المدينة تكافل
Al Madina Takaful

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, and Management team of Al Madina Insurance Co, I am pleased to present to you a report on the performance of the Company for the financial year 2018.

Year 2018 proved to be far more challenging than expected. The market continued to be extremely soft and Insurance premiums, especially in the retail segment, came down further. Catastrophic events of Mekunu & Luban resulted in large number of claims across most lines but mainly in Project Insurance & Property Policies. Despite the challenging conditions, Al Madina exceeded its Insurance operation budget and the overall Profit after tax increased substantially in the year 2018 as compared to the year 2017. The total combined profit of the Company has increased by 35% as compared to the year 2017.

The 2018 financial results delivered by your Company reflect our intent to deliver consistent surplus from Insurance operations so that the Policyholder's interest is safeguarded while we continue to reward our shareholders. Similar to the year 2017, we reduced the Wakala fees charge from 20% to 14% in the current financial year. This was done in order to reduce the deficit in the policyholders account and in compliance with recommendations of the Regulators.

I am very pleased that the Company has maintained its Ba1 rating from international financial rating agency Moody's during the current year.

Operating Environment

In the tough economic environment and the pricing challenges prevailing in the insurance market, your company has achieved a Gross Written Contributions of RO 30.47 million as against RO 29.91 million in 2017 and has shown a growth of 2%. The retained Contributions has also grown 3% up from RO 15.61 million during 2017 to RO 16.14 million in 2018.

Results from Operations

The Company continues in its path of stable growth with strong reserves. This discipline has reflected in the Surplus from Takaful operations before investment income, mudarib share and Wakala fees (Underwriting Income) in 2018 of RO 4.34 million.

Al Madina follows and promotes best practices in the Takaful Industry, having adopted the best practices in Claim Reserving in 2017- 2018, the Company has also implemented the best practices in the area of Premium Reserving during the year 2018 by changing its method of unearned premium reserving from 45:55% to 1/365th method which is now in line with the best practices of premium accounting and in compliance with the requirement of the regulators.

Investment Income

The Company continues to monitor its investment book well while ensuring that all the investments are diversified and constantly monitored for Shariah' Compliance. The investment environment continues to be challenging with equity and real estate yields under pressure. However, the Company has been prudently managing its investments and has been able to achieve an increase in the investment income by 169% to RO 900 K at Dec 2018 (Dec 2017: Investment income of RO 334K). 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 challenging economic environment affecting the insurance sector, reduction in Wakala fee and sluggish stock markets, the company reported a profit attributable to the shareholders of RO 720 K, showing an 81% increase from the previous year's profit of RO 397 K.

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.

Company's Outlook & Vision

The oil prices have started to show improvement during 2018. This is a welcome development and we are optimistic about the future. Our focus is on stability and sustainable growth while keeping the focus on Customer service. Al Madina also sees opportunity for growth, as Oman leverages its geographical location to become a global logistics center. At the same time, diversification efforts are likely to bring opportunities in the areas of logistics, tourism, mining and manufacturing.

The Company continues to maintain its steady track record of having always been driven by and supportive of national objectives, such as in job creation and Omanization.

Al Madina will continue its mission of Superior Customer service with many technology-driven innovation and consumer centric strategies. The Company expects to build on the consistent performance and once again deliver positive Underwriting and Operational surplus in 2019.

The Company will continue to invest on IT upgrades, Process automations and digitization of Insurance processes which is expected to provide the necessary platform for a positive engagement with customers and grow on the back of a superior customer service. The Company also plans to further strengthen its Branch network with more Sales outlets & Branches at key locations in Oman. This will be backed up by the Company's push for e-Insurance through its end-to-end mobile app, enhanced website and self-help automated kiosks

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.

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

المدينة تكافل
Al Madina Takaful

Management Discussion & Analysis Report

Introduction

Year 2018 proved to be far more challenging than expected. The market continued to be extremely soft and Insurance premiums, especially in the retail segment, came down further. Catastrophic events of Mekunu & Luban resulted in large number of claims across most lines but mainly in Project Insurance & Property Policies. The year also witnessed withdrawal of some major Reinsurance securities from GCC region.

At the same time there was lot of development in various areas of Regulations with the implementation of Broker regulations and continued deliberations on Takaful Regulations. Insurance companies also prepared implementation of IFRS17. Al Madina also converted the accounting methodology of unearned Premium revenue to 1/365th methodology basis of calculation this year.

Despite these challenges & the prevailing tough market conditions, Al Madina exceeded its Insurance operation budget and the overall Profit after tax increased substantially in 2018 compared to 2017. The Company continued to record consistent and positive performance in all key areas of insurance operations – Gross Premium, Net Revenue, Underwriting income, Loss Ratios and Combined Operating ratios. This was achieved through strict underwriting discipline, effective claims administration, prudent expense management and a focused sales strategy.

