



Dear Shareholders,

Assalamu alaikum wa rahamatullahi wa Barakatuh!
(May the Peace, Mercy and Blessing of Allah be with you!)

On behalf of the Board of Directors, it gives me great pleasure to report below on the performance of your company for the period ending on 31st March 2018.

Operating Environment

The economic environment continues to be difficult. Despite this your company has been able to show a growth of 2% in the Gross Written Contributions compared to the corresponding period last year. The company achieved a Gross Written Premium of RO 7.99 million during first quarter of 2018 as against RO 7.85 million during same period of 2017.

Results from Operations

Your company continues in its path of stable growth with strong reserves. And at the same time keeping a tight control on operating expenses. This has reflected in the Surplus from Takaful operations during the quarter ending March 2018 with an underwriting surplus of RO 1.10 million against a Management expenses of RO 1.02 million (March 2017: - Surplus of RO 1.03 million & Management Expense of RO 0.99 million).

Investment Income

Investment income was in-line with budget despite weak economic sentiments. The company continues to monitor its investment book well while ensuring that all the investments are diversified and constantly monitored for Shariah' Compliance. Despite the continuing pressure on the stock markets due to the oil prices, the company has been prudently managing its investments and has earned an Investment Income of RO 319 K as at March 2018 (March 2017:- RO 261K). The company will continue to look at growing investment opportunities within the Islamic Finance space for growing the Investment Income in line with the company's risk appetite.

Shareholders' profit

In spite of the economic environments affecting the insurance and stock markets, the company reports a profit attributable to the shareholders of RO 792K, compared to RO 786K for the corresponding period in 2017.

Risk Management

Your company constantly evaluates its risks associated with the insurance business as well as its Investments and adopts necessary measures to manage these risks. Your Company is now adopting the Enterprise Risk Management Framework to measure and mitigate the risks.

Company's Outlook & Vision

Your Company continues to maintain its excellent track record of having always been in compliance with the Omanization requirements. Your company continuously seeks ways to introduce new kinds of products and schemes to enhance the quality and reach of customer service as well as to improve income streams.

Your company continues to invest in Information Technology (IT). Several new projects are under development and these are expected to bring further efficiency in operations and will enhance customer experience.

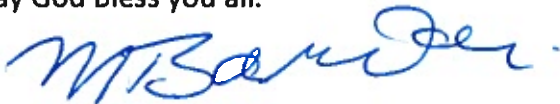
Your company continues to demonstrate a disciplined approach in Underwriting and exercises effective control on cost. It endeavors to constantly improve its customer service by way of higher efficiency and increased productivity

Acknowledgements

On behalf of the Board, we extend our thanks to our customers, business partners, shareholders and staff members for their support. We also thank and appreciate the Capital Market Authority for their constant support and their initiatives oriented towards the Insurance Market, with special emphasis on the development of Takaful Insurance in the country.

We extend our gratitude and appreciation to His Majesty Sultan Qaboos Bin Said for his vision and leadership.

May God Bless you all.



Dr. Mohammed Ali Al Barwani
Chairman of the Board.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	Shareholders' fund		Participants' fund						Grand total	
				General takaful		Family takaful		Total participants' fund			
		Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
ASSETS											
Cash and bank balances	5	1,286,454	1,554,510	682,364	2,376,372	73,117	495,020	755,481	2,871,392	2,041,935	4,425,902
Investments carried at fair value through profit or loss	7	2,127,270	2,098,401	-	-	-	-	-	-	2,127,270	2,098,401
Takaful balance receivable	8	-	-	10,875,217	10,248,311	806,379	1,058,122	11,681,596	11,306,433	11,681,596	11,306,433
Retakaful / reinsurance balance receivable	8	-	-	448,193	531,791	140,241	181,449	588,434	713,240	588,434	713,240
Receivable from shareholders' fund		-	-	239,412	1,208,484	-	-	239,412	1,208,484	239,412	1,208,484
Receivable from participants' fund	9	1,240,834	1,638,393	-	-	-	-	-	-	1,240,834	1,638,393
Receivable from family takaful		-	-	1,146,763	971,948	-	-	1,146,763	971,948	1,146,763	971,948
Due from retakaful / reinsurance companies in connection with takaful liabilities	10	-	-	75,953,327	116,085,145	1,729,602	1,351,180	77,682,929	117,436,325	77,682,929	117,436,325
Deferred policy acquisition cost	11	-	-	714,770	702,786	102,733	103,974	817,503	806,760	817,503	806,760
Other receivables and takaful assets	12	1,244,984	924,023	484,228	419,630	171,363	132,025	655,591	551,655	1,900,575	1,475,678
Investments at fair value through equity	13	2,067,537	1,820,153	-	-	-	-	-	-	2,067,537	1,820,153
Bank deposits	6	4,781,500	4,781,500	5,476,416	3,476,416	947,084	947,084	6,423,500	4,423,500	11,205,000	9,205,000
Investments carried at amortised cost	14	4,987,476	4,989,600	-	-	-	-	-	-	4,987,476	4,989,600
Deferred tax asset		170,116	165,616	-	-	-	-	-	-	170,116	165,616
Investment in real estate	15	6,391,733	6,391,733	-	-	-	-	-	-	6,391,733	6,391,733
Property and equipment	16	1,042,886	1,080,640	-	-	-	-	-	-	1,042,886	1,080,640
Total assets		25,340,790	25,444,569	96,020,690	136,020,883	3,970,519	4,268,854	99,991,209	140,289,737	125,331,999	165,734,306

The notes on pages 8 to 22 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 (CONTINUED)

