74)
<b>Net cash generated from operating activities</b>		<b>1,495</b>	<b>504</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of equipment	12	(282)	(29)
Purchase of investments		(5,185)	(8,081)
Placements with financial institutions, net		(2,974)	(8,254)
Proceeds from disposal of investments		2,240	8,133
Income earned from investments in placements with financial institutions and investments, net		1,303	247
Cash received on transfer of business, assets and liabilities	33	-	2,377
<b>Net cash used in investing activities</b>		<b>(4,898)</b>	<b>(5,607)</b>
<b>FINANCING ACTIVITY</b>			
Dividends paid during the year		(13)	(26)
<b>Net cash used in financing activity</b>		<b>(13)</b>	<b>(26)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,416)</b>	<b>(5,129)</b>
Cash and cash equivalents at the beginning of the year	4	5,311	10,440
<b>Cash and cash equivalents at the end of the year</b>	4	<b>1,895</b>	<b>5,311</b>
Shareholders' fund		586	2,964
Participants' fund		1,026	875
Conventional insurance (run-off) fund		283	1,472
<b>Cash and cash equivalents at the end of the year</b>	4	<b>1,895</b>	<b>5,311</b>

**Non-cash transactions:**

The stock dividend issued during the year ended 31 December 2018 and 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 30 to 79 form an integral part of the financial statements.

**1 GENERAL INFORMATION**

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

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 2018 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 renewable from the date of the transfer. As the Company transitioned to Takaful Insurance during 2017, 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 2018 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.

**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 2018 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 2018 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 2019 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.

**(c) FAS 33 "Investments in sukuk, shares and similar instruments" (effective 1 January 2020)**

FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Sharia principles. It defines the key types of instruments of Sharia compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

**(d) FAS 34 "Financial reporting for sukuk-holders" (effective 1 January 2020)**

FAS 34 aims to establish the principles of accounting and financial reporting for assets and businesses underlying the sukuk to ensure transparent and fair reporting to all relevant stakeholders, particularly including sukuk-holders.

**(e) FAS 35 "Risk reserves" (effective 1 January 2021)**

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

**2 BASIS OF PREPARATION (CONTINUED)**

**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.

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 comprise of general takaful fund 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.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Summary of significant accounting policies (continued)

(i) *Takaful and retakaful contracts (continued)*

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

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.

**2 BASIS OF PREPARATION (CONTINUED)**

**2.7 Summary of significant accounting policies (continued)**

**(i) Takaful and retakaful contracts (continued)**

**(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.

**(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.

**2 BASIS OF PREPARATION (CONTINUED)**

**2.7 Summary of significant accounting policies (continued)**

**(i) Takaful and retakaful contracts (continued)**

**(l) Commission income and expense (continued)**

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

**(m) 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.

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.

**2 BASIS OF PREPARATION (CONTINUED)**

**2.7 Summary of significant accounting policies (continued)**

**(iv) Investments (continued)**

**(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.

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 gains or loss, if any, shall be recognised in the shareholder's statement of income or participant's 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 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.

**(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.

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

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
Software	3 to 10 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.

**(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.

### 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 the registered actuary.

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**4 CASH AND CASH EQUIVALENTS**

	<b>2018</b>	2017
Cash and bank balances	1,712	3,174
Placements with maturities less than three months	183	2,137
	<b>1,895</b>	<b>5,311</b>

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 3.25% (2017: 1.92%).

**5 PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<b>2018</b>	2017
Placements held with a related party (Note 24.2)	1,502	4,369
Placements held with other financial institutions	14,690	8,849
	<b>16,192</b>	<b>13,218</b>

Placements are held with financial institutions in Bahrain with an original maturity of more than three months with average profit rate of 3.70% (2017: 2.98%).

**6 INVESTMENTS**

	<b>2018</b>	2017
<b>Debt type instruments</b>		
Amortised cost:		
Quoted instruments	15,865	13,139
<b>Equity type instruments</b>		
Fair value through equity:		
Quoted instruments	2,943	2,686
Unquoted instruments	1,650	1,650
	<b>20,458</b>	<b>17,475</b>

Included in investments are BD 1.195 million (2017: nil) held under conventional insurance run-off fund.

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**6 INVESTMENTS (CONTINUED)**

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

	<b>2018</b>	2017
At 1 January	13,139	-
Transferred from SGT (Note 33)	-	8,853
Additions during the year	5,017	7,641
Disposals during the year	(2,343)	(3,342)
Amortisation during the year, net	103	(13)
Provision for impairment during the year	(51)	-
	<b>15,865</b>	<b>13,139</b>
At 31 December		

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

	<b>2018</b>	2017
At 1 January	4,336	6,593
Transferred from SGT (Note 33)	-	1,983
Additions during the year	168	440
Disposals during the year	-	(4,735)
Provision for impairment during the year	(4)	-
Change in fair value, net	93	55
	<b>4,593</b>	<b>4,336</b>
At 31 December		