Operational Performance

(in OMR '000)	Shareholders	General Takaful	Family Takaful	Consolidated	
				2018	2017
Gross Written Contributions	-	27,496	2,978	30,474	29,915
Net Retained Contributions	-	15,341	802	16,143	15,614
Net Earned Contributions	-	14,911	879	15,790	15,037
Net Claims Incurred	-	(9,239)	(320)	(9,559)	(9,204)
Provision for impairment of receivables	-	(166)	46	(120)	(90)
Surplus from Takaful Operations before investment income, mudarib share and wakala fees	-	3,961	379	4,340	4,369
Investment income-net	651	210	39	900	334
Wakala Fees	4,265	(3,848)	(417)	-	-
Mudarib share	137	(116)	(21)	-	-
Other Income	-	-	-	-	1
General and administrative expenses	(4,101)	-	-	(4,101)	(4,022)
Policy Holder Surplus	-	207	(20)	187	273
Profit before tax	952	-	-	952	409
Taxation	(232)	-	-	(232)	(12)
Profit after tax	720	-	-	720	397
Earnings per share (in OMR)	0.004	-	-	0.004	0.002
Book value per share (in OMR)	0.134	-	-	0.134	0.133

المدينة تكافل
Al Madina Takaful

Business

2018 was a tough year for the insurance market worldwide. We witnessed many international reinsurance markets withdrawing capacities or going into run-off, especially in the GCC region. In spite of the tough market conditions, Al Madina was able to renew its annual Reinsurance treaty without much difficulties due to the strong underwriting capabilities of the Company and at the same time it substantially increased the Re-takaful share on the treaty.

The economy saw better stability in Oil prices in 2018 however, the expected growth was not felt on the ground. The pressure on pricing continued, particularly in the retail segment.

For the third consecutive year Al Madina has shown growth both in Gross and Net Written premiums. The net written contributions increased by 5% when compared to 2017despite losses from Mekunu cyclone.

Your company is now a major Downstream Energy (Oil & Gas) Insurer in Oman and its position has been strengthened by the accounts it retained and prestigious new accounts it won during 2018 on the back of strong relationship in the international Reinsurance market. Al Madina has one of the most balanced Insurance portfolios today with all lines of business contributing positively to the Underwriting surplus.

Al Madina continued its mission of Superior Customer service with many technology- driven innovation and consumer centric strategies. It opened its second Claims hub and revamped some its Branches & Kiosk to give a more enhanced customer experience. Several initiatives were implemented which will lead to a much better claim experience to the Policy holders. It also opened a new Branch in Amerat as it continued to strengthen its distribution network and reach out to wider population in the Sultanate. The Company also completed the upgrade of its core application and brought in several new features in its front-end software 'Tameenet' to make it more user friendly.

The Company continued to get its Insurance Pricing wherever the Company has high net account exposure & Claim reserving vetted by professional Actuary. It also implemented best practices on Premium accounting making the company financially robust and technically strong. Consequently, Moody's reaffirmed Al Madina's Financial rating of Ba1 (stable outlook), inspire of challenging macro-economic environment.

Claims

Al Madina exhibited its strong claims management abilities during the Mekunu related losses where it expeditiously and efficiently processed, concluded & settled large number of claims in very quick time and without any customer complaints. It used its in-house claims team for speedy & just settlement of claims. At the same time, Al Madina's overall loss ratio remained at the last year's level despite higher claims, while the operations maintained its profitability.

The company also enhanced its supply chain network in both Motor & Medical claims. It also brought in tight controls on third party administrators & suppliers. We continued to bring in several claim related customer service initiatives. From Bank transfer on Claims for Medical (Reimbursements) to 1-day motor claim (up to a certain limit) settlements, the Company achieved 95%+ claim settlement ratio in 2018. A major part of Motor claim process was automated while work on making more processes automated will continue in 2019. Al Madina is committed to follow best industry practices and in line with that, the Company's Claim reserves for all lines of business were actuarially certified in 2018 as well.

Investment

The annualized return on investments of the Company has been in line with the market performance. Despite the continuing pressure on the stock markets, the investment income FY-18 has increased by 169% to RO 900 K as at Dec 2018. (Dec 2017: Investment income of RO 334K).

There are signs of recovery in the regional economies as the oil prices have now stabilized and the outlook for 2019 appears positive. Our equity investments are in blue-chip companies and stable sectors and they are likely to get benefited from the turnaround in the economic growth. The Company's strategy to reduce its exposure to equity and increasing the exposure to fixed income generating assets over the last couple of years has helped us to deliver positive investment income over despite of the negative performance from the equity markets and falling rentals and occupancy levels in Oman real estate sector.