	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	General takaful		Family takaful		Total participants' fund		Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
				Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO		
LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY											
LIABILITIES											
Takaful liabilities	10	-	-	88,964,011	128,194,278	2,233,688	1,795,063	91,197,699	129,989,341	91,197,699	129,989,341
Unearned retakaful commission	18	-	-	49,796	51,486	-	-	49,796	51,486	49,796	51,486
Retakaful/reinsurance payables		-	-	5,777,396	6,010,876	859,374	1,346,424	6,636,770	7,357,300	6,636,770	7,357,300
Accounts and other payables		1,509,141	687,196	2,206,464	2,397,120	457,764	329,037	2,664,228	2,726,157	4,173,369	3,413,353
Charity fund payable		20,047	20,047	-	-	-	-	-	-	20,047	20,047
Payable to shareholders	9	-	-	1,186,093	1,183,956	54,741	454,437	1,240,834	1,638,393	1,240,834	1,638,393
Payable to participants' fund - general takaful		239,412	1,208,484	-	-	1,146,763	971,948	1,146,763	971,948	1,386,175	2,180,432
Employees' end of service benefits		342,598	318,622	-	-	-	-	-	-	342,598	318,622
Total liabilities		2,111,198	2,234,349	98,183,760	137,837,716	4,752,330	4,896,909	102,936,090	142,734,625	105,047,288	144,968,974
PARTICIPANTS' FUND											
Deficit in participants' fund		-	-	(5,651,120)	(4,672,388)	(913,820)	(754,599)	(6,564,940)	(5,426,987)	(6,564,940)	(5,426,987)
Contingency reserve	17	-	-	3,488,050	2,855,555	132,009	126,544	3,620,059	2,982,099	3,620,059	2,982,099
Total participants' fund		-	-	(2,163,070)	(1,816,833)	(781,811)	(628,055)	(2,944,881)	(2,444,888)	(2,944,881)	(2,444,888)
SHAREHOLDERS' EQUITY											
Capital and reserves											
Share capital		17,500,000	17,500,000	-	-	-	-	-	-	17,500,000	17,500,000
Share premium		1,380,151	1,380,151	-	-	-	-	-	-	1,380,151	1,380,151
Legal reserve		916,534	837,275	-	-	-	-	-	-	916,534	837,275
Investment fair value reserve		75,678	148,901	-	-	-	-	-	-	75,678	148,901
Property fair value reserve		123,949	123,949	-	-	-	-	-	-	123,949	123,949
Retained earnings		3,233,280	3,219,944	-	-	-	-	-	-	3,233,280	3,219,944
Total shareholders' equity		23,229,592	23,210,220	-	-	-	-	-	-	23,229,592	23,210,220
Total liabilities, participants' fund and shareholders' equity		25,340,790	25,444,569	96,020,690	136,020,883	3,970,519	4,268,854	99,991,209	140,289,737	125,331,999	165,734,306

Director

Director

The notes on pages 8 to 22 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

	Note	General takaful		Family takaful		Total	
		Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Takaful revenue							
Gross contributions		7,443,741	7,259,128	546,535	591,663	7,990,276	7,850,791
Retakaful/reinsurance share		(3,107,971)	(3,226,573)	(391,921)	(408,889)	(3,499,892)	(3,635,462)
Retained contributions		4,335,770	4,032,555	154,614	182,774	4,490,384	4,215,329
Movement in unearned contributions reserve		(136,440)	(317,431)	(49,787)	(48,965)	(186,227)	(366,396)
Net earned contributions		4,199,330	3,715,124	104,827	133,809	4,304,157	3,848,933
Income earned from retakaful contracts	18	40,594	142,178	-	3,971	40,594	146,149
		4,239,924	3,857,302	104,827	137,780	4,344,751	3,995,082
Takaful expenses							
Gross claims settled	19	(20,814,221)	(2,530,476)	(533,047)	(274,200)	(21,347,268)	(2,804,676)
Claims recovered from retakaful/reinsurance	19	18,934,322	808,209	433,970	233,532	19,368,292	1,041,741
Net claims settled		(1,879,899)	(1,722,267)	(99,077)	(40,668)	(1,978,976)	(1,762,935)
Net movement in outstanding claims		(765,109)	(733,082)	(10,416)	(81,945)	(775,525)	(815,027)
Net claims incurred	19	(2,645,008)	(2,455,349)	(109,493)	(122,613)	(2,754,501)	(2,577,962)
Commission expense		(396,139)	(363,830)	(28,662)	(35,163)	(424,801)	(398,993)
		(3,041,147)	(2,819,179)	(138,155)	(157,776)	(3,179,302)	(2,976,955)
		1,198,777	1,038,123	(33,328)	(19,996)	1,165,449	1,018,127
Takaful income		19,527	25,623	132	95	19,659	25,718
Provision for impairment of receivable		(30,000)	-	-	-	(30,000)	-
Takaful expense		(63,258)	(13,837)	(16,904)	-	(80,162)	(13,837)
Surplus / (deficit) from takaful operations		1,125,046	1,049,909	(50,100)	(19,901)	1,074,946	1,030,008
Investment income – net		38,810	24,094	12,559	243	51,369	24,337
Mudarib share	20	(21,345)	(13,252)	(6,908)	(134)	(28,253)	(13,386)
Wakala fees	20	(1,488,748)	(1,451,826)	(109,307)	(118,332)	(1,598,055)	(1,570,158)
Deficit from takaful operations		(346,237)	(391,075)	(153,756)	(138,124)	(499,993)	(529,199)

The notes on pages 8 to 22 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

	Note	Shareholders' fund	
		Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Investment income (net)	21	268,318	237,087
Wakala fees	20	1,598,055	1,570,158
Mudarib share	20	28,253	13,386
		<u>1,894,626</u>	<u>1,820,631</u>
General and administrative expenses		(1,024,919)	(989,725)
Other income		104	368
		<u>(1,024,815)</u>	<u>(989,357)</u>
Profit before tax		869,811	831,274
Taxation		(77,216)	(45,000)
Profit for the period		792,595	786,274
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of investments at fair value through equity		(73,223)	(72,490)
Total comprehensive income for the period		719,372	713,784
Earnings per share - basic and diluted	24	0.004	0.004

