



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 30th September 2018.

Operating Environment

The economic environment continues to be difficult. Despite this, your company has been able to show a growth of 12% in the Net earned Contributions from RO 11.26 million in Q3 2017 to RO 12.62 million for Q3 2018. The company achieved a Gross Written Premium of RO 24.27 million during the period ending 30 Sept 2018 as against RO 21.57 million during same period of 2017.

Results from Operations

The company continues in its path of stable growth with strong reserves at the same time keeping a tight control on operating expenses. This has reflected in the Surplus from Takaful operations during the quarter ending September 2018 with an underwriting surplus of RO 3.13 million (Sept 2017: - Surplus of RO 3.04 million).

The surplus from Insurance Operations doubled from RO 1.58 million in Q2 2018 to RO 3.13 million in Q3 2018. The Company continued to strengthen the reserves for changing the premium accounting methodology in 2018 adopting ongoing actuarial validation of Company's claim reserves.

Al Madina continues to maintain a healthy and well-balanced portfolio across all lines of business. The Company is constantly enhancing its customer experience by ongoing Process-efficiency, quick turnaround, Professional expertise, top of the line claims servicing and adopting best international practices in the field of insurance operations.



Investment Income

The company continues to monitor its investment book well while ensuring that the investments are diversified and constantly monitored for Shariah' Compliance. Despite the continuing pressure on the stock markets due to oil prices, the company has been prudently managing its investments and has earned an Investment Income of RO 682 K as at Sept 2018 (Sept 2017: - RO 600 K). The company will continue to look at growing opportunities within the Islamic Finance space for optimizing 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 2.23 million, compared to RO 1.67 million for the corresponding period in 2017. In order to meet with the sound practices of Takaful and recommendations of the regulators your Company may adjust the wakala fee to reduce the deficit, if any in the participant's account at the year end.

Risk Management

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

Company's Outlook & Vision

The Company continues to maintain its excellent track record of having always been in compliance with the Omanization requirements. The 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.

The 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.

The 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.



المدينة تكافل
Al Madina Takaful

شركة المدينة للتأمين شركة مسجلة ع.ج. ص.ب. ٨٠
مستطفا حراند مول، الرمز البريدي ٣٦، سلطنة عمان، س.ب. رقم: ١/٨١٥٠٠/٨
Al Madina Insurance Company SAOG, PO Box 80
Muscat Grand Mall, PC 336, Sultanate of Oman. C.R. No. 1/81500/8

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 30 SEPTEMBER 2018

	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 30 September 2018 RO	Audited 31 December 2017 RO	General takaful		Family takaful		Total participants' fund		Unaudited 30 September 2018 RO	Audited 31 December 2017 RO
				Unaudited 30 September 2018 RO	Audited 31 December 2017 RO	Unaudited 30 September 2018 RO	Audited 31 December 2017 RO	Unaudited 30 September 2018 RO	Audited 31 December 2017 RO		
ASSETS											
Cash and cash equivalents	5	1,537,015	1,554,510	887,258	2,376,372	195,368	495,020	1,082,626	2,871,392	2,619,641	4,425,902
Investments carried at fair value through profit or loss	7	1,745,316	2,098,401	-	-	-	-	-	-	1,745,316	2,098,401
Takaful balance receivable	8	-	-	13,189,207	10,248,311	717,464	1,058,122	13,906,671	11,306,433	13,906,671	11,306,433
Retakaful / reinsurance balance receivable	8	-	-	326,131	531,791	144,317	181,449	470,448	713,240	470,448	713,240
Receivable from participants' fund - family takaful		-	-	858,818	971,948	-	-	858,818	971,948	858,818	971,948
Receivable from shareholders' fund		-	-	-	1,208,484	-	-	-	1,208,484	-	1,208,484
Receivable from participants' fund Due from retakaful / reinsurance companies in connection with takaful liabilities	9	2,626,400	1,638,393	-	-	-	-	-	-	2,626,400	1,638,393
Deferred policy acquisition cost	10	-	-	25,280,282	116,085,145	1,525,282	1,351,180	26,805,564	117,436,325	26,805,564	117,436,325
Other receivables and takaful assets	11	-	-	740,475	702,786	75,759	103,974	816,234	806,760	816,234	806,760
Investments at fair value through equity	12	1,021,534	924,023	370,650	419,630	245,157	132,025	615,807	551,655	1,637,341	1,475,678
Bank deposits	13	2,051,218	1,820,153	-	-	-	-	-	-	2,051,218	1,820,153
Investments carried at amortised cost	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
Deferred tax asset	14	4,983,122	4,989,600	-	-	-	-	-	-	4,983,122	4,989,600
Investment in real estate		191,989	165,616	-	-	-	-	-	-	191,989	165,616
Property and equipment	15	5,745,911	6,391,733	-	-	-	-	-	-	5,745,911	6,391,733
	16	945,191	1,080,640	-	-	-	-	-	-	945,191	1,080,640
Total assets		25,629,196	25,444,569	47,129,237	136,020,883	3,850,431	4,268,854	50,979,668	140,289,737	76,608,864	165,734,306