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

	<b>2018</b>	2017
Quoted equity instruments	2,943	2,686
Unquoted equity instruments	1,650	1,650
	<b>4,593</b>	<b>4,336</b>

## 7 TAKAFUL AND INSURANCE RECEIVABLES

	2018	2017
Due from:		
Participants and policyholders	4,502	3,638
Brokers	1,986	1,599
Takaful and insurance companies in relation to subrogation	4,151	4,545
Takaful/retakaful and insurance/reinsurance companies	821	1,401
	11,460	11,183
Less: provision for doubtful takaful and insurance receivables	(1,031)	(995)
	<b>10,429</b>	<b>10,188</b>

Included in the above insurance receivables are BD 1.948 million (2017: BD 5.017 million) held under conventional insurance run-off fund.

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

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

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

	2018	2017
At 1 January	995	458
Transferred from SGT (Note 33)	-	526
Charge for the year	36	11
At 31 December	<b>1,031</b>	<b>995</b>

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

	<u>Past due but not impaired</u>			Total
	Neither past due nor impaired	181 to 365 days	More than 365 days	
<b>2018</b>	<b>6,041</b>	<b>2,433</b>	<b>1,955</b>	<b>10,429</b>
2017	4,646	2,449	3,093	10,188

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

	2018		2017	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
<b>Gross</b>				
Unearned contributions/premiums	14,612	50	8,774	5,548
Outstanding claims	10,137	5,881	8,097	9,345
	24,749	5,931	16,871	14,893
<b>Retakaful/reinsurance</b>				
Retakaful/reinsurance share of unearned contributions	(7,065)	(40)	(4,116)	(2,989)
Retakaful/reinsurance share of outstanding claims	(4,142)	(2,581)	(3,536)	(4,350)
	(11,207)	(2,621)	(7,652)	(7,339)
<b>Net</b>				
Unearned contributions/premiums	7,547	10	4,658	2,559
Outstanding claims	5,995	3,300	4,561	4,995
	<b>13,542</b>	<b>3,310</b>	9,219	7,554

## 8.1 Unearned contributions/premiums and their retakaful/reinsurance share

	2018		2017	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
<b>Unearned contributions/premiums</b>				
Beginning of the year	8,774	5,548	-	5,942
Transferred from SGT (Note 33)	-	-	7,381	-
Gross contributions/premiums written during the year	29,433	77	2,777	12,997
Gross contributions/premiums earned	(23,595)	(5,575)	(1,384)	(13,391)
Movement in unearned contributions/premiums	5,838	(5,498)	1,393	(394)
<b>End of the year</b>	<b>14,612</b>	<b>50</b>	8,774	5,548
<b>Retakaful/reinsurance unearned contributions/premiums</b>				
Beginning of the year	4,116	2,989	-	2,710
Transferred from SGT (Note 33)	-	-	3,409	-
Retakaful/reinsurance contributions/ premiums ceded during the year	14,126	84	1,401	7,061
Retakaful/reinsurance contributions/premiums incurred	(11,177)	(3,033)	(694)	(6,782)
Movement in retakaful/reinsurance unearned contributions/premiums	2,949	(2,949)	707	279
<b>End of the year</b>	<b>7,065</b>	<b>40</b>	4,116	2,989
<b>Net unearned contributions/premiums</b>	<b>7,547</b>	<b>10</b>	4,658	2,559

## NOTES TO THE FINANCIAL STATEMENTS

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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

	2018		2017	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
<b>Outstanding claims</b>				
At the beginning of the year				
- Claims incurred and reported	7,137	7,893	-	5,977
- Claims incurred but not reported (IBNR)	960	1,452	-	935
	8,097	9,345	-	6,912
Transferred from SGT (incurred and reported) (Note 33)	-	-	7,347	-
Transferred from SGT (IBNR) (Note 33)	-	-	1,071	-
Claims paid during the year	(9,363)	(5,180)	(658)	(7,608)
Claims incurred during the year	11,403	1,716	337	10,041
Movement in outstanding claims	2,040	(3,464)	(321)	2,433
At the end of the year	<b>10,137</b>	<b>5,881</b>	8,097	9,345
Represented by:				
- Claims incurred and reported	8,620	5,602	7,137	7,893
- Claims incurred but not reported (IBNR)	1,517	279	960	1,452
<b>Retakaful/reinsurance share of outstanding claims</b>				
At the beginning of the year				
- Retakaful/reinsurance share of claims incurred and reported	(3,374)	(3,674)	-	(2,730)
- Retakaful/reinsurance share of claims incurred but not reported (IBNR)	(162)	(676)	-	(427)
	(3,536)	(4,350)	-	(3,157)
Transferred from SGT (incurred and reported) (Note 33)	-	-	(3,409)	-
Transferred from SGT (IBNR) (Note 33)	-	-	(158)	-
Claims recovered during the year	2,407	1,326	52	2,554
Retakaful/reinsurance share of claims incurred during the year	(3,013)	443	(21)	(3,747)
Movement in retakaful/reinsurance share outstanding claims	(606)	1,769	31	(1,193)
At the end of the year	<b>(4,142)</b>	<b>(2,581)</b>	(3,536)	(4,350)
Represented by:				
- Retakaful/reinsurance share of claims incurred and reported	(3,923)	(2,563)	(3,374)	(3,674)
- Retakaful/reinsurance share of claims incurred but not reported (IBNR)	(219)	(18)	(162)	(676)
<b>Net outstanding claims</b>				
At the end of the year	<b>5,995</b>	<b>3,300</b>	4,561	4,995
Represented by				
- Net claims incurred and reported	4,697	3,039	3,763	4,219
- Net claims incurred but not reported (IBNR)	1,298	261	798	776