The Company further intends on following the same strategy as 2018 and continue to maintain identical investment asset allocation. The investment environment continues to be challenging with equity and real estate yields under pressure, however, the company continues to focus on generating stable yield on its investment book and achieve the targeted investment returns.

HR & Manpower

The entire focus of the HRM in the company was towards improving operational efficiencies and better cost management. At Al Madina, Employees development is closely linked to the Company's Corporate goals. A lot of focus is given to training. Training programs were designed with the clear focus on enabling employees to immediately implement the learning at their respective workplace which resulted in improved Team efficiencies. Al Madina put in place an Integrated Learning & Development Programme for the Operational level employees. The programme was designed in-house & focused on Knowledge, Process and Technology

The company also remained focused on the Omanization of its work force and at the end of 2018, the Omanization Percentage stood at 70.14%.

IT

The company pushed for Digitization of Insurance sales and service and IT was used as Business enabler. Al Madina invested heavily on IT and process automation for bringing in efficiency and accuracy. Several key process automations were carried out in 2018. Integration of Al Madina's IT platform with ROP website for Policy upload has been one the major & very successful IT initiatives. The Company also piloted its first-ever self-help Automated e-Kiosk in its MGM location.

The Company completed work on its full-fledged b2c e-portals which will enable the customer to complete the policy purchase in just few clicks through the new Mobile App and website.

شركة المدينة للتأمين ش.م.ع.ع، ص.ب ٨٠، الرمز البريدي ١٣٦، مسقط جراند مول، سلطنة عمان، هاتف: ٢٢٠٣٣٨٨٨ ٩٦٨+ فاكس: ٢٢٠٣٣٨٣٣ ٩٦٨+، س.ت. رقم: ١/٨١٥٠٠/٨
Al Madina Insurance Company SAOG, PO Box 80, PC 136, Muscat Grand Mall, Sultanate of Oman. T:+968 22033888 F:+968 22033833 C.R. No. 1/81500/8
reachus@almadinatakaful.com • www.almadinatakaful.com

Al Madina also initiated project to upgrade its IT infrastructure for advanced security to protect Company's asset & data. All this is expected to significantly improve the Company's service deliverables and enhance customer experience.

Compliance department:

Al Madina Insurance Company continued to focus on the Compliance Department through supporting and developing the Company's compliance function through consistent follow up on the Company's operations to be according to the rules and regulations governing the Sultanate of Oman.

Future Outlook

With more stability on Oil prices, Insurance industry in Oman is poised for a period of stable growth & outlook appears positive. Mandatory health insurance and push for technology & digitization of Insurance sales and process opens several opportunities. With Insurance constituting less than 2% to the Sultanate's GDP, there are vast opportunities for growth, given the low Insurance penetration in Oman. Al Madina also sees opportunity for growth, as Oman leverages its geographical location to become a global logistics center. At the same time, diversification efforts are likely to bring opportunities in the areas of logistics, tourism, mining and manufacturing.

However, insurance premiums in the retail segment will remain under pressure and prices are expected to come down further. On the other hand, withdrawal of some major International Reinsurance Capacities from GCC may impact Reinsurance treaties in 2019 and bring some price correction in Property and Engineering segment.

Al Madina expects to build on the consistent performance of past 3 years and once again deliver positive Underwriting and Operational surplus in 2019. Continued IT upgrades, Process automations and digitization of Insurance processes is expected to provide the necessary platform for a positive engagement with customers and grow on the back of a superior customer service. The company also plans to further strengthen its Branch network with more Sales outlets & Branches at key locations in Oman. This will be backed up by the company's push for e-Insurance through its end-to-end mobile app, enhanced website and self-help automated kiosks.

We expect the Al Madina to further improve its investment income in 2019 as it continues to increase its fixed income generating assets like Sukuk and Deposits. We also expect a better performance of Company's strategic investment resulting in a higher Investment income.

The Company, with its well-planned growth strategy is well positioned to achieve stable growth, Operational Profit and higher investment income in 2019 through disciplined underwriting, Process efficiency, Expense management and focused sales planning.

REPORT OF FACTUAL FINDINGS TO THE SHAREHOLDERS OF AL MADINA INSURANCE COMPANY SAOG

1. We have performed the procedures listed below and agreed with you pursuant to the Capital Market Authority (CMA) circular no. E/4/2015, dated 22 July 2015 and circular no. 7/I/2005 dated 1 August 2005, applicable to insurance companies, with respect to the Board of Directors' Corporate Governance Report of Al Madina Insurance Company SAOG ("the Company") as at, and for the year ended, 31 December 2018 and application of the corporate governance practices in accordance with amendments to the CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the 'Codes').