The notes on pages 8 to 22 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

	Share capital RO	Share premium RO	Legal reserve RO	Contingency reserve RO	Fair value reserve RO	Property fair value reserve RO	Retained earnings RO	Total RO
At 1 January 2018 (audited)	17,500,000	1,380,151	837,275	-	148,901	123,949	3,219,944	23,210,220
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	792,595	792,595
Other comprehensive loss	-	-	-	-	(73,223)	-	-	(73,223)
	-	-	-	-	(73,223)	-	792,595	719,372
Transaction with owners:								
Transfer to legal reserve	-	-	79,259	-	-	-	(79,259)	-
Dividend paid	-	-	-	-	-	-	(700,000)	(700,000)
	-	-	79,259	-	-	-	(779,259)	(700,000)
At 31 March 2018 (unaudited)	17,500,000	1,380,151	916,534	-	75,678	123,949	3,233,280	23,229,592
At 1 January 2017 (audited)	17,500,000	1,380,151	797,581	1,206,553	307,968	-	2,706,141	23,898,394
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	786,274	786,274
Other comprehensive loss	-	-	-	-	(72,490)	-	-	(72,490)
	-	-	-	-	(72,490)	-	786,274	713,784
Transaction with owners:								
Transfer to legal reserve	-	-	78,627	-	-	-	(78,627)	-
Dividend paid	-	-	-	-	-	-	(1,050,000)	(1,050,000)
Transfer to contingency reserve	-	-	-	(1,206,553)	-	-	1,206,553	-
	-	-	78,627	(1,206,553)	-	-	77,926	(1,050,000)
At 31 March 2017 (unaudited)	17,500,000	1,380,151	876,208	-	235,478	-	3,570,341	23,562,178

The notes on pages 8 to 22 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN PARTICIPANTS' FUND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

	Deficit in participants' fund		Contingency reserve		Total RO
	General takaful RO	Family takaful RO	General takaful RO	Family takaful RO	
At 1 January 2018 (audited)	(4,672,388)	(754,599)	2,855,555	126,544	(2,444,888)
Deficit for the period	(346,237)	(153,756)	-	-	(499,993)
Transfer to contingency reserve	(632,495)	(5,465)	632,495	5,465	-
At 31 March 2018 (unaudited)	(5,651,120)	(913,820)	3,488,050	132,009	(2,944,881)
At 1 January 2017 (audited)	(3,195,186)	(705,499)	1,115,614	67,533	(2,717,538)
Deficit for the period	(391,075)	(138,124)	-	-	(529,199)
Transfer to contingency reserve (from shareholders' fund)	(1,183,956)	(22,597)	1,183,956	22,597	-
Transfer to contingency reserve	(483,843)	(5,917)	483,843	5,917	-
At 31 March 2017 (unaudited)	(5,254,060)	(872,137)	2,783,413	96,047	(3,246,737)

The notes on pages 8 to 22 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

	Note	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Operating activities			
Profit before tax for the period		869,811	831,274
Deficit from takaful operations		(499,993)	(529,199)
Adjustments for:			
Depreciation	16	63,454	59,666
Dividend income	21	(168,962)	(151,333)
Income from bank deposit	21	(99,885)	(29,283)
Profit from investments carried out at amortised cost		(75,200)	-
Amortisation of investments carried at amortised cost		2,124	2,410
End of service benefits charge for the period		23,977	34,117
Rental income on investment in real estate	21	(96,970)	(66,333)
Unrealised loss on investments at fair value through profit or loss	7	99,579	147,550
Provision for doubtful debt		(30,000)	-
Realised gain on investments carried at fair value through profit or loss	21	(18,005)	(119,817)
		69,930	179,052
Working capital changes:			
Takaful and retakaful/reinsurance balance receivables		(280,357)	(2,510,291)
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		39,753,396	(2,332,096)
Other receivables, prepayments and other assets		(270,853)	(110,851)
Deferred policy acquisition cost		(10,743)	(12,673)
Outstanding claims and unearned premium reserve		(38,791,642)	3,513,518
Accounts and other payables		(1,650)	(36,476)
Due to retakaful / reinsurance		(720,530)	1,950,149
Unearned retakaful/reinsurance commission		(1,690)	(103,482)
Net cash generated from / (used in) operating activities		(254,139)	536,850
Investing activities			
Purchase of property and equipment	16	(25,700)	(111,630)
Purchases of investments carried at fair value through equity	13	(774,418)	(416,715)
Proceeds from disposal of investments at fair value through equity	13	463,654	268,975
Purchases of investments carried at fair value through profit or loss	7	(202,659)	-
Proceeds from disposal of investments at fair value through profit or loss	7	79,521	419,363
Placement of bank deposits - net		(2,000,000)	-
Rent on investment in real estate received		8,080	66,333
Profit on bank deposits received		152,732	29,283
Dividends received		168,962	151,333
Net cash generated from investing activities		(2,129,828)	406,942
Net change in cash and cash equivalents		(2,383,967)	943,792
Cash and cash equivalents at the beginning of the period	5	4,425,902	2,349,117
Cash and cash equivalents at the end of the period	5	2,041,935	3,292,909

The notes on pages 8 to 22 form an integral part of this unaudited condensed interim financial information.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018****1 Legal status and principal activities**

Al Madina Insurance Company SAOG (the “Company”) was incorporated on 15 May 2006 as a closed joint stock company in the Sultanate of Oman. On 10 December 2013, the Company became a public joint stock company. The Company operates in Oman and is engaged in the business of General and Family Takaful activities and investments by adopting wakala and mudarabha model respectively, on behalf of the participants in accordance with the Islamic Sharia’ principles. The retakaful/reinsurance activities organised on an underwriting period basis with the participants pooling their contributions to compensate for losses suffered in the pool on occurrence of a defined event.

The Company commenced commercial operations from 1 August 2006. The Company was granted license from Capital Market Authority (CMA) on 15 July 2006. The Company started Takaful operations on 1 January 2014 after being granted the Takaful license by the CMA.

2 Summary of significant accounting policies

(a) This unaudited condensed interim financial information for the three month period ended 31 March 2018 has been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI, for matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards (IFRS). Accordingly, the interim condensed financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

(b) This unaudited condensed interim financial information do not contain all information and disclosures required for full financial statements prepared in accordance with FAS issued by AAOIFI and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2017.

(c) The accounting policies adopted in the preparation of this unaudited condensed interim financial information is consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2017. In addition, results for the three month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial for the year ending 31 December 2018.

(d) The unaudited condensed interim financial information is prepared in Rial Omani which is the Company’s functional and presentation currency.

(e) The unaudited condensed interim financial information has been prepared using historical cost convention except for investments at fair value through profit or loss, investments at fair value through equity and investment in real estate which are measured at fair value and investment carried at amortised cost which is measured using amortised cost. The accounting policies adopted are consistent with those of the previous financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3 Critical accounting estimates and judgements

The preparation of unaudited condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017.