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## 9 DEFERRED ACQUISITION COSTS AND UNEARNED COMMISSION RESERVES

## 9.1 Deferred acquisition costs

	2018		2017	
	Shareholders' fund	Conventional fund – run off	Shareholders' fund	Conventional fund – run off
At 1 January	402	209	-	380
Transferred from SGT (Note 33)	-	-	376	-
Commissions paid during the year	1,284	6	100	471
Commissions incurred during the year	(1,111)	(210)	(74)	(642)
At 31 December	<b>575</b>	<b>5</b>	402	209

## 9.2 Unearned commission reserves

	2018		2017	
	Takaful funds	Conventional fund – run off	Takaful funds	Conventional fund – run off
At 1 January	324	206	-	392
Transferred from SGT (Note 33)	-	-	285	-
Commissions received during the year	776	27	125	419
Commissions earned during the year	(737)	(209)	(86)	(605)
At 31 December	<b>363</b>	<b>24</b>	324	206

The commissions incurred and commissions earned under the conventional insurance (run-off) fund for the year ended 31 December 2018 are BD 210 thousand (2017: 642 thousand) and BD 209 thousand (2017: 605 thousand) respectively. Accordingly, net commissions incurred is BD 1 thousand (2017: BD 37 thousand) for the year ended 31 December 2018.

## 10 PREPAYMENTS AND OTHER ASSETS

	2018	2017
Deposit with Third Party Administrator (TPA)	41	186
Statutory deposit	125	125
Accrued income	426	304
Prepaid expenses and other assets	669	984
Receivable from takaful/conventional funds (Note 15)	2,634	1,055
	<b>3,895</b>	<b>2,654</b>

Included in the above other assets are BD 817 thousand (2017: BD 1,003 thousand) that are held under conventional 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.

	<b>2018</b>	2017
Cash and bank balances	78	119
Other investments	148	211
<b>Total assets under run-off management</b>	<b>226</b>	<b>330</b>
	<b>2018</b>	2017
Unearned contribution and mortality reserves	33	33
Takaful and other payables	114	62
Unit linked reserve	41	195
	188	290
Participants' surplus assets over liabilities	38	40
<b>Total liabilities under run-off management</b>	<b>226</b>	<b>330</b>

## 12 PROPERTY AND EQUIPMENT

## 2018

	Land and building	Furniture, fixtures office and computer equipment	Motor vehicles	Total
<b>Cost</b>				
At 1 January	853	1,209	17	2,079
Additions	-	282	-	282
At 31 December	853	1,491	17	2,361
<b>Accumulated depreciation</b>				
At 1 January	53	1,092	10	1,155
Charge for the year	-	91	4	95
At 31 December	53	1,183	14	1,250
<b>Net book amount</b>				
At 31 December	<b>800</b>	<b>308</b>	<b>3</b>	<b>1,111</b>

## 2017

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

**13 FAMILY TAKAFUL TECHNICAL RESERVE**

	<b>2018</b>	2017
At 1 January	3,578	-
Transferred from SGT (Note 33)	-	3,427
Refund during the year	(114)	(4)
Net increase during the year	103	155
At 31 December	<b>3,567</b>	3,578

**14 TAKAFUL AND INSURANCE PAYABLES**

	<b>2018</b>	2017
Due to participants and policyholders	732	1,316
Due to Takaful and insurance companies	3,782	2,625
Due to garages	949	796
	<b>5,463</b>	4,737

Included in the above takaful and insurance payables are BD 506 thousand (2017: BD 1,722 thousand) that are held under conventional run-off fund.

**15 OTHER LIABILITIES**

	<b>2018</b>	2017
Unclaimed dividends	392	405
Employees' end of service benefits	170	205
Accrued expenses and other payables	1,111	1,783
Payable to takaful/conventional funds (Note 10)	2,634	1,055
	<b>4,307</b>	3,448

Included in the above other liabilities are BD 722 thousand (2017: BD 970 thousand) that are held under conventional 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 2018 amounted to BD 116 thousand (2017: BD 89 thousand).