2. Our engagement was undertaken in accordance with the International Standard on Related Services 4400, *Engagements to perform agreed-upon procedures regarding financial information*. The procedures were performed solely to assist the Board of Directors of the Company in complying with the requirements of the Codes.

3. We performed the following procedures:

   a) We obtained the Corporate Governance Report ("the Report") issued by the Board of Directors and checked that it includes, as a minimum, all items suggested by the CMA to be covered by such reports as detailed in Annexure 3 of the Codes, by comparing the Report with the suggested content in Annexure 3; and

   b) We obtained the detailed list of areas of non-compliance with the Codes identified by the Company's Board of Directors, included in the Report together with the reasons for such non-compliance and agreed these to the discussions in the Board minutes and/or a checklist prepared by the Board of Directors identifying such areas of non-compliance.

4. After performing the above procedures, we have no exceptions to report.

5. Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Corporate Governance Report.

6. Had we performed additional procedures or had we performed an audit in accordance with International Standards on Auditing or a review in accordance with International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

7. Our report is solely for the purpose set forth in the second paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance Report included in the Company's Annual Report for the year ended 31 December 2018 and does not extend to any other areas of the Annual Report or to the financial statements of Al Madina Insurance Company SAOG taken as a whole.

PricewaterhouseCoopers

برايس وترهاوس كوبرز ش م م
س ت : ١٢٣٠٨٦٥
C.R. No 1230865
PricewaterhouseCoopers LLC

25 February 2019
Muscat, Sultanate of Oman

AL MADINA INSURANCE COMPANY SAOG

<u>REPORT ON CORPORATE GOVERNANCE</u>

A COMPANY'S PHILOSOPHY

Al Madina Insurance Company SAOG (the Company) has adopted the principles of Corporate Governance in accordance with the code of Corporate Governance for MSM listed companies and the principles of Corporate Governance for Insurance Companies, as pronounced by the Capital Market Authority (CMA) of the Sultanate of Oman.

The Company has the vision of being a leading takaful insurance company in Oman where leadership is measured in terms of profitability for its stakeholders, satisfaction for its customers and commitment for its employees. The Company aims to provide insurance service that conforms to culture, social ethos and needs of the community. The Company operates on guiding principles of transparency, integrity, innovation, teamwork and social responsibility.

The Board of Directors is committed to the highest standards of Corporate Governance. The Company deploys appropriate business strategy that is supplemented by sound internal controls. The performance of the Company and realization of its business objectives are based on transparency in its disclosures and compliance of code of corporate governance.

B THE BOARD OF DIRECTORS

The Board has overall responsibility for the Company, including approving and overseeing the implementation of the Company's strategic objectives, governance framework and corporate culture. The Board is also responsible for providing oversight of Senior Management.

The Directors are elected for a period of three years. The re-election of the Board was conducted in 2018. A director should hold at least 100,000 shares to qualify for election.

<u>Details of Directors</u>

Name	Position	Date of election	Independence of the director	Nomination
H.E. Dr Mohammed Ali Al Barwani	Chairman	26 March 2018	Non-Independent	Representative
Eng. Abdulrahman Awadh Barham	Dy. Chairman	26 March 2018	Independent	Personal
H.E. Sh. Abdulrahman Mohammed Jabor Al Thani	Director	26 March 2018	Non-Independent	Representative
Eng. Khamis Mubarak Al Kiyumi	Director	26 March 2018	Independent	Personal
Eng. Abdullah Ali Al Abdullah	Director	26 March 2018	Independent	Personal
Mr. Ali Salim Al Kharusi	Director	26 March 2018	Non - Independent	Representative
Mr . Saleh Nasser Al Riyami	Director	26 March 2018	Independent	Personal
Ms. Safana Mohammed Ali Al Barwani	Director	26 March 2018	Independent	Personal

شركة المدينة للتأمين ش م ع ع، ص ب ٨٠، الرمز البريدي: ١٣٦، مسقط جراند مول، سلطنة عمان، هاتف: ٢٢٠٣٣٨٨٨ ٩٦٨+ فاكس: ٢٢٠٣٣٨٣٣ ٩٦٨+، س.ت.رقم: ١/٨١٥٠٠/٨
Al Madina Insurance Company SAOG, PO Box 80, PC 136, Muscat Grand Mall, Sultanate of Oman. T: +968 22033888 F:+968 22033833 C.R. No. 1/81500/8
reachus@almadinatakaful.com • www.almadinatakaful.com

B THE BOARD OF DIRECTORS (continued)

The Board of Directors of the Company met five times during the year ended 31st December 2018--on 27th February, 26th March,29th April, 29th July, and 28th October. Four Directors attended the AGM held on 26th March 2018.