The notes on pages 8 to 24 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 30 SEPTEMBER 2018

	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 30 September 2018 RO	Audited 31 December 2017 RO	General takaful		Family takaful		Total participants' fund		Unaudited 30 September 2018 RO	Audited 31 December 2017 RO
				Unaudited 30 September 2018 RO	Audited 31 December 2017 RO	Unaudited 30 September 2018 RO	Audited 31 December 2017 RO	Unaudited 30 September 2018 RO	Audited 31 December 2017 RO		
LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY											
LIABILITIES											
Takaful liabilities	10	-	-	39,343,780	128,194,278	1,929,803	1,795,063	41,273,583	129,989,341	41,273,583	129,989,341
Unearned retakaful commission	18	-	-	28,494	51,486	-	-	28,494	51,486	28,494	51,486
Retakaful/reinsurance payables		-	-	7,329,671	6,010,876	824,792	1,346,424	8,154,463	7,357,300	8,154,463	7,357,300
Accounts and other payables		630,272	687,196	1,498,025	2,397,120	618,885	329,037	2,116,910	2,726,157	2,747,182	3,413,353
Charity fund payable		19,047	20,047	-	-	-	-	-	-	19,047	20,047
Payable to shareholders	9	-	-	2,167,635	1,183,956	458,765	454,437	2,626,400	1,638,393	2,626,400	1,638,393
Payable to participants' fund - general takaful		-	1,208,484	-	-	858,818	971,948	858,818	971,948	858,818	2,180,432
Employees' end of service benefits		370,415	318,622	-	-	-	-	-	-	370,415	318,622
Total liabilities		1,019,734	2,234,349	50,367,605	137,837,716	4,691,063	4,896,909	55,058,668	142,734,625	56,078,402	144,968,974
PARTICIPANTS' FUND											
Deficit in participants' fund		-	-	(6,787,968)	(4,672,388)	(988,594)	(754,599)	(7,776,562)	(5,426,987)	(7,776,562)	(5,426,987)
Contingency reserve	17	-	-	3,549,600	2,855,555	147,962	126,544	3,697,562	2,982,099	3,697,562	2,982,099
Total participants' fund		-	-	(3,238,368)	(1,816,833)	(840,632)	(628,055)	(4,079,000)	(2,444,888)	(4,079,000)	(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		1,059,894	837,275	-	-	-	-	-	-	1,059,894	837,275
Investment fair value reserve		145,896	148,901	-	-	-	-	-	-	145,896	148,901
Property fair value reserve		-	123,949	-	-	-	-	-	-	-	123,949
Retained earnings		4,523,521	3,219,944	-	-	-	-	-	-	4,523,521	3,219,944
Total shareholders' equity		24,609,462	23,210,220	-	-	-	-	-	-	24,609,462	23,210,220
Total liabilities, participants' fund and shareholders' equity		25,629,196	25,444,569	47,129,237	136,020,883	3,850,431	4,268,854	50,979,668	140,289,737	76,608,864	165,734,306