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

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

	<b>2018</b>	2017
At 1 January	205	155
Transferred from SGT (Note 33)	-	99
Charge for the year	30	25
Payments during the year	(65)	(74)
At 31 December	<b>170</b>	205
Total number of staff employed by the Company	<b>129</b>	123

**16 SHARE CAPITAL****16.1 Authorised**

Authorised shares of 150,000,000 at BD 0.100 each  
(2017: 120,000,000 shares of BD 0.100 each)

<b>Number of shares (thousands)</b>	<b>Share capital</b>
150,000	15,000

**16.2 Issued and fully paid**

At 1 January 2017

At 31 December 2017

At 1 January 2018

Bonus shares issued during the year

At 31 December 2018

<b>Number of shares (thousands)</b>	<b>Share capital</b>
61,886	6,189
111,886	11,189
111,886	11,189
8,114	811
120,000	12,000

The Company's total issued and fully paid share capital at 31 December 2018 comprises 120,000,000 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 2018 and 2017 are as follows:

31 December 2018			
Nationality	Number of shares	Percentage of holding interest	
Solidarity Group Holding B.S.C (c)	Bahrain	101,005,461	84.17%
Others	Various	18,994,539	15.83%
		120,000,000	100%

31 December 2017			
Nationality	Number of shares	Percentage of holding interest	
Solidarity Group Holding B.S.C (c)	Bahrain	94,176,357	84.17%
Others	Various	17,710,276	15.83%
		111,886,633	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 2018 and 2017 is set out below:

31 December 2018			
Number of shareholders	Number of shares	Percentage of total Outstanding Shares	
Less than 1%	2,195	14,562,173	12.14%
More than 1% up to less than 5%	2	4,432,366	3.69%
More than 5%	1	101,005,461	84.17%
	<b>2,198</b>	<b>120,000,000</b>	<b>100.00%</b>

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

- (c) The distribution of the Company's equity shares, i.e. the number of holders and their percentage shareholding as at 31 December 2018 and 2017 is set out below (continued):

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%

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

<u>Name of the directors</u>	Number of shares	
	2018	2017
Ashraf Adnan Bseisu (effective 27 December 2017)	26,812	25,000
Sharif Ahmadi	116,986	109,077
	<b>141,986</b>	<b>134,077</b>

Mr. Ashraf Adnan Bseisu holds 26,812 shares on behalf of and for the beneficial interest of Solidarity Group Holding B.S.C (c).

Mr. Jawad Mohammed (Chief Executive Officer) holds 26,812 shares on behalf of and for the beneficial interest of Solidarity Group Holding B.S.C (c).

**16.4 Treasury shares**

The Company owned its own shares amounting to BD 4 thousand at 31 December 2018 (2017: 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 231 thousand to the statutory reserve for the year ended 31 December 2018 (2017: BD 10 thousand).

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## 18 BASIC AND DILUTED EARNINGS PER SHARE

	2018	2017
Net profit for the year	2,306	96
Weighted average number of shares outstanding	119,950,219	66,051,633
Basic and diluted earnings per 100 fils share	<b>19.22 fils</b>	1.45 fils

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 for the year ended 31 December 2018 is 22.00% (2017: 22.52%) for the general takaful fund and 25% (2017: 24.40%) for family takaful fund of the overall gross contributions. The actual Wakala fees charged for the year ended 31 December 2018 is 17.27% (2017: 18.55%) for general takaful fund and 24.91% (2017: 23.96%) for family takaful fund.

## 20 INVESTMENT INCOME, NET

	2018	2017
Income from placements	548	225
Income from debt instruments	552	214
Income from equity instruments	623	507
Amortisation during the year, net	103	(13)
Provision for impairment on equity instruments	(51)	-
Provision for impairment on debt instruments	(4)	-
Investment management expenses	(20)	(19)
<b>Net investment income</b>	<b>1,751</b>	<b>914</b>
Mudarib share*	(77)	(5)
	<b>1,674</b>	<b>909</b>
Shareholders' fund investment income	1,444	893
General takaful fund investment income	122	7
Family takaful fund investment income	108	9
	<b>1,674</b>	<b>909</b>

*\*Mudarib share*

The shareholders manage the participants' investments and charge 25% for the year ended 31 December 2018 (2017: 25%) of the investment income earned by takaful funds as mudarib share, as approved by the Shari'a Supervisory Board. Mudarib share has been included in shareholders' 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.

2018	Participants' fund revenues and expenses		Conventional run-off fund revenues and expenses	
	Gross of retakaful	Net of retakaful	Gross of reinsurance	Net of reinsurance
Expense rate				
1 percent increase	104	134	428	423
1 percent decrease	436	406	462	467
Expected loss ratio				
1 percent increase	156	186	428	423
1 percent decrease	384	354	462	467

2017	Participants' fund revenues and expenses		Conventional run-off fund revenues and expenses	
	Gross of retakaful	Net of retakaful	Gross of reinsurance	Net of reinsurance
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