The Details of Directors attended the AGM on 26th March 2018.

Name	Attended
H.E. Dr. Mohammed Ali Al Barwani	Yes
Sheikh. Abdulrahman Mohammed bin Jabor Al Thani	Yes
Eng. Khamis Mubarak Al Kiyumi	Yes
Mr. Saleh Nasser Al Riyami	Yes

The details of Directors' attendance during Board meetings are given below.

Name	27th February	26th March	29th April	29th July	28th Oct
H.E. Dr. Mohammed Ali Al Barwani	Yes	Yes	Yes	Yes	Yes
Eng. Abdulrahman Awadh Barham	Yes	No	Yes	Yes	Yes
H.E Shaikh Abdulrahman Mohammed Jabor Al Thani	Yes	Yes	Yes	Yes	Yes
Eng. Khamis Mubarak Al Kiyumi	Yes	Yes	Yes	Yes	Yes
Eng. Abdullah Ali Al Abdullah	Yes	No	Yes	Yes	Yes
Mr. Saleh Nasser Al Riyami	Yes	Yes	Yes	Yes	Yes
Ms. Safana Mohammed AL-Barwani	Yes	No	Yes	Yes	Yes
Mr. Ali Salim Al Kharusi	Yes	No	Yes	Yes	Yes

Name	Position	Board Meetings attended	Sitting Fees RO
H.E. Dr. Mohammed Ali Al Barwani	Chairman	5	5,000
Eng. Abdulrahman Awadh Barham	Dy. Chairman	4	4,000
H.E Shaikh Abdulrahman Mohammed Jabor Al Thani	Director	5	5,000
Eng. Khamis Mubarak Al Kiyumi	Director	5	5,000
Eng. Abdullah Ali Al Abdullah	Director	4	4,000
Mr. Saleh Nasser Al Riyami	Director	5	5,000
Ms. Safana Mohammed AL-Barwani	Director	4	4,000
Mr. Ali Salim Al Kharusi	Director	4	4,000

B THE BOARD OF DIRECTORS (continued)

Board Meeting	Date	Date Agenda was sent to the Board
1st Board Meeting	27-Feb-18	20-Feb-18
2nd Board Meeting	26-Mar-18	18-Mar-18
3rd Board Meeting	29-Apr-18	22-Apr-18
4th Board Meeting	29-Jul-18	22-Jul-18
5th Board Meeting	28-Oct-18	21-Oct-18

The minutes of the previous board meeting were presented in the next board meeting and approval has been obtained for the same from all the Board members.

The Directors have not been paid any other remuneration.

Dr. Khalid Al Amri is Advisor to the Board and has attended 4 Board Meetings and 4 Audit Committee Meetings. Sitting fees amounting to RO 7,200 has been paid to the Advisor to the Board for attending the Board and Audit Committee meetings.

Responsibilities of Board of Directors

The Board's responsibilities are in compliance with all applicable laws of the Sultanate of Oman.

The Board of Directors responsibilities are as per the laws applicable in Sultanate of Oman, and determined in accordance with the Commercial Companies Law of 1974, as amended, and the Insurance Companies Law (12/1979) as amended, and as per the Executive Regulations Article No. 5 of the Code of Corporate Governance for Insurance Companies issued by Circular no. (7/T/2005) dated 1st August 2005, and Takaful Insurance law Royal Decree No.11/2016, in addition to all other relevant laws.

Profile of the members of the Board of directors

a) H.E. Dr. Mohammed Ali Al Barwani (Nationality: Omani)

H.E. Dr. Mohammed al-Barwani is founder and Chairman of MB Holding and has investments in various companies with interest in oil, gas, mining, engineering, financial services. He currently holds the position of Chairman in Al Madina Investment, Oman Air, Nautilus Minerals (Toronto Stock Exchange), and UCL Resources (Australian Stock Exchange). Some of these companies are pioneers in conducting Islamic finance transactions in the country. This experience gives him a deep understanding of the subject and provides guidance to the Board and Management of the Company. He is also the Honorary Counsel of the Republic of Poland to the Sultanate of Oman and has received various awards for achievement in business and public life.