Director

Director

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Note	General takaful		Family takaful		Total	
		Unaudited 30 September 2018 RO	Unaudited 30 September 2017 RO	Unaudited 30 September 2018 RO	Unaudited 30 September 2017 RO	Unaudited 30 September 2018 RO	Unaudited 30 September 2017 RO
Takaful revenue							
Gross contributions		22,123,887	18,941,365	2,141,744	2,624,689	24,265,631	21,566,054
Retakaful/reinsurance share		(9,563,216)	(7,658,167)	(1,552,388)	(1,832,413)	(11,115,604)	(9,490,580)
Retained contributions		12,560,671	11,283,198	589,356	792,276	13,150,027	12,075,474
Movement in unearned contributions reserve		(573,758)	(628,512)	47,238	(182,575)	(526,520)	(811,087)
Net earned contributions		11,986,913	10,654,686	636,594	609,701	12,623,507	11,264,387
Income earned from retakaful contracts		132,184	121,167	-	-	132,184	121,167
		12,119,097	10,775,853	636,594	609,701	12,755,691	11,385,554
Takaful expenses							
Gross claims settled	19	(69,679,538)	(7,449,332)	(1,535,962)	(1,249,450)	(71,215,500)	(8,698,782)
Claims recovered from retakaful/reinsurance	19	63,226,414	2,104,554	1,278,361	1,049,948	64,504,775	3,154,502
Net claims settled		(6,453,124)	(5,344,778)	(257,601)	(199,502)	(6,710,725)	(5,544,280)
Net movement in outstanding claims		(1,380,613)	(1,390,259)	(7,876)	(97,540)	(1,388,489)	(1,487,799)
Net claims incurred	19	(7,833,737)	(6,735,037)	(265,477)	(297,042)	(8,099,214)	(7,032,079)
Commission expense		(1,252,054)	(1,184,874)	(145,592)	(137,746)	(1,397,646)	(1,322,620)
		(9,085,791)	(7,919,911)	(411,069)	(434,788)	(9,496,860)	(8,354,698)
		3,033,306	2,855,942	225,525	174,913	3,258,831	3,030,855
Takaful income		129,033	155,586	290	11,030	129,323	166,617
Provision for impairment of receivables		(87,300)	(80,000)	(2,700)	(10,000)	(90,000)	(90,000)
Takaful expense		(152,499)	(60,577)	(17,279)	(1,439)	(169,778)	(62,016)
Surplus from takaful operations		2,922,540	2,870,952	205,836	174,504	3,128,376	3,045,456
Investment income - net		173,936	102,214	22,079	1,032	196,015	103,246
Mudarib share	20	(95,665)	(56,218)	(12,143)	(568)	(107,808)	(56,786)
Wakala fees	20	(4,422,346)	(3,764,924)	(428,349)	(524,938)	(4,850,695)	(4,289,862)
Deficit from takaful operations		(1,421,535)	(847,976)	(212,577)	(349,970)	(1,634,112)	(1,197,946)

The notes on pages 8 to 24 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Note	Shareholders' fund	
		Unaudited 30 September 2018 RO	Unaudited 30 September 2017 RO
Wakala fees	21	4,850,695	4,289,862
Investment income – net	20	486,182	497,235
Mudarib share	20	107,808	56,786
		<u>5,444,685</u>	<u>4,843,883</u>
General and administrative expenses		(3,097,844)	(3,009,013)
Other income		157	910
		<u>(3,097,687)</u>	<u>(3,008,103)</u>
Profit before tax		2,346,998	1,835,780
Taxation		(120,802)	(159,922)
Profit for the period		2,226,196	<u>1,675,858</u>
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		3,005	(67,068)
Total comprehensive income for the period		2,229,201	<u>1,608,790</u>
Earnings per share attributable to shareholder - basic and diluted	24	0.013	0.009

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Share capital RO	Share premium RO	Legal reserve RO	Contingency reserve RO	Investment 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	-	-	-	-	-	-	2,226,196	2,226,196
Other comprehensive income:								
Net change in fair value of investment at fair value through equity	-	-	-	-	(3,005)	-	-	(3,005)
Transfer to profit or loss on sale of investment in real estate	-	-	-	-	-	(123,949)	-	(123,949)
	-	-	-	-	(3,005)	(123,949)	-	126,954
Transaction with owners:								
Transfer to legal reserve	-	-	222,619	-	-	-	(222,619)	-
Dividend paid	-	-	-	-	-	-	(700,000)	(700,000)
	-	-	222,619	-	-	-	(922,619)	(700,000)
At 30 September 2018 (unaudited)	17,500,000	1,380,151	1,059,894	-	145,896	-	4,523,521	24,609,462
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	-	-	-	-	-	-	1,675,858	1,675,858
Other comprehensive loss	-	-	-	-	(67,068)	-	-	(67,068)
	-	-	-	-	(67,068)	-	1,675,858	1,608,790
Transaction with owners:								
Transfer to legal reserve	-	-	167,586	-	-	-	(167,586)	-
Dividend paid	-	-	-	-	-	-	(1,050,000)	(1,050,000)
Transfer to contingency reserve (to shareholders' fund)	-	-	-	(1,206,553)	-	-	1,206,553	-
	-	-	167,586	(1,206,553)	-	-	(11,033)	(1,050,000)
At 30 September 2017 (unaudited)	17,500,000	1,380,151	965,167	-	240,900	-	4,370,966	24,457,184

The notes on pages 8 to 24 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018**