## 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 & engineering takaful indemnifies, subject to any limits or excesses, the participant against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Claims are generally notified promptly and can be settled without delay. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
General accident & liability	Under general accident & liability contracts, compensation is paid for injury suffered by individuals, including employees or members of public.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage, the policy provisions and the jurisdiction in which the contract is written. Typically, liability damage claims take a long period of time to finalise and settle. Estimating claims provisions for these claims involves uncertainties such as the reporting lag, the number of parties involved in the claim, whether the insured event is over multiple time periods and the potential amounts of the claim. The majority of bodily injury claims are decided based on the laws in force and court judgement, and are settled within two – three years.
Motor	Motor takaful contracts provide cover in respect of participants' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor takaful contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. Exposure to third party bodily injury is unlimited in accordance with statutory requirements.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in adverse weather conditions. The number of claims is also correlated with the economic activity, which affects the amount of traffic activity. The majority of bodily injury claims are decided based on the laws in force and court judgement, and are settled within two – three years.
Directors' & officers' liability	Directors' & Officers Liability Contracts indemnify directors for their wrongful and negligent act in 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. This permits contribution revisions to respond 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	Group life contracts cover the life of the employees of an organization. The benefits covered include death, partial and permanent disablement.	Claims are generally notified promptly and can be settled without delay. The dominant product style is an annually renewable takaful contract. This permits contribution revisions to respond reasonably quickly to adverse claims experience.
Mortgage (DTA)	Mortgage DTA contracts indemnify financing institutions for the value of the loan availed by a participant and takaful protection to participants. Exposure occurs on death, critical illness and total permanent disability.	Claims reporting lags are minor and claim complexity is relatively low. The amount of claim is limited to the reducing balance based on policy amortization schedule and sum assured against takaful protection policies. The majority of critical illness and total permanent disability claims are decided based on medical judgement, and are settled within six months.

## 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.

2018		Non-Motor	Motor	Medical	Group Life	Family takaful	Total
Geographical area							
Bahrain & GCC:							
Gross		6,617	10,492	10,842	1,559	562	30,072
Net of retakaful		586	10,129	4,075	510	31	15,331
2017							
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

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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	2014 and Prior	2015	2016	2017	2018	Total
Estimate of ultimate claims costs:						
At end of reporting year	48,317	10,543	10,539	10,585	12,026	12,026
One year later	48,085	10,191	10,486	9,238		9,238
Two years later	48,025	10,215	11,592			11,592
Three years later	48,033	9,854				9,854
Four years later	48,011					48,011
Current estimate of cumulative claims	48,011	9,854	11,592	9,238	12,026	90,721
Cumulative payments to date	(46,850)	(9,467)	(10,954)	(7,812)	(5,501)	(80,584)
<b>Total reserves included in the statement of financial position</b>	<b>1,161</b>	<b>387</b>	<b>638</b>	<b>1,426</b>	<b>6,525</b>	<b>10,137</b>

## (b) Takaful claims – Net

Accident year	2014 and Prior	2015	2016	2017	2018	Total
Estimate of ultimate claims costs:						
At end of reporting year	26,386	6,693	6,312	6,446	8,957	8,957
One year later	26,048	5,959	5,898	6,123		6,123
Two years later	25,887	5,936	5,748			5,748
Three years later	25,962	5,790				5,790
Four years later	26,015					26,015
Current estimate of net cumulative claims	26,015	5,790	5,748	6,123	8,957	52,633
Cumulative net payments to date	(25,413)	(5,610)	(5,396)	(5,445)	(4,774)	(46,638)
<b>Total net reserves included in the statement of financial position</b>	<b>602</b>	<b>180</b>	<b>352</b>	<b>678</b>	<b>4,183</b>	<b>5,995</b>

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

<b>Accident year</b>	<b>2014 and Prior</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Estimate of ultimate claims costs:						
At end of reporting year	15,870	6,890	10,698	10,690	3,285	3,285
One year later	14,408	6,545	10,360	9,660		9,660
Two years later	14,400	6,629	10,137			10,137
Three years later	14,290	6,576				6,576
Four years later	14,025					14,025
Current estimate of cumulative claims	14,025	6,576	10,137	9,660	3,285	43,683
Cumulative payments to date	(12,989)	(6,210)	(9,384)	(7,207)	(2,012)	(37,802)
<b>Total reserves included in the statement of financial position</b>	<b>1,036</b>	<b>366</b>	<b>753</b>	<b>2,453</b>	<b>1,273</b>	<b>5,881</b>

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

<b>Accident year</b>	<b>2014 and Prior</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Estimate of ultimate claims costs:						
At end of reporting year	10,068	4,822	7,737	6,521	2,727	2,727
One year later	9,144	4,692	7,601	6,140		6,140
Two years later	9,159	4,718	7,370			7,370
Three years later	8,908	4,761				4,761
Four years later	8,867					8,867
Current estimate of net cumulative claims	8,867	4,761	7,370	6,140	2,727	29,865
Cumulative net payments to date	(8,390)	(4,466)	(7,059)	(4,962)	(1,688)	(26,565)
<b>Total net reserves included in the statement of financial position</b>	<b>477</b>	<b>295</b>	<b>311</b>	<b>1,178</b>	<b>1,039</b>	<b>3,300</b>

## **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 the 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 shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The 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 the solvency margin requirements 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 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 Risk Management Committee, which is responsible for implementing and monitoring the Company's risk management policies. The Committee reports regularly to the Company's Board Audit and Risk Committee on its activities.