4 Financial risk factors

The Company’s activities expose it to a variety of financial risks: market risk (including currency exchange rate risk, profit rate risk and price risk), credit risk and liquidity risk. The unaudited condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2017. There have been no changes in the risk management policies since year end.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

5 Cash and cash equivalents

	Shareholders		Participants	
	RO	General RO	Family RO	Total RO
31 March 2018 (Unaudited)				
Cash at bank in current accounts	43,438	379,915	45,310	425,225
Cash at bank in call accounts	1,154,377	301,572	27,807	329,379
Cash balances with investment managers	85,423	-	-	-
Cash in hand	3,216	877	-	877
	1,286,454	682,364	73,117	755,481
31 December 2017 (audited)				
Cash at bank in current accounts	108,508	1,704,750	418,354	2,123,104
Cash at bank in call accounts	1,119,761	660,272	76,638	736,910
Cash balances with investment managers	323,472	-	-	-
Cash in hand	2,769	11,350	28	11,378
	1,554,510	2,376,372	495,020	2,871,392

6 Bank deposits

	Shareholders	Participants		
	RO	General RO	Family RO	Total RO
31 March 2018 (Unaudited)				
Bank deposits with maturity of more than three months	4,781,500	5,476,416	947,084	6,423,500
31 December 2017 (audited)				
Bank deposits with maturity of more than three months	4,781,500	3,476,416	947,084	4,423,500

6.1 There is no bank deposit denominated in foreign currencies as at 31 March 2018 (31 December 2017 – nil). Bank deposits carry profit rates in range of 3.5% to 4.2% per annum (31 December 2017 – 3.5% to 4.2% per annum).

6.2 *Restrictions on transfer of assets*

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific bank deposits with carrying value of RO 11,155,000 (31 December 2017 - RO 8,655,000) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

6.3 The Company has kept a deposit of RO 50,000 (31 December 2017 - RO 50,000) which is under lien with Omani Unified Bureau for Orange Card Company SAOC in the Sultanate of Oman, against settlement of claims.

7 Investments carried at fair value through profit or loss

	Shareholders		Shareholders	
	Unaudited Fair value RO	Unaudited Cost RO	Audited Fair value RO	Audited Cost RO
Local quoted				
Service sector	151,298	146,312	790,905	1,438,237
Industrial sector	1,175,295	1,240,380	1,304,988	1,017,463
Financial sector	800,677	840,157	2,508	2,508
Total investments	2,127,270	2,226,849	2,098,401	2,458,208

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

7 Investments carried at fair value through profit or loss (continued)

(a) *Movement in investments at fair value through profit or loss*

	Shareholders	
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
At 1 January	2,098,401	3,190,997
Purchases during the year	202,659	146,155
Disposals during the year	(79,521)	(826,946)
Realised gain / (loss) on disposal	5,310	(51,998)
Net change in fair value	(99,579)	(359,807)
At 31 March / 31 December	2,127,270	2,098,401

(b) Details of the Company's investments carried at fair value through profit or loss for which the Company's holding exceeds 10% of the fair value of investments held at fair value through profit or loss at 31 March 2018 / 31 December 2017 are:

	% of Portfolio	Number of Securities	Fair value RO	Cost RO
31 March 2018 (unaudited)				
Salalah Mills Company SAOG	16	256,556	341,219	341,219
Oman Oil Marketing Company SAOG	10	144,410	210,839	209,395
31 December 2017 (audited)				
Salalah Mills Company SAOG	16	256,556	341,219	378,420
Oman Oil Marketing Company SAOG	10	144,410	209,395	268,603
Oman Refreshment Company SAOG	10	99,802	204,594	214,540

(c) Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific investments with the carrying value of 2,106,191 (31 December 2017 - RO 347,030) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

8 Takaful and retakaful / reinsurance balance receivable

	Participants		
	General RO	Family RO	Total RO
31 March 2018 (Unaudited)			
Takaful receivable including due from related parties	11,463,829	870,914	12,334,743
Less: specific and portfolio provision for impairment	(588,612)	(64,535)	(653,147)
	10,875,217	806,379	11,681,596
Retakaful / reinsurance balances receivable	684,932	177,316	862,248
Less: specific and portfolio provision for impairment	(236,739)	(37,075)	(273,814)
	448,193	140,241	588,434
	11,323,410	946,620	12,270,030

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

8 Takaful and retakaful / reinsurance balance receivable (continued)

31 December 2017 (Audited)			
Takaful receivable including due from related parties	10,806,923	1,122,657	11,929,580
Less: specific and portfolio provision for impairment	(558,612)	(64,535)	(623,147)
	<u>10,248,311</u>	<u>1,058,122</u>	<u>11,306,433</u>
Retakaful / reinsurance balances receivable	768,530	218,524	987,054
Less: specific and portfolio provision for impairment	(236,739)	(37,075)	(273,814)
	<u>531,791</u>	<u>181,449</u>	<u>713,240</u>
	<u>10,780,102</u>	<u>1,239,571</u>	<u>12,019,673</u>

Normal credit period allowed to takaful debtors and retakaful / reinsurance companies is 120 days after which amounts are considered as past due. As at 31 March 2018, receivables past due above 121 days amounting to RO 5,355,322 (31 December 2017 – RO 3,577,647) are not considered impaired as these are due from government, quasi-government entities, brokers and corporate clients with which the Company deals in the normal course of business and with which there is no recent history of default.

(a) An analysis of takaful balances receivable including due from related parties and retakaful / reinsurance balances receivable as at year end is as under:

	Participants		
	General RO	Family RO	Total RO
31 March 2018 (Unaudited)			
Neither past due nor impaired	6,317,265	597,443	6,914,708
Past due but not impaired	5,006,145	349,177	5,355,322
Past due and impaired	825,351	101,610	926,961
	<u>12,148,761</u>	<u>1,048,230</u>	<u>13,196,991</u>
31 December 2017 (Audited)			
Neither past due nor impaired	7,465,378	976,648	8,442,026
Past due but not impaired	3,314,724	262,923	3,577,647
Past due and impaired	795,351	101,610	896,961
	<u>11,575,453</u>	<u>1,341,181</u>	<u>12,916,634</u>

(b) Movement in the provision for impairment of receivables during the period / year is as follows:

	Participants		
	General RO	Family RO	Total RO
31 March 2018 (Unaudited)			
At 1 January 2018	795,351	101,610	896,961
Charge for the period	30,000	-	30,000
At 31 March 2018	<u>825,351</u>	<u>101,610</u>	<u>926,961</u>
31 December 2017 (Audited)			
At 1 January 2017	715,351	91,610	806,961
Charge for the year	80,000	10,000	90,000
At 31 December 2017	<u>795,351</u>	<u>101,610</u>	<u>896,961</u>

(c) At 31 March 2018, 53% of the Company's takaful receivable is from 5 customers (31 December 2017- 50% from 5 customers).