B THE BOARD OF DIRECTORS (continued)

Profile of the members of the Board of directors (continued)

b) Eng. Abdulrahman Awadh Barham (Nationality: Omani)

Eng. Barham is the Vice Chairman of the Company and has over 27 years of experience in handling and planning projects. He currently holds the position of CEO and investment committee member in Al Madina Real Estate. He has a profound understanding of the products relevant to finance real estate projects. He also holds the position of Director in Salalah Mills Company SAOG, Tilal Development Company SAOC, Shaden Development Company SAOC and Shaza Muscat Hotel Company SAOC.

c) H.E. Sheikh Abdulrahman Mohammed Jabor Al Thani (Nationality: Qatari)

H.E. Sheikh Al Thani has over 37 years of experience in industrial investments and private sector. He currently holds the position of Vice Chairman in Al Madina Investment, Director in Oman & Qatar Company and Qatar Industrial Manufacturing. Also, he is involved closely with Islamic financial institutions in Qatar and can provide guidance based on his knowledge and expertise gained from these institutions.

d) Eng. Khamis Mubarak Al Kiyumi (Nationality: Omani)

Eng. Kiyumi, an Industrial Engineer, has over 37 years of experience in industrial investments and private sector.

He is one of the pioneers in introducing Islamic finance services in the country. His close relationship with leading experts in Islamic Financial Services in Malaysia helps him to bring the changes in the global Islamic financial services industry to Oman. He currently holds the position of Director in Al Madina Investment. He also holds the position of Chairman in Gulf Mushroom Products Company SAOG.

e) Eng. Abdullah Ali Abdullah (Nationality: Qatari)

Eng. Abdullah has over 37 years of experience in investments. He currently holds the position of Director in, Al Madina Investment and AL Madina Real Estate. He is closely associated with leading Islamic financial institutions in Qatar and brings a wealth of experience and knowledge gained from his dealings with such institutions.

f) Mr. Saleh Nasser Al Riyami (Nationality: Omani)

Mr. Riyami has more than 17 years of experience as an investment expert. He currently holds the position of Director in Oman Ceramics and Taageer Finance. Mr. Riyami has put in an effort to attract key Islamic Shariah scholars who are experts in Islamic financial services in the GCC region to provide consultation in the field of Islamic financial services in coordination with Omani consulting firms.

Al Madina Takaful

المدينة تكافل

B THE BOARD OF DIRECTORS (continued)

Profile of the members of the Board of directors (continued)

g) Ms. Safana Mohammed Ali Al Barwani (Nationality: Omani)

Ms. Safana has 12 years of experience in investment, insurance and real estate. She holds the position of Director in Mazoon Petro Gas, Risk Management Services and Interior Hotels.

h) Mr. Ali Salim Al Kharusi (Nationality: Omani)

Mr. Ali Salim Ali Al Kharusi has 12 years of experience in Accounting and Pension fund. Currently he is the Assistant Director for Accounts in Ministry of Defense Pension Fund. He also serves as a member of the Investment Committee in Investment Stabilization Fund. Mr. Ali holds an MBA, specializing in Accounting and a bachelor's degree in accounting.

i) Dr. Khalid Al Amri (Nationality: Omani)

Dr. Khalid Al Amri is the Advisor to the Board of Directors of Al Madina Insurance Co. SAOG . Dr. Khalid has done his PhD in Financial Risk Management and Insurance (Major) and Finance (2nd Major) from the Temple University – Fox School of Business Philadelphia, USA. He is a MSc. in financial mathematics (Actuarial Science) from Boston University, USA and is currently a faculty member at the College of Economics and Political Science, Sultan Qaboos University.

C AUDIT COMMITTEE

The Audit Committee comprising of three non-executive members is constituted by the Board, out of which two are independent members to guide the Finance, Audit and Accounting functions and to ensure adherence to best practices.

The Audit Committee met four times during the year ended 31st December 2018 on 22nd February, 29th April, 29th July, and 28th October.

The details of Audit Committee meetings attended and sitting fees paid during 2018 are as follows:

Name	22nd February	29th April	29th July	28th Oct
Mr. Saleh Nasser Al Riyami	Yes	Yes	Yes	Yes
Ms. Safana Mohammed Al-Barwani	Yes	Yes	Yes	Yes
Mr. Ali Salim Al Kharusi	Yes	Yes	Yes	Yes

Name	Position	Meetings attended	Sitting Fees RO
Mr. Saleh Nasser Al Riyami	Chairman	4	3,200
Ms. Safana Mohammed Al-Barwani	Member	4	3,200
Mr. Ali Salim Al Kharusi	Member	4	3,200

المدينة تكافل
Al Madina Takaful

C AUDIT COMMITTEE (continued)

Audit Committee Functions

The Audit Committee undertakes its responsibilities as per the Code of Corporate Governance for Insurance Companies and public listed companies.

Terms of reference of the audit committee

1. Considering the name of the statutory auditor in context of their independence (particularly with reference to any other non-audit services), fees and terms of engagement and recommending its name to the board for putting before AGM for appointment.

2. Reviewing audit plan and results of the audit and as to whether auditors have full access to all relevant documents.

3. Checking financial fraud particularly fictitious and fraudulent portions of the financial statements. They should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.