The Company'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 Company, 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 and Risk 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 and Risk Committee is assisted in its oversight role by Company's Internal Audit.

**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:

	<b>2018</b>	2017
Cash and cash equivalents	1,895	5,311
Placements with financial institutions	16,192	13,218
Investments	15,865	13,139
Takaful and insurance receivables	10,429	10,188
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	6,486	7,048
Other assets	1,261	1,599
	<b>52,128</b>	<b>50,503</b>

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## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 23.2 Credit risk (continued)

(iii) Analysis of receivable from takaful and retakaful operators:

2018	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Provision for doubtful takaful and insurance receivables	Total
Takaful and insurance receivables	6,041	4,388	1,031	(1,031)	10,429
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	6,486	-	-	-	6,486
	<b>12,527</b>	<b>4,388</b>	<b>1,031</b>	<b>(1,031)</b>	<b>16,915</b>

2017	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Provision for doubtful takaful and insurance receivables	Total
Takaful and insurance receivables	4,646	5,542	995	(995)	10,188
Retakaful/reinsurance share of outstanding claims (excluding IBNR)	7,048	-	-	-	7,048
	<b>11,694</b>	<b>5,542</b>	<b>995</b>	<b>(995)</b>	<b>17,236</b>

(iv) Age analysis (Takaful and insurance receivables)

	2018		2017	
	Gross	Provisions	Gross	Provisions
0 to 6 months	6,041	-	4,646	-
6 to 12 months	2,433	-	2,449	-
More than 12 months	2,986	1,031	4,088	995
	<b>11,460</b>	<b>1,031</b>	<b>11,183</b>	<b>995</b>

**23.3 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.

**23 FINANCIAL RISK MANAGEMENT (CONTINUED)****23.3 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
<b>2018</b>		
Takaful and insurance technical liabilities	30,680	30,680
Takaful and insurance payables	5,463	5,463
Other liabilities	1,673	1,673
	<b>37,816</b>	<b>37,816</b>

	Contractual undiscounted cash flows	
	Carrying amount	Total cash outflows
<b>2017</b>		
Takaful and insurance technical liabilities	31,764	31,764
Takaful and insurance payables	4,737	4,737
Other liabilities	2,393	2,393
	<b>38,894</b>	<b>38,894</b>

## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 23.4 Market risks

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices which will affect the value of the 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.

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.

**23 FINANCIAL RISK MANAGEMENT (CONTINUED)****23.4 Market risks (continued)***(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. Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company has an unquoted equity investment carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired and then the income statement will be impacted.

*(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.

<b>2018</b>	<b>Combined profit and surplus</b>	<b>Equity</b>
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	<b>2,880</b>	<b>2,880</b>
- 100 basis points shift in yield curves	<b>2,272</b>	<b>2,272</b>
<b>2017</b>	<b>Combined profit and surplus</b>	<b>Equity</b>
<i>Profit rate risk</i>		
+ 100 basis points shift in yield curves	308	308
- 100 basis points shift in yield curves	14	14

**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 (2017: nil). Sitting fees paid to the members of the Committees of the Board of Directors amounting BD 37 thousand (2017: BD 41 thousand) and salaries and benefits paid to key members of management amounting to BD 370 thousand (2017: BD 171 thousand). End of service benefits due to key management personnel as at 31 December 2018 amounting to BD 85 thousand (2017: BD 131 thousand).

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

	<b>2018</b>	<b>2017</b>
<i>Gross contributions:</i>		
Parent company	<b>15</b>	-
Entities under common control	<b>1,844</b>	80
<i>Retakaful contributions:</i>		
Entities under common control	<b>20</b>	1
<i>Income from placements:</i>		
Entities under common control	<b>105</b>	36
<i>Gross paid claims:</i>		
Entities under common control	<b>209</b>	35

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

<b>b) Balances</b>	<b>2018</b>	2017
<i>Payables:</i>		
<i>Entities under common control</i>	<b>77</b>	80
<i>Placements with financial institutions:</i>		
<i>Entities under common control</i>	<b>1,502</b>	4,369
<i>Receivables:</i>		
<i>Parent company</i>	<b>226</b>	93
<i>Entities under common control</i>	-	2
<i>Claims outstanding:</i>		
<i>Entities under common control</i>	<b>466</b>	730
<i>Cash and cash equivalents:</i>		
<i>Entities under common control</i>	<b>544</b>	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 (2017: BD nil) realised during the year from transactions which are not permitted by Sharia Supervisory Board.