(d) At 31 March 2018, 71% of the Company's due from retakaful / reinsurance companies are from 5 retakaful / reinsurance companies (31 December 2017 - 62% from 5 retakaful / reinsurance companies).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

9 Receivable from participants and payable to shareholders

	Shareholders	
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
At 1 January	1,638,393	1,976,829
Wakala fee income for the year (note 25)	1,598,055	4,159,961
Mudarib share for the year (note 25)	28,253	77,358
Amount received from policyholders	(1,010,000)	(5,954,707)
Net movement in policyholders' account	(1,013,867)	172,399
Receivable from participants	1,240,834	431,840
Qard hassan provided to participants' fund during the year	-	1,206,553
At 31 March / 31 December	1,240,834	1,638,393

(a) Receivable from participants' fund includes due from general takaful and family takaful policyholders on account of qard hassan, wakala fees, mudarib share and inter-fund balances.

(b) The break-up of receivable from participants is as follows:

	Shareholders	
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
On account of qard hassan		
- From general takaful	1,183,956	1,183,956
- From family takaful	22,597	22,597
	1,206,553	1,206,553
On account of wakala fees, mudarib share and inter-fund balances		
- From general takaful	2,137	-
- From family takaful	32,144	431,840
	34,281	431,840
	1,240,834	1,638,393

(c) During the year 2017, the Company has obtained approval from the CMA and Shari'a Supervisory Committee and transferred the balance in the contingency reserve amounting to RO 1,206,553 from the shareholders' fund to the participants' fund through retained earnings by way of granting Qard hassan (loan to participants' fund).

10 Takaful liabilities

	Unaudited 31 March 2018			Audited 31 December 2017		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
General takaful						
Claims incurred but not settled	73,911,887	69,352,568	4,559,319	113,710,973	109,478,424	4,232,549
Claims incurred but not reported	3,146,061	1,380,419	1,765,642	2,660,341	(1,333,040)	1,327,301
	77,057,948	70,732,987	6,324,961	116,371,314	110,811,464	5,559,850
Unearned contributions reserve	11,906,063	5,220,340	6,685,723	11,822,964	(5,273,681)	6,549,283
	88,964,011	75,953,327	13,010,684	128,194,278	(116,085,145)	12,109,133

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)

10 Takaful liabilities (continued)

	Unaudited 31 March 2018			Audited 31 December 2017		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
Family takaful						
Claims incurred but not settled	476,713	390,793	85,920	397,311	(321,807)	75,504
Claims incurred but not reported	642,155	543,920	98,235	642,155	(543,920)	98,235
	1,118,868	934,713	184,155	1,039,466	(865,727)	173,739
Unearned contributions reserve	1,114,820	794,889	319,931	755,597	(485,453)	270,144
	2,233,688	1,729,602	504,086	1,795,063	(1,351,180)	443,883
	91,197,699	77,682,929	13,514,770	129,989,341	(117,436,325)	12,553,016

During the year 2017, the Company received a significant claim from one of its customers, which was adequately reinsured as per the Company's risk management policies, resulting in significant increase in 'gross claims incurred but not settled' and the corresponding retakaful / reinsurance share.

Substantially all of the claims are expected to be paid within twelve months of the statement of financial position date. The amounts due from retakaful / reinsurance are contractually due within a maximum of three months from the date of payment of the claims.

(a) Claims and loss adjustment expenses

	Unaudited 31 March 2018			Audited 31 December 2017		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
General takaful						
Notified claims	113,710,973	(109,478,424)	4,232,549	7,666,094	(4,401,826)	3,264,268
Incurred but not reported	2,660,341	(1,333,040)	1,327,301	1,127,616	(286,541)	841,075
Total at the beginning of the period / year	116,371,314	(110,811,464)	5,559,850	8,793,710	(4,688,367)	4,105,343
Cash paid for claims settled during the period / year	(20,814,221)	18,934,322	(1,879,899)	(43,990,99)	36,567,112	(7,423,884)
Increase in liabilities arising from current and prior period claims	(18,499,147)	21,144,155	2,645,008	51,568,600	(142,690,209)	8,878,391
Total at the end of the period / year	77,057,946	(70,732,987)	6,324,959	16,371,314	(110,811,464)	5,559,850
Notified claims	73,911,887	(69,352,568)	4,559,319	13,710,973	(109,478,424)	4,232,549
Incurred but not reported	3,146,059	(1,380,419)	1,765,640	2,660,341	(1,333,040)	1,327,301
Total at the end of the period / year	77,057,946	(70,732,987)	6,324,959	16,371,314	(110,811,464)	5,559,850
Family takaful						
Notified claims	397,311	(321,807)	75,504	279,749	(225,986)	53,763
Incurred but not reported	642,155	(543,920)	98,235	430,991	(362,030)	68,961
Total at the beginning of the period / year	1,039,466	(865,727)	173,739	710,740	(588,016)	122,724
Cash paid for claims settled during the period / year	533,047	(433,970)	99,077	(1,734,693)	1,460,215	(274,478)
Increase in liabilities arising from current and prior period claims	612,449	(502,956)	109,493	2,063,419	(1,737,926)	325,493
Total at the end of the period / year	1,118,868	(934,713)	184,155	1,039,466	(865,727)	173,739
Notified claims	476,713	(390,793)	85,920	397,311	(321,807)	75,504
Incurred but not reported	642,155	(543,920)	98,235	642,155	(543,920)	98,235
Total at the end of the period / year	1,118,868	(934,713)	184,155	1,039,466	(865,727)	173,739