	Deficit in participants' fund		Contingency reserve		Total
	General takaful RO	Family takaful RO	General takaful RO	Family takaful RO	RO
At 1 January 2018 (audited)	(4,672,388)	(754,599)	2,855,555	126,544	(2,444,888)
Deficit for the period	(1,421,535)	(212,577)	-	-	(1,634,112)
Transfer to contingency reserve	(694,045)	(21,418)	694,045	21,418	-
At 30 September 2018 (unaudited)	(6,787,968)	(988,594)	3,549,600	147,962	(4,079,000)
At 1 January 2017 (audited)	(3,195,186)	(705,499)	1,115,614	67,533	(2,717,538)
Deficit for the period	(847,976)	(349,970)	-	-	(1,197,946)
Contingency reserve (note 14)	(549,561)	(26,247)	549,561	26,247	-
Transfer to contingency reserve (from shareholders' fund)	(1,183,956)	(22,597)	1,183,956	22,597	-
At 30 September 2017 (unaudited)	(5,776,679)	(1,104,313)	2,849,131	116,377	(3,915,484)

AL MADINA INSURANCE COMPANY SAOG
UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Note	Unaudited 30 September 2018 RO	Unaudited 30 September 2017 RO
Operating activities			
Profit before tax for the period		2,346,998	1,675,858
Deficit from takaful operations		(1,634,112)	(1,197,946)
Adjustments for:			
Depreciation	13	184,189	192,286
Dividend income	18	(164,325)	(174,422)
Income from bank deposit	18	(378,989)	(213,896)
Profit from investments carried out at amortised cost		(228,342)	(211,263)
Amortisation of investments carried at amortised cost		6,478	6,960
End of service benefits charge for the period		51,794	68,145
Rental income on investment in real estate		(316,870)	(358,575)
Unrealised gains on investments at fair value through profit or loss	6	481,533	339,182
Realised gain on investments carried at fair value through profit or loss	6	(5,310)	(1,947)
Provision for bad and doubtful debt		90,000	90,000
Gain on Real Estate		(216,666)	-
Realised profit on redemption of investments at fair value through equity		(22,373)	(71,296)
Operating cash flows before payment of end of service benefits		194,005	303,008
End of service benefits paid		-	(31,092)
Operating cash flows before working capital changes		194,005	271,917
Working capital changes:			
Takaful and retakaful/reinsurance balance receivables		(2,447,446)	702,584
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		90,630,761	(131,091,600)
Other receivables, prepayments and other assets		(161,663)	636,207
Deferred policy acquisition cost		(9,474)	(63,450)
Outstanding claims and unearned premium reserve		(88,715,758)	133,390,484
Accounts and other payables		(667,171)	340,796
Due to retakaful / reinsurance		797,163	(1,323,562)
Unearned retakaful/reinsurance commission		(22,992)	39,626
Net cash generated from operating activities		(402,575)	2,903,001
Cash flows from Investing activities			
Purchase of property and equipment	13	(48,740)	(200,372)
Purchase of investments carried at fair value through profit or loss	6	(202,659)	(59,708)
Purchase of investments carried at fair value through equity		(806,985)	(508,008)
Purchase of investment carried at amortised cost		-	(751,500)
Proceeds from investment in real estate		716,666	-
Proceeds from disposal of investments at fair value through profit or loss	6	79,521	463,362
Proceeds from redemption of investment at fair value through equity		595,288	302,908
Movement in bank deposits		(2,000,000)	(498,025)
Rent on investment in real estate received		438,339	715,846
Profit on bank deposits received		360,560	541,215
Dividends received		164,325	174,422
Net cash generated from investing activities		(703,685)	180,139
Cash flow from Financing activity			
Dividends paid		(700,000)	(1,050,000)
Net increase in cash and cash equivalents		(1,806,261)	2,033,141
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 period	5	2,619,641	4,382,258

The notes on pages 8 to 24 form an integral part of this unaudited condensed interim financial information.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 nine month period ended 30 September 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 nine month period ended 30 September 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

5 Cash and cash equivalents

	Shareholders	Participants		
	RO	General RO	Family RO	Total RO
30 September 2018 (Unaudited)				
Cash at bank in current accounts	31,697	420,317	4,225	424,542
Cash at bank in call accounts	1,409,167	466,503	191,129	657,632
Cash balances with investment managers	93,682	-	-	-
Cash in hand	2,469	438	14	452
	1,537,015	887,258	195,368	1,082,626
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
30 September 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

(a) 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).

(b) *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.