**27 ZAKAH**

Zakah of BD 589 thousand (2017: BD 526 thousand) at the rate of 4.9 fils (2017: 4.7 fils) 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, Aviation and engineering lines of business.
- Motor.
- Medical.
- Group Life which includes group life and credit life business.
- Family Takaful which includes long term decreasing term and level term business.

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

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**28 SEGMENTAL INFORMATION (CONTINUED)**

	2018					2017						
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
<b>Takaful/conventional revenues</b>												
Gross contributions/premiums	6,617	10,492	10,842	1,559	562	30,072	3,886	6,583	5,078	227	96	15,870
Retakaful/reinsurance contributions/premiums	(6,031)	(363)	(6,767)	(1,049)	(531)	(14,741)	(3,617)	(463)	(4,175)	(207)	(44)	(8,506)
<b>Retained contributions/premiums</b>	<b>586</b>	<b>10,129</b>	<b>4,075</b>	<b>510</b>	<b>31</b>	<b>15,331</b>	<b>269</b>	<b>6,120</b>	<b>903</b>	<b>20</b>	<b>52</b>	<b>7,364</b>
Movement in unearned contributions/premiums, net	(98)	(71)	(153)	(18)	-	(340)	(20)	181	(165)	(9)	-	(13)
<b>Net contributions/premiums earned</b>	<b>488</b>	<b>10,058</b>	<b>3,922</b>	<b>492</b>	<b>31</b>	<b>14,991</b>	<b>249</b>	<b>6,301</b>	<b>738</b>	<b>11</b>	<b>52</b>	<b>7,351</b>
Commission income/(expense)	768	27	2	-	-	797	326	(195)	(89)	31	-	73
Movement in unearned commission, net	22	(51)	(62)	30	-	(61)	12	(47)	5	6	-	(24)
Profit commission and other income	80	84	82	24	364	634	5	99	74	30	152	360
<b>Net commission earned/(incurred)</b>	<b>870</b>	<b>60</b>	<b>22</b>	<b>54</b>	<b>364</b>	<b>1,370</b>	<b>343</b>	<b>(143)</b>	<b>(10)</b>	<b>67</b>	<b>152</b>	<b>409</b>
<b>Total takaful/conventional revenues</b>	<b>1,358</b>	<b>10,118</b>	<b>3,944</b>	<b>546</b>	<b>395</b>	<b>16,361</b>	<b>592</b>	<b>6,158</b>	<b>728</b>	<b>78</b>	<b>204</b>	<b>7,760</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2018**

In thousands of Bahraini Dinars

**28 SEGMENTAL INFORMATION (CONTINUED)**

	2018						2017					
	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total	Non-Motor (*)	Motor	Medical	Group Life	Family Takaful	Total
<b>Takaful/conventional expenses</b>												
Gross claims paid	2,741	8,172	2,913	684	33	14,543	1,038	5,385	1,317	526	-	8,266
Claims recovered from retakaful/reinsurance and others	(2,535)	(313)	(364)	(507)	(14)	(3,733)	(933)	(398)	(802)	(473)	-	(2,606)
<b>Net claims paid</b>	<b>206</b>	<b>7,859</b>	<b>2,549</b>	<b>177</b>	<b>19</b>	<b>10,810</b>	105	4,987	515	53	-	5,660
Movement in outstanding claims – gross	(1,054)	(821)	340	(252)	363	(1,424)	1,268	1,263	(311)	(45)	(63)	2,112
Movement in outstanding claims – retakaful	1,186	129	60	95	(307)	1,163	(1,254)	(176)	213	11	44	(1,162)
<b>Net claims incurred/(recovered)</b>	<b>338</b>	<b>7,167</b>	<b>2,949</b>	<b>20</b>	<b>75</b>	<b>10,549</b>	119	6,074	417	19	(19)	6,610
Transfer to family takaful technical reserve	-	-	-	-	103	103	-	-	-	-	155	155
<b>Technical surplus</b>	<b>1,020</b>	<b>2,951</b>	<b>995</b>	<b>526</b>	<b>217</b>	<b>5,709</b>	473	84	311	59	68	995
<b>Identifiable assets</b>	<b>6,858</b>	<b>6,782</b>	<b>3,527</b>	<b>956</b>	<b>590</b>	<b>18,713</b>	7,060	3,070	3,652	1,015	129	14,926
<b>Identifiable liabilities</b>	<b>8,264</b>	<b>15,504</b>	<b>6,025</b>	<b>1,089</b>	<b>4,390</b>	<b>35,272</b>	8,056	17,501	5,679	1,327	3,764	36,327

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

Assets amounting to BD 49.90 million (2017: BD 50.78 million) and liabilities amounting to 9.36 million (2017: BD 8.06 million) are not specifically identifiable.

**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
<b>31 December 2018</b>				
<b>Investments at fair value</b>	2,943	-	1,650	4,593
	<b>2,943</b>	<b>-</b>	<b>1,650</b>	<b>4,593</b>
31 December 2017				
Investments at fair value	2,686	-	1,650	4,336
	2,686	-	1,650	4,336

No transfers out of, or into, the level 3 measurement classification occurred during the year ended 31 December 2018 (31 December 2017: nil).