4. Oversight of internal audit functions in general and with reference to reviewing of scope of internal audit plan for the year. Reviewing the report of internal auditors pertaining to critical areas like underwriting, settlement of claims, provisions of technical reserves (liabilities of policy holders) reinsurance management, solvency margin, investments etc. Reviewing the efficiency of internal auditing and reviewing whether internal auditors have full access to all relevant documents.

5. Oversight of the adequacy of internal control systems as required by the Article 5(11) of the Code for Corporate Governance, through the regular reports of the internal and external auditors. They may appoint external consultants if the need arises.

6. Oversight and review of the annual financial statements, returns and solvency margin computation required to be submitted to the CMA and prepared in accordance with the Insurance Companies Law and its regulations. The audit committee shall review the regulatory returns before submission to the CMA. Review of the annual and quarterly accounts before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy and departure from AAOIFI Standards or International Financial Reporting Standards (IFRS), as applicable and non-compliance with disclosure requirements prescribed by the CMA should be critically reviewed.

7. Serving as channel of communication between external auditors, the board and the internal auditors and the board.

8. Reviewing risk management policies of the insurer as required by the article 5 (3) of the Code for Corporate Governance of Insurance Companies.

9. Reviewing proposed specific transactions with the related parties for making suitable recommendations to the board.

المدينة تكافل
Al Madina Takaful

D EXECUTIVE AND INVESTMENT COMMITTEE

The principal role of the Executive & Investment Committee is to monitor the performance of the business on an on-going basis, to review financial targets, Investment strategy, Investment performance, budgets and forecasts before they are presented to the Board for sign-off and to ensure that the business is operating within the prescribed regulatory limits. Also, the principle role of investment committee is to ensure that the investments are as per the Islamic Shariah principles and the Board's approved investment plan for the year.

In performing its duties the committee will maintain effective working relationships with the Board of Directors, the Company's management, the external and internal auditors. To perform their role effectively, each committee member will need to develop and maintain their skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risks.

The Executive Committee constituted by the Board, comprises of four non-executive members. The Committee provides guidance to the management on the implementation of the Company's strategies set by the Board and to review operational performance as well as investment objectives.

One Meeting was held during 2018. The names of the Executive Committee members are as follows:

Name	20th March
H.E. Dr. Mohammed Ali Al Barwani	Yes
Eng. Abdulrahman Awadh Barham	Yes
Eng. Khamis Mubarak Al Kiyumi	Yes
Eng. Abdullah Ali Al Abdullah	Yes

Name	Position	Meetings Attended	Sitting Fees RO
H.E. Dr. Mohammed Ali Al Barwani	Chairman	1	800
Eng. Abdulrahman Awadh Barham	Member	1	800
Eng. Khamis Mubarak Al Kiyumi	Member	1	800
Eng. Abdullah Ali Al Abdullah	Member	1	800

E NOMINATION AND REMUNERATION COMMITTEE

The principal role of the Nomination and Remuneration Committee is to effectively manage Board and Board Committee appointments as required and to review the effectiveness of the Board on an annual basis. Further, the Committee are tasked with reviewing and approving any remuneration-based policy of the company including, and not limited to, senior management pay, company bonus schemes, company pay-rises, sales commission schemes, long term incentive plans and any changes to the HR policy.

المدينة تكافل
Al Madina Takaful

E NOMINATION AND REMUNERATION COMMITTEE (continued)

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, Al Madina Insurance management, and the external and internal auditors. To perform their role effectively, each committee member will need to develop and maintain their skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risks.

In line with Code of Corporate Governance for Public Listed Companies issued in July 2016, on 18th August 2016, the Board has constituted a Nomination and Remuneration Committee consisting of following members from Board of Directors.

Name	27th February	28th October
H.E. Dr. Mohammed Ali Al Barwani	Yes	Yes
Eng. Abdulrahman Awadh Barham	Yes	Yes
Eng. Khamis Mubarak Al Kiyumi	Yes	Yes
Eng. Abdullah Ali Al Abdullah	Yes	Yes

The sitting fees paid to the members of nomination committee was as follows:

Name	Position	Meetings attended	Sitting Fees RO
H.E. Dr. Mohammed Ali Al Barwani	Member	2	1,600
Eng. Abdulrahman Awadh Barham	Chairman	2	1,600
Eng. Khamis Mubarak Al Kiyumi	Member	2	1,600
Eng. Abdullah Ali Al Abdullah	Member	2	1,600

The Board has named Eng. Abdul Rahman Awadh Barham as the Chairman. There were only two meetings held during the year 2018. The manual and action plan of the Nomination and Remuneration Committee was submitted to the Board on 27.02.2018.