(c) 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		Audited	
	30 September 2018		31 December 2017	
	Fair value	Cost	Fair value	Cost
<i>Local quoted</i>	RO	RO	RO	RO
Service sector	155,263	146,312	790,905	1,438,237
Industrial sector	1,040,303	1,240,380	1,304,988	1,017,463
Financial sector	549,750	840,157	2,508	2,508
Total investments	1,745,316	2,226,849	2,098,401	2,458,208

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 30 September 2018 RO	Audited 31 December 2017 RO
At 1 January	2,098,401	3,190,997
Purchases during the period / year	202,659	146,155
Disposals during the period / year	(79,521)	(826,946)
Realised gain / (loss) on disposal	5,310	(51,998)
Net change in fair value	(481,533)	(359,807)
At 30 September / 31 December	1,745,316	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 30 September 2018 / 31 December 2017 are:

	% of Portfolio	Number of Securities	Fair value RO	Cost RO
30 September 2018 (unaudited)				
Salalah Mills Company SAOG	<u>11</u>	<u>256,556</u>	<u>198,061</u>	<u>341,219</u>
Al Maha Petroleum	<u>10</u>	<u>188,800</u>	<u>166,144</u>	<u>188,800</u>
Oman Refreshment Company SAOG	<u>10</u>	<u>99,802</u>	<u>174,154</u>	<u>204,594</u>

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

(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 RO 1,732,560 (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
30 September 2018 (Unaudited)			
Takaful receivable including due from related parties	13,805,119	784,699	14,589,818
Less: specific and portfolio provision for impairment	<u>(615,912)</u>	<u>(67,235)</u>	<u>(683,147)</u>
	<u>13,189,207</u>	<u>717,464</u>	<u>13,906,671</u>
Retakaful / reinsurance balances receivable	592,870	181,392	774,262
Less: specific and portfolio provision for impairment	<u>(266,739)</u>	<u>(37,075)</u>	<u>(303,814)</u>
	<u>326,131</u>	<u>144,317</u>	<u>470,448</u>
	<u>13,515,338</u>	<u>861,781</u>	<u>14,377,119</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

8 Takaful and retakaful / reinsurance balance receivable (continued)

	Participants		
	General RO	Family RO	Total RO
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 30 September 2018, receivables past due above 121 days amounting to RO 5,383,330 (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
30 September 2018 (Unaudited)			
Neither past due nor impaired	8,412,286	581,503	8,993,789
Past due but not impaired	5,103,052	280,278	5,383,330
Past due and impaired	882,651	104,310	986,961
	<u>14,397,989</u>	<u>966,091</u>	<u>15,364,080</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
30 September 2018 (Unaudited)			
At 1 January 2018	795,351	101,610	896,961
Charge for the period	87,300	2,700	90,000
At 30 September 2018	<u>882,651</u>	<u>104,310</u>	<u>986,961</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 30 September 2018, 62% of the Company's takaful receivable is from 5 customers (31 December 2017- 50% from 5 customers).

(d) At 30 September 2018, 60% 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

9 Receivable from participants and payable to shareholders

	Shareholders	
	Unaudited 30 September 2018 RO	Audited 31 December 2017 RO
At 1 January	1,638,393	1,976,829
Wakala fee income for the year (note 20)	4,850,695	4,159,961
Mudarib share for the year (note 20)	107,808	77,358
Amount received from policyholders	(4,050,000)	(5,954,707)
Net movement in policyholders' account	79,504	172,399
Receivable from participants	2,626,400	431,840
Qard hassan provided to participants' fund during the period	-	1,206,553
At 30 September / 31 December	2,626,400	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 30 September 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	983,679	-
- From family takaful	436,168	431,840
	1,419,847	431,840
	2,626,400	1,638,393

(c) During the year ended 31 December 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).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

10 Takaful liabilities

	Unaudited 30 September 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	22,335,667	(17,726,397)	4,609,270	113,710,973	(109,478,424)	4,232,549
Claims incurred but not reported	3,753,015	(1,421,828)	2,331,187	2,660,341	(1,333,040)	1,327,301
	26,088,682	(19,148,225)	6,940,457	116,371,314	(110,811,464)	5,559,850
Unearned contributions reserve	13,255,098	(6,132,057)	7,123,041	11,822,964	(5,273,681)	6,549,283
	39,343,780	(25,280,282)	14,063,498	128,194,278	(116,085,145)	12,109,133

	Unaudited 30 September 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	466,456	(383,076)	83,380	397,311	(321,807)	75,504
Claims incurred but not reported	642,155	(543,920)	98,235	642,155	(543,920)	98,235
	1,108,611	(926,996)	181,615	1,039,466	(865,727)	173,739
Unearned contributions reserve	821,192	(598,286)	222,906	755,597	(485,453)	270,144
	1,929,803	(1,525,282)	404,521	1,795,063	(1,351,180)	443,883
	41,273,583	(26,805,564)	14,468,019	129,989,341	(117,436,325)	12,553,016

During the year ended 31 December 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 nine months from the date of payment of the claims.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