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

10 Takaful liabilities (continued)

(b) Provisions for unearned contributions and unexpired short term takaful risks

	Unaudited 31 March 2018			Audited 31 December 2017		
	Gross RO	Reinsurance RO	Net RO	Gross RO	Reinsurance RO	Net RO
Unearned contributions reserves	11,822,964	(5,273,681)	6,549,283	10,779,872	(4,775,210)	6,004,662
Mathematical reserves	755,597	(485,453)	270,144	658,578	(421,235)	237,343
Total at the beginning of the period / year	12,578,561	(5,759,134)	6,819,427	11,438,450	(5,196,445)	6,242,005
Gross contributions during the period / year	7,990,276	(3,499,892)	4,490,384	29,914,628	(14,300,483)	15,614,145
Net (release) / increase during the period / year	(7,547,954)	3,243,797	(4,304,157)	(28,774,517)	13,737,794	(15,036,723)
Total at the end of the period / year	13,020,883	(6,015,229)	7,005,654	12,578,561	(5,759,134)	6,819,427
Unearned contributions reserves	11,906,063	(5,220,340)	6,685,723	11,822,964	(5,273,681)	6,549,283
Mathematical reserves	1,114,820	(794,889)	319,931	755,597	(485,453)	270,144
Total at the end of the period / year	13,020,883	(6,015,229)	7,005,654	12,578,561	(5,759,134)	6,819,427

11 Deferred policy acquisition cost

	General takaful RO	Family takaful RO	Total RO
Unaudited			
At 1 January 2018	702,786	103,974	806,760
Cost incurred during the period	408,123	27,421	435,544
Amortised during the period	(396,139)	(28,662)	(424,801)
At 31 March 2018	714,770	102,733	817,503
Audited			
At 1 January 2017	706,451	64,285	770,736
Cost incurred during the year	1,561,746	231,053	1,792,799
Amortised during the year	(1,565,411)	(191,364)	(1,756,775)
At 31 December 2017	702,786	103,974	806,760

12 Other receivables and takaful assets

	Shareholders	Participants		
	RO	General takaful RO	Family takaful RO	Total RO
Unaudited 2018				
Rent receivable	231,610	-	-	-
Accrued profit on bank deposits	574,313	-	-	-
Advances	7,665	-	171,363	171,363
Prepayments	21,177	14,914	-	14,914
Others	410,219	469,314	-	469,314
	1,244,984	484,228	171,363	655,591

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

12 Other receivables and takaful assets (continued)

	Shareholders		Participants	
	RO	General takaful RO	Family takaful RO	Total RO
Audited 2017				
Rent receivable	330,490	-	-	-
Accrued profit on bank deposits	321,390	-	-	-
Advances	143,985	-	132,025	132,025
Prepayments	64,683	14,914	-	14,914
Other	63,475	404,716	-	404,716
	<u>924,023</u>	<u>419,630</u>	<u>132,025</u>	<u>551,655</u>

13 Investments at fair value through equity

	Shareholders			
	Unaudited 31 March 2018 Fair value RO	Unaudited 31 March 2018 Cost RO	Audited 31 December 2017 Fair value RO	Audited 31 December 2017 Cost RO
<i>Local quoted</i>				
Service sector	219,000	280,400	169,275	203,632
Industrial sector	42,298	60,165	43,007	60,165
	<u>261,298</u>	<u>340,565</u>	<u>212,282</u>	<u>263,797</u>
<i>Local unquoted</i>				
Service sector	272,569	71,428	272,569	71,428
Industrial sector	157,200	157,500	157,200	157,500
	<u>429,769</u>	<u>228,928</u>	<u>429,769</u>	<u>228,928</u>
Total Local	<u>691,067</u>	<u>569,493</u>	<u>642,051</u>	<u>492,725</u>
<i>Foreign quoted</i>				
Financial sector	952,615	963,514	853,653	859,830
Service sector	92,137	92,963	170,170	167,019
Real estate development	331,719	366,222	100,895	99,308
Food and beverages	-	-	53,384	52,445
	<u>1,376,471</u>	<u>1,422,429</u>	<u>1,178,102</u>	<u>1,178,602</u>
Total Foreign	<u>1,376,471</u>	<u>1,422,429</u>	<u>1,178,102</u>	<u>1,178,602</u>
Total investments	<u>2,067,537</u>	<u>1,991,922</u>	<u>1,820,153</u>	<u>1,671,327</u>

13.1 Movement in investments at fair value through equity

	Shareholders	
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
At the beginning of the period / year	1,820,153	1,887,733
Purchases	774,418	915,120
Disposal	(463,654)	(468,023)
Realised gain on disposal	9,843	22,220
Net Change in fair value	(73,223)	(102,182)
Impairment loss on investment	-	(434,715)
At the end of the period / year	<u>2,067,537</u>	<u>1,820,153</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

13 Investments at fair value through equity (continued)

13.2 At the reporting date, details of the Company's investments at fair value through equity for which the Company's holding exceeds 10% of investments held at fair value through equity at 31 March 2018 / 31 December 2017 are:

	% of portfolio	Basis of valuation	Number of securities	Fair Value RO
Unaudited				
31 March 2018				
Investment from shareholders' fund				
National Takaful Company (Watania) – listed	38	Fair value	14,303,596	718,841
Omani Unified Bureau Orange Card SAOC	15	Fair value	71,428	272,569
Audited				
31 December 2017				
Investment from shareholders' fund				
National Takaful Company (Watania) – listed	38	Fair value	14,303,596	698,548
Omani Unified Bureau Orange Card SAOC	15	Fair value	71,428	272,569

13.3 *Movement in investments fair value reserve:*

	Shareholders	
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
At the beginning of the period / year	148,901	307,968
Transfer of fair value reserve on sale of investment	(2,607)	(56,885)
Net change in fair value of investment during the period / year	(70,616)	(102,182)
	<u>(73,223)</u>	<u>(159,142)</u>
At the end of the period / year	<u>75,678</u>	<u>148,901</u>

13.4 Investments classified as 'investments at fair value through equity' consists of investments in equity securities.

13.5 *Restrictions on transfer of assets*

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific investments with the carrying value of 26,298 (31 December 2017 -103,286) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

14 Investments carried at amortised cost

The Company has invested in sukuks listed in the local and international markets. The Company has a positive intention and ability to hold sukuks until their maturity in October 2018 and June 2021, respectively.