**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:

<b>2018</b>	<b>Fair value through equity</b>	<b>Held-to-maturity</b>	<b>Loans and receivables</b>	<b>Total carrying value</b>	<b>Fair value</b>
Cash and cash equivalents	-	-	1,895	1,895	1,895
Placements with financial institutions	-	-	16,192	16,192	16,192
Investments	4,593	15,865	-	20,458	19,738
Takaful and insurance receivables	-	-	10,429	10,429	10,429
Retakaful and reinsurance share of technical liabilities	-	-	13,591	13,591	13,591
Other assets	-	-	1,261	1,261	1,261
<b>Total financial assets</b>	<b>4,593</b>	<b>15,865</b>	<b>43,368</b>	<b>63,826</b>	<b>63,106</b>
Takaful and insurance technical liabilities	-	-	28,883	28,883	28,883
Takaful and insurance payables	-	-	5,463	5,463	5,463
Other liabilities	-	-	1,673	1,673	1,673
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>36,019</b>	<b>36,019</b>	<b>36,019</b>
<b>2017</b>	<b>Fair value through equity</b>	<b>Held-to-maturity</b>	<b>Loans and receivables</b>	<b>Total carrying value</b>	<b>Fair value</b>
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	-	-	14,152	14,152	14,152
Other assets	-	-	1,599	1,599	1,599
<b>Total financial assets</b>	<b>4,336</b>	<b>13,139</b>	<b>44,468</b>	<b>61,909</b>	<b>61,909</b>
Takaful and insurance technical liabilities	-	-	29,352	29,352	29,352
Takaful and insurance payables	-	-	4,737	4,737	4,737
Other liabilities	-	-	2,393	2,393	2,393
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>36,482</b>	<b>36,482</b>	<b>36,482</b>

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

**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 required is as follows:

	<b>2018</b>	2017
Margin required for Conventional Insurance run-off fund	1,228	1,384
Margin required for Family Takaful fund	590	574
Margin required for General Takaful fund	2,967	500
Total margin required	4,785	2,458
Capital available to cover solvency margin	<b>15,069</b>	12,062
Excess capital	<b>10,284</b>	9,604

**31 CONTINGENT LIABILITIES AND COMMITMENTS**

The Company is a defendant in a number of cases brought by policyholders and third parties 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 year ended 31 December 2018 (2017: nil).

**32 SUBSEQUENT EVENTS**

There were no significant events subsequent to 31 December 2018 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:

	<b>Shareholders' Fund</b>	<b>General Takaful Fund</b>	<b>Family Takaful Fund</b>	<b>Total</b>
<b>Assets</b>				
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
	<b>11,190</b>	<b>16,780</b>	<b>3,854</b>	<b>31,824</b>

## 33 TRANSFER OF BUSINESS (CONTINUED)

Less: Liabilities and participants funds assumed	Shareholders ' Fund	General Takaful Fund	Family Takaful Fund	Family Takaful Fund
<b>Liabilities</b>				
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
	<b>1,197</b>	<b>19,004</b>	<b>3,888</b>	<b>24,089</b>
<b>Participants' funds transferred to AAIC</b>	<b>-</b>	<b>(2,224)</b>	<b>(34)</b>	<b>(2,258)</b>
<b>NET ASSETS</b>	<b>9,993</b>	<b>-</b>	<b>-</b>	<b>9,993</b>
Identifiable net assets acquired	9,993	-	-	9,993
Fair value of the share issued to SGT shareholder	12,000	-	-	12,000
<b>Goodwill arising on acquisition</b>	<b>2,007</b>	<b>-</b>	<b>-</b>	<b>2,007</b>

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**

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

## 33 TRANSFER OF BUSINESS (CONTINUED)

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

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

## 33 TRANSFER OF BUSINESS (CONTINUED)

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

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

## 34 DIRECTORS' REMUNERATION AND DIVIDENDS

*Directors' remuneration***Proposed by the Board of Directors**

The Board of Directors of the Company propose to pay BD 52,500 towards directors' remuneration apart from the regular sitting fees for the year ended 31 December 2018 (2017: nil). This is subject to the approval of shareholders in the Annual General Meeting.

*Dividends***Declared and paid**

Stock dividend amounted to BD 811 thousand (7.25% of the paid up capital) was declared and paid in 2018 for the year ended 31 December 2017 (2016: Nil).

**34 DIRECTORS' REMUNERATION AND DIVIDENDS (CONTINUED)**  
*Dividends (continued)*

*Proposed by the Board of Directors*

The Board of Directors of the Company proposes to pay cash dividend of 12.5% of the paid up capital for the year ended 31 December 2018 (2017: Stock dividend of 7.25% of the paid up capital). 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 comparative results of General Takaful and Family Takaful funds (as disclosed on page 26) represent the one-month operation of the Company post conversion. The comparative 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 and the comparative results of 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. 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.