10 Takaful liabilities (continued)

(a) Claims and loss adjustment expenses

	Unaudited 30 September 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
Incurring 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	(69,679,538)	63,226,414	(6,453,124)	(43,990,996)	36,567,112	(7,423,884)
Increase in liabilities arising from current and prior period claims	(20,603,094)	28,436,825	7,833,731	151,568,600	(142,690,209)	8,878,391
Total at the end of the period / year	26,088,678	(19,148,225)	6,940,457	116,371,314	(110,811,464)	5,559,850
Notified claims	22,335,667	(17,726,397)	4,609,270	113,710,973	109,478,424	4,232,549
Incurring but not reported	3,753,015	(1,421,824)	2,331,191	2,660,341	(1,333,040)	1,327,301
Total at the end of the period / year	26,088,678	(19,148,217)	6,940,461	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
Incurring 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	(1,535,962)	1,278,361	(257,601)	(1,734,693)	1,460,215	(274,478)
Increase in liabilities arising from current and prior period claims	1,605,107	(1,339,630)	265,477	2,063,419	(1,737,926)	325,493
Total at the end of the period / year	1,108,611	(926,996)	181,615	1,039,466	(865,727)	173,739
Notified claims	466,456	(383,076)	83,380	397,311	(321,807)	75,504
Incurring but not reported	642,155	(543,920)	98,235	642,155	(543,920)	98,235
Total at the end of the period / year	1,108,611	(926,996)	181,615	1,039,466	(865,727)	173,739

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

10 Takaful liabilities (continued)

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

	Unaudited 30 September 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	24,265,631	(11,115,604)	13,150,027	29,914,628	(14,300,483)	15,614,145
Net (release) / increase during the period / year	(10,189,341)	4,385,261	(5,804,080)	(28,774,517)	13,737,794	(15,036,723)
Total at the end of the period / year	14,076,290	(6,730,343)	7,345,947	12,578,561	(5,759,134)	6,819,427
Unearned contributions reserves	13,255,098	(6,132,057)	7,123,041	11,822,964	(5,273,681)	6,549,283
Mathematical reserves	821,192	(598,286)	222,906	755,597	(485,453)	270,144
Total at the end of the period / year	14,076,290	(6,730,343)	7,345,947	12,578,561	(5,759,134)	6,819,427

11 Deferred policy acquisition cost

	General takaful RO	Family takaful RO	Total RO
At 1 January 2018 (Audited)	702,786	103,974	806,760
Cost incurred during the period	1,289,743	117,377	1,407,120
Amortised during the period	(1,252,054)	(145,592)	(1,397,646)
At 30 September 2018 (Unaudited)	740,475	75,759	816,234
	General takaful RO	Family takaful RO	Total RO
At 1 January 2017 (Audited)	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 (Audited)	702,786	103,974	806,760

12 Other receivables and takaful assets

Unaudited 30 September 2018	Shareholders	Participants		Total RO
	RO	General takaful RO	Family takaful RO	
Rent receivable	209,021	-	-	-
Accrued profit on bank deposits	526,736	-	-	-
Advances	74,877	-	10,331	10,331
Prepayments	138,905	-	-	-
Others	71,995	370,650	234,826	605,476
	1,021,534	370,650	245,157	615,807

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

12 Other receivables and takaful assets (continued)

	Shareholders		Participants	
	RO	General takaful RO	Family takaful RO	Total RO
Audited 31 December 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 30 September 2018 Fair value RO	Unaudited 30 September 2018 Cost RO	Audited 31 December 2017 Fair value RO	Audited 31 December 2017 Cost RO
<i>Local quoted</i>				
Service sector	228,000	280,400	169,275	203,632
Industrial sector	34,175	60,165	43,007	60,165
	<u>262,175</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>691,944</u>	<u>569,493</u>	<u>642,051</u>	<u>492,725</u>
<i>Foreign quoted</i>				
Financial sector	225,313	233,713	853,653	859,830
Service sector	930,215	839,276	170,170	167,019
Real estate development	157,050	216,495	100,895	99,308
Food and beverages	46,696	46,346	53,384	52,445
Total foreign	<u>1,359,274</u>	<u>1,335,829</u>	<u>1,178,102</u>	<u>1,178,602</u>
Total investments	<u>2,051,218</u>	<u>1,905,322</u>	<u>1,820,153</u>	<u>1,671,327</u>

(a) Movement in investments at fair value through equity

	Shareholders	
	Unaudited 30 September 2018 RO	Audited 31 December 2017 RO
At the beginning of the period / year	1,820,153	1,887,733
Purchases	806,985	915,120
Disposals	(595,288)	(468,023)
Realised gain on disposal	22,373	22,220
Net change in fair value	(3,005)	(102,182)
Impairment loss on investment	-	(434,715)
At the end of the period / year	<u>2,051,218</u>	<u>1,820,153</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