	Shareholders	
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
At the beginning of the period / year	4,989,600	4,247,215
Purchased during the period / year	-	751,500
Amortised during the period / year	(2,124)	(9,115)
At the end of the period / year	<u>4,987,476</u>	<u>4,989,600</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

14 Investments carried at amortised cost (continued)

14.1 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified 2,275,000 units (31 December 2017 – 1,525,000 units) with the carrying value of RO 4,750,000 (31 December 2017 - RO 4,000,000) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the CMA.

15 Investment in real estate

Movement of carrying amounts of investment in real estate:

	Shareholders	
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
At the beginning and end of the period / year	<u>6,391,733</u>	<u>6,391,733</u>

As of 31 March 2018, the Company has investment in investment real estate of RO 6,391,733 (31 December 2017 – RO 6,391,733) which is 21.67% of overall investments of the Company, which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by CMA. As per the Regulation, investments in real estate should not exceed 20% of the total investments of the insurer. The Company has obtained the approval from CMA for this investment.

16 Property and equipment

	Shareholders	
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
Net book value		
At beginning of the period / year	1,080,640	1,100,181
Additions during the period / year	25,700	239,135
Depreciation for the period / year	(63,454)	(258,676)
At the end of the period / year	<u>1,042,886</u>	<u>1,080,640</u>

17 Contingency reserve

In accordance with Article 10(bis) (2)(c) and 10(bis) (3)(b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business and 1% of the life assurance contributions for the period for life insurance business at the reporting date is transferred from retained earnings to a contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any period until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

CMA has issued the Takaful Insurance Law, however, the detailed rules and regulations are not available for the calculation of the contingency reserve for takaful business operations. During the current period, the Company has added an amount of RO 637,960 (31 December 2017 - RO 489,760) to the contingency reserve, with respect to the general and family takaful business. This amount has been charged to the participants' fund.

During the year 2017, the Company had obtained approval from the CMA and Sharia' Supervisory Board and transferred the balance in the contingency reserve amounting to RO 1,206,553 from the shareholders' fund to the participants' fund through retained earnings by a way of granting of Qard hassan (loan to participants' fund) for the same amount of RO 1,206,553.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

18 Unearned retakaful commission

Movement in unearned retakaful commission is shown below:

	Participants		
	General takaful RO	Family takaful RO	Total RO
At 1 January 2018	51,486	-	51,486
Income from retakaful contracts accrued during the year	38,904	-	38,904
Amortised during the period	(40,594)	-	(40,594)
At 31 March 2018 - Unaudited	49,796	-	49,796

	General takaful RO	Family takaful RO	Total RO
	At 1 January 2017	43,496	647
Income from retakaful contracts accrued during the year	114,419	-	114,419
Amortised during the year	(106,429)	(647)	(107,076)
At 31 December 2017- Audited	51,486	-	51,486

19 Net claims incurred

	Unaudited 31 March 2018 Retakaful / reinsurances'			Unaudited 31 March 2017 Retakaful / reinsurances'		
	Gross RO	share RO	Net RO	Gross RO	share RO	Net RO
Claims notified and not settled	74,388,600	(69,743,361)	4,645,239	10,048,478	(6,268,696)	3,779,782
Claims incurred but not reported	3,788,214	(1,924,339)	1,863,875	1,948,491	(685,179)	1,263,312
Outstanding at end of the period	78,176,814	(71,667,700)	6,509,114	11,996,969	(6,953,875)	5,043,094
Takaful claims paid	21,347,268	(19,368,292)	1,978,976	2,804,676	(1,041,741)	1,762,935
Claims notified and not settled	114,108,284	(109,800,231)	4,308,053	7,945,843	(4,627,812)	3,318,031
Claims incurred but not reported	3,302,496	(1,876,960)	1,425,536	1,558,607	(648,571)	910,036
Outstanding at beginning of the period	117,410,780	(111,677,191)	5,733,589	9,504,450	(5,276,383)	4,228,067
Claims incurred	(17,886,698)	20,641,199	2,754,501	5,297,195	(2,719,233)	2,577,962

19.1 Takaful / insurance revenue analysis

	Unaudited 31 March 2018 Contributions revenue before retakaful / reinsurance		Unaudited 31 March 2017 Contributions revenue before retakaful / reinsurance	
	Net contributions RO	RO	Net contributions RO	RO
Motor	2,183,052	628,958	2,055,410	745,700
Fire, accidents, engineering and others	611,181	24,427,071	519,567	519,890
Marine cargo and hull	68,876	242,651	64,714	320,080
Medical	1,336,221	121,306	1,075,433	8,703
Life	104,827	(470,640)	133,809	(448,888)
	4,304,157	24,949,346	3,848,933	1,145,484

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

19 Net claims incurred (continued)

19.1 Takaful / insurance revenue analysis (continued)

Contributions revenue before retakaful/reinsurance is calculated as the sum of gross contributions and adjustment for unearned contributions reserve thereon, gross claims incurred, commission expense and adjustment for deferred commission expense thereon and policy fee and other income.

20 Wakala fees and mudharaba share

The shareholders manage the general and family takaful operations for the participants and charge 20% (31 December 2017 - 14%) and 20% (31 December 2017 - 14%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants fund as a mudharab and charge 55% (31 December 2017 – 55%) and 55% (31 December 2017 - 55%) of the general takaful and family takaful investment income earned by the participants' investment funds, respectively. The maximum chargeable wakala fee and mudharaba share as approved by the Sharia Supervisory Committee, are 20% and 55% (31 December 2017 – 14% and 55%) respectively.

21 Investment income - net

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Investment property rental income	96,970	114,825
Profit from investment carried at amortised cost	75,200	66,333
Dividend income	168,962	151,333
Fair value loss on investments held at fair value through profit or loss	(99,579)	(147,550)
Profit on Wakala deposits	48,516	29,283
Realised gain on sale of investments	18,005	58,616
Investment management costs	(39,756)	(35,753)
	268,318	237,087

22 Sharia Supervisory Committee

The Company business activities are subject to the supervision of a Sharia Supervisory Committee consisting of three members appointed by the Board of Directors. The Sharia Supervisory Committee performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Islamic Sharia rules and principles.