13 Investments at fair value through equity (continued)

(b) 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 30 September 2018 / 31 December 2017 are:

	% of portfolio	Basis of valuation	Number of securities	Fair Value RO
Unaudited				
30 September 2018				
Investment from shareholders' fund				
National Takaful Company (Watania) – listed	39	Fair value	14,303,596	793,721
Omani Unified Bureau Orange Card SAOC	13	Fair value	71,428	272,569
Dubai Islamic Bank	11	Fair value	400,000	225,314
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

(c) *Movement in investments fair value reserve:*

	Shareholders	
	Unaudited 30 September 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	(3,106)	(56,960)
Net change in fair value of investment during the period / year - net of tax	101	(102,107)
	(3,005)	(159,067)
At the end of the period / year	145,896	148,901

(d) Investments classified as 'investments at fair value through equity' consists of investments in equity securities.

(e) *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 RO 262,175 (31 December 2017 -RO 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 30 September 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	(6,478)	(9,115)
At the end of the period / year	4,983,122	4,989,600

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

14 Investments carried at amortised cost (continued)

(a) *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 – 2,275,000 units) with the carrying value of RO 4,750,000 (31 December 2017 - RO 4,750,000) 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 30 September 2018 RO	Audited 31 December 2017 RO
At the beginning of the period/year	6,391,733	6,245,911
Realised gain during the period/year	70,844	145,822
Disposal during the period/year	(716,666)	-
At the end of the period / year	<u>5,745,911</u>	<u>6,391,733</u>

As of 30 September 2018, the Company has investment in investment real estate of RO 5,745,911 (31 December 2017 – RO 6,391,733) which is 20.27% 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 30 September 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	48,740	239,135
Depreciation for the period / year	(184,189)	(258,676)
At the end of the period / year	<u>945,191</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 715,463 (30 September 2017 - RO 575,808) 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 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 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 – Audited	51,486	-	51,486
Income from retakaful contracts accrued during the year	109,192	-	109,192
Amortised during the period	(132,184)	-	(132,184)
At 30 September 2018 - Unaudited	28,494	-	28,494
	General takaful RO	Family takaful RO	Total RO
At 1 January 2017 – Audited	43,496	647	44,143
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 30 September 2018 Retakaful / Reinsurances			Unaudited 30 September 2017 Retakaful / reinsurances⁷		
	Gross RO	' share RO	Net RO	Gross RO	share RO	Net RO
Claims notified and not settled outstanding	22,802,119	(18,109,469)	4,692,650	133,225,038	(128,839,724)	4,385,314
Claims incurred but not reported	4,395,170	(1,965,744)	2,429,426	8,371,872	(7,041,317)	1,330,555
Outstanding at end of the period	27,197,289	(20,075,213)	7,122,076	141,596,910	(135,881,041)	5,715,869
Add: Takaful claims paid during the period	71,215,500	(64,504,775)	6,710,725	8,698,782	(3,154,502)	5,544,280
Claims notified and not settled outstanding	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	(1,876,962)	1,425,534	1,558,607	(648,568)	910,039
Outstanding at beginning of the period	117,410,780	(111,677,191)	5,733,587	9,504,450	(5,276,380)	4,228,070
Claims incurred	(18,997,991)	27,097,205	8,099,214	140,791,242	(133,759,163)	7,032,079

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

19 Net claims incurred (continued)

(a) *Takaful / insurance revenue analysis*

	Unaudited 30 September 2018		Unaudited 30 September 2017	
	Net contributions RO	Contributions revenue before retakaful / reinsurance RO	Net contributions RO	Contributions revenue before retakaful / Reinsurance RO
Motor	5,595,835	1,810,318	5,204,141	2,007,230
Fire, accidents, engineering and others	1,657,733	37,447,929	1,550,691	(125,091,119)
Marine cargo and hull	134,176	240,734	154,066	585,144
Medical	4,599,169	645,565	3,745,788	600,086
Life	636,594	308,228	609,700	157,425
	12,623,507	40,452,774	11,264,386	(121,741,234)

(a) *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 except for business from a specific customer for which the wakala fee is charged at 5% (31 December 2017 - 5%) as approved by the Board of Directors. 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 30 September 2018 RO	Unaudited 30 September 2017 RO
Investment property rental income	316,870	569,838
Dividend income	164,325	174,422
Profit on wakala deposits	378,989	110,650
Realised gain on sale of investments	27,680	73,243
Realised gain on sale of investments property	216,666	-
Fair value loss on investments carried at fair value through profit or loss	(481,533)	(339,182)
Investment management costs	(136,815)	(91,736)
	486,182	497,235

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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 current period the Company has not transferred any amount from Takaful Surplus to Takaful Reserve.