23 Takaful reserve

Sharia Board of the Company has formulated a policy for the Takaful Reserve. As per the policy in one period maximum of 50% of the Takaful Surplus for the period can be transferred to the Takaful Reserve until such balance equals the share capital. During the period the Company has not transferred any amount from Takaful Surplus to Takaful Reserve.

24 Earnings per share

	Unaudited 31 March 2018	Unaudited 31 March 2017
Profit for the period - RO	792,595	786,274
Weighted average number of shares outstanding - number	175,000,000	175,000,000
Earnings per share – basic and diluted - RO	0.004	0.004

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period. There is no effect on diluted earnings per share as the Company does not have any instruments having diluting effects.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

25 Related parties

These represent transactions with related parties, i.e. 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 and directors of the Company and companies of which they are key management personnel. Related parties comprise the shareholders, directors, key management personnel and business entities in which they are interested or have the ability to control or exercise significant influence in financial and operating decisions. The transactions are entered into at terms and conditions which the directors consider to be comparable with those adopted for arm's length transactions with third parties. The approximate volumes of such transactions involving related parties and holders of 10% or more of the Company's shares or their family members other than those separately disclosed, during the period were as follows:

(a) Transactions with related parties

Transactions with related parties or holders of 10% or more of the Company's shares or their family members, included in the statement of participants' revenue and expenses and statement of profit or loss and comprehensive income are as follows:

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Premium	859,889	614,652
Retakaful/reinsurance premium	-	40,348
Claims	93,888	115,030
Board sitting fees	19,400	14,400
Rental income	15,970	33,600
Sharia committee fee	2,750	1,500
Management consultancy fee	-	1,750

(b) Balances with related parties

Balances due from related parties or holders of 10% or more of the Company's shares, or their family members, less provisions and write offs, and is analysed as follows:

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO
Takaful and retakaful / reinsurance contract receivables		
Premium balances receivables from other related parties	2,548,594	2,143,704
Other receivable	(88,851)	120,133
Investment receivables		
Rental income receivable	231,610	186,755
Accrued interest on investment in Modern Sukuk Company SAOC	102,924	51,854
Investment in Modern Sukuk SAOC	2,502,169	2,506,544
Investment in Mohammed Al Barwani Sukuk Issue SAOC	1,500,000	1,500,000
Investment in real estate	645,822	500,000
Investments at fair value through equity	1,148,610	1,367,902

Outstanding balances at period-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the period ended 31 March 2018, the Company has not established any provision for doubtful debts relating to amounts owed by related parties as the payment history has been good. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Amount due to, and from, related parties are income free and payable on demand.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

25 Related parties (continued)

(c) Compensation of key management personnel of the Company

Compensation of key management personnel of the Company, consisting of salaries and benefits, was as follows:

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Short-term benefits	130,141	148,476
Employee end of service benefits	114,986	140,212
	<u>245,127</u>	<u>175,292</u>

26 Contingencies

Contingent liabilities

At 31 March 2018, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business amounts to RO 64,178 (31 December 2017 - RO 66,864).

Capital commitment

At 31 March 2018, the company doesn't have any capital commitment (31 December 2017 - RO 76,147) in respect of its office renovation work.

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's financial performance.

27 Segment information

Business segments – primary reporting segment

The Company has two reportable business segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic units, the Company's CEO reviews internal management reports on at least a quarterly basis.

Operating segments

The Company has the following operating segments:

General takaful

General business includes takaful and retakaful/reinsurance of motor; fire and general accident; and marine cargo and hull.

Family takaful

Family business relates to the takaful of the life of an individual.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)**

27 Segment information (continued)

Operating segments (continued)

31 March 2018 - unaudited	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	4,239,924	59,393	3,859,447
Takaful expenses (net of retakaful / reinsurance)	(3,041,147)	(109,493)	(2,754,501)
Segment results	1,198,777	(50,100)	1,104,946
Takaful income	19,527	132	19,659
Provision for impairment of receivables	(30,000)	-	(30,000)
Takaful expense	(63,258)	(16,904)	(80,162)
Investment income	38,810	12,559	51,369
Mudarib share	(21,345)	(6,908)	(28,253)
Wakala fees	(1,488,748)	(109,307)	(1,598,055)
Deficit for the period	(346,237)	(153,756)	(469,993)
Segment assets	96,020,690	3,970,519	99,991,209
Assets allocated to shareholders			25,340,790
Total assets			125,331,999
Segment liabilities	98,183,760	4,752,330	102,936,090
Liabilities allocated to shareholders	-	-	2,111,198
Total liabilities			105,047,288

31 December 2017 - Audited	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	14,115,703	1,028,096	15,143,799
Takaful expenses (net of retakaful / reinsurance)	(10,443,802)	(516,857)	(10,960,659)
Segment results	3,671,901	511,239	4,183,140
Takaful income	285,058	6,467	291,525
Provision for impairment of receivables	(80,000)	(10,000)	(90,000)
Takaful expense	(13,908)	(1,440)	(15,348)
Investment income - net	110,790	29,862	140,652
Mudarib share	(60,934)	(16,424)	(77,358)
Wakala fees	(3,650,168)	(509,793)	(4,159,961)
Surplus for the year	262,739	9,911	272,650
Segment assets	136,020,883	4,268,854	140,289,737
Assets allocated to shareholders			25,444,569
Total assets			165,734,306
Segment liabilities	137,837,716	4,896,909	142,734,625
Liabilities allocated to shareholders			2,234,349
Total liabilities			144,968,974

The activities of the Company are restricted to carrying out takaful, on the principles of Sharia'a significant portion of which is concentrated in the GCC countries which are subject to similar risks and rewards. Accordingly, no segmental information relating to products and services has been presented.

Geographical segments – secondary reporting segment

The Company has one geographical segment as all their operations are carried inside the Sultanate of Oman.

28 Earnings prohibited under Sharia'a

Earnings retained during the previous year from transactions which are not permitted under Sharia'a are recorded as part of accounts and other payables amounted to RO 20,047 (31 December 2017 – RO 20,047). As there is no movement, 'statement of sources and uses of funds in the charity fund' in this interim financial information.