24 Earnings per share

	Unaudited 30 September 2018	Unaudited 30 September 2017
Profit for the period – RO	<u>2,226,196</u>	1,675,858
Weighted average number of shares outstanding - number	<u>175,000,000</u>	175,000,000
Earnings per share attributable to shareholders – basic and diluted – RO	<u>0.013</u>	0.010

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.

25 Related parties

Related parties represent associated companies, major shareholders, directors, Shari'a Supervisory Committee members, 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 year 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 30 September 2018 RO	Unaudited 30 September 2017 RO
Premium	<u>4,083,741</u>	3,217,138
Retakaful/reinsurance contribution ceded	<u>60,008</u>	124,095
Claims	<u>85,489</u>	356,034
Board sitting fees	<u>48,800</u>	39,800
Rental income	<u>-</u>	115,575
Professional & consultancy	<u>-</u>	5,250
Sharia committee fee	<u>20,500</u>	18,500
Dividend paid to shareholders	<u>700,000</u>	1,050,000

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

25 Related parties (continued)

(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 30 September 2018 RO	Audited 31 December 2017 RO
Takaful and retakaful / reinsurance contract receivables		
Contribution balances receivables from other related parties	<u>3,397,826</u>	2,494,477
Investment receivables		
Rental income receivable and Net of Edara Management exp payable	<u>56,760</u>	222,980
Accrued income on investment in Modern Sukuk Company SAOC	<u>52,541</u>	62,499
Accrued income on investment in Mohammed Al Barwani Sukuk Issue SAOC	<u>32,225</u>	32,225
Investment in Modern Sukuk Company SAOC	<u>2,500,130</u>	2,503,168
Investment in Mohammed Al Barwani Sukuk Issue SAOC	<u>1,500,000</u>	1,500,000
Investment in real estate	<u>-</u>	645,420
Investments at fair value through equity	<u>1,223,489</u>	1,119,317

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 30 September 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.

(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 30 September 2018 RO	Unaudited 30 September 2017 RO
Short-term benefits	<u>332,503</u>	343,814
Employee end of service benefits	<u>122,738</u>	33,822
	<u>455,241</u>	<u>377,636</u>

26 Contingencies

Contingent liabilities

At 30 September 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 18,158 (31 December 2017 - RO 66,864).

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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.

30 September 2018 – unaudited	General Takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	12,119,097	636,594	12,755,691
Takaful expenses (net of retakaful / reinsurance)	(9,085,791)	(411,069)	(9,496,860)
Segment results	3,033,306	225,525	3,258,831
Takaful income	129,033	290	129,323
Provision for impairment of receivables	(87,300)	(2,700)	(90,000)
Takaful expense	(152,499)	(17,279)	(169,778)
Investment income	173,936	22,079	196,015
Mudarib share	(95,665)	(12,143)	(107,808)
Wakala fees	(4,422,346)	(428,349)	(4,850,695)
Deficit for the period	(1,421,535)	(212,577)	(1,634,112)
Segment assets	47,129,237	3,850,431	50,979,668
Assets allocated to shareholders	-	-	25,629,196
Total assets	47,129,237	3,850,431	76,608,864
Segment liabilities	47,129,237	3,850,431	50,979,668
Liabilities allocated to shareholders	-	-	25,629,196
Total liabilities	47,129,237	3,850,431	76,608,864

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

27 Segment information (continued)

Operating segments (continued)

30 September 2017 - Unaudited	General Takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	10,775,854	636,594	11,385,554
Takaful expenses (net of retakaful / reinsurance)	(7,919,911)	(411,069)	(8,354,698)
Segment results	2,855,943	225,525	3,030,855
Takaful income	155,586	11,031	166,617
Provision for impairment of receivables	(80,000)	(10,000)	(90,000)
Takaful expense	(60,577)	(1,439)	(62,016)
Investment income	102,214	1,032	103,246
Mudarib share	(56,218)	(568)	(56,786)
Wakala fees	(3,764,924)	(524,938)	(4,289,862)
Deficit for the period	(847,976)	(349,790)	(1,197,946)
31 December 2017 - Audited			
Segment assets	136,020,883	4,268,854	140,289,737
Assets allocated to shareholders	-	-	25,444,569
Total assets	-	-	165,734,625
Segment liabilities	136,020,883	4,268,854	140,289,737
Liabilities allocated to shareholders	-	-	25,444,569
Total liabilities	-	-	165,734,625

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 19,047 (31 December 2017 – RO 20,047). As there is no earining prohibited under Sharia'a during the current period, 'statement of sources and uses of funds in the charity fund' is not presented in this interim financial information.