F SHARI'A SUPERVISORY COMMITTEE

The Company's business activities are subject to supervision of a Shari'a Supervisory Committee (SSC) consisting of three members appointed by the shareholders of the Company. The SSC performs supervisory role inorder to determine whether the operations of the Company are conducted in accordance with the Islamic Shari'a rules and principles.

The Shari'a Supervisory Committee met two times during the year ended 31st December 2018 on 18th March and 23rd September.

The details of Shari'a Supervisory Committee meetings attended and sitting fees paid during 2018 are as follows:

Name	18th March	23rd September
Dr. Abdulsattar Abu Ghuddah	Yes	Yes
Dr. Mohammed Daud Baker	Yes	Yes
Sheikh Abdulsattar Kattan	Yes	Yes

Al Madina Takaful

F SHARI'A SUPERVISORY COMMITTEE (continued)

Name	Position	Shari'a Committee Meetings attended	Sitting Fees RO
Dr. Abdulsattar Abu Ghuddah	Chairman	2	1,500
Dr. Mohammed Daud Baker	Vice. Chairman	2	1,500
Sheikh Abdulsattar Kattan	Director	2	1,500

Shari'a Supervisory Committee provides assurance that the accounting policies are in line with AAOIFI standards. The SSC also reviews the policies and procedures of the Company, Investment policies, financial statements, Re-Takaful arrangements and all other activities are in conformity with Islamic Sharia's principles.

G CORPORATE SOCIAL RESPONSIBILITY

The executive management has initiated the process of setting out a strategy to deliver the company's CSR philosophy, policies and community-based principles. The Company has already earmarked a Budget for the year 2018. The company will decide the means of participating and disseminating the values and principles of its CSR philosophy through the different CSR activities by identifying the community segments and social fields targeted. During the year 2018, the company has spent an amount of RO 373 towards CSR activities and an additional amount of RO 2,502 from accumulated purification balance of previous years.

H PROCESS OF NOMINATION OF DIRECTORS

The Company follows the process of Nomination and Election of the Board of Directors as governed by the provision contained in the articles of Association, Commercial Companies Law, and memorandum of association of the Company.

During the year 2018, the overall performance of the board has been evaluated by an independent firm of consultants.

I MANAGEMENT REMUNERATION MATTERS

The Company has appointed experienced and qualified professional managers as heads of departments. All employment is carried out based on specific job profile and description. The goals of Chief Executive Officer (CEO) are set by the Board and based on these goals every department manager is given well set out goals that are clearly measurable. The CEO in conjunction with the Human Resource department conducts performance reviews half yearly and annually to ensure that targets are met. The remuneration package incentives are decided based on performance. Every employee holds a valid employment contract, signed by self and the Company.

The contracts have been prepared in accordance with the guidelines issued by Omani Labour Law and the Ministry of Manpower in this regard.

The gross remuneration paid during the year to the top 6 officers of the Company including salary and allowances amounted to RO 661,887. (Short term benefits 535,252 and Employee end of services benefit 126,635) Company does not offer any stock options to any of its directors or employees.

1 MANAGEMENT REMUNERATION MATTERS (continued)

<u>Profile of the Executive Management of the Company</u>

a) Usama Al Barwani, Chief Executive Officer

Mr. Usama is pursuing his MBA and has completed his Postgraduate Diploma in HRM and Diploma in Information System Management and Education. He is a Certified Islamic Specialist in Islamic Insurance and a Certified Compliance Officer. He has over 26 years of experience in HR and Administration. He is involved in the meetings held with specialists in Shariah consulting services in respect of transforming the Company's activities into Takaful based insurance.

b) Ajay Srivastava, Chief Operating Officer

Mr. Srivastava has completed his Bachelor of Science (Honors). He has a bachelor's degree in Law and is an Associate of Insurance Institute of India (AIII), with over 26years of insurance experience in Indian & London Insurance markets. Amongst his experiences, he has been involved in one of India's largest petrochemical plant (ONGC) and with one of the large auto manufacturer of India (Daewoo Motors). He developed and serviced one of UK's largest furnishing Chain (ROSEBYS) and Hotel Chains (Aurora group) during his career.

c) Shakaib Mahmood – Chief Financial Officer

Mr. Shakaib is a fellow member of the Institute of Chartered Accountants of India. He also has bachelor's degrees in law and commerce. Shakaib has more than 27 years of experience of providing assurance and advisory services to the Insurance sector in Sultanate of Oman. Prior to joining the Company, he was working as a Director, with one of the International big four Audit and Advisory firms in Oman since 1992, where his responsibilities included, apart from providing Assurance &Advisory services to Banking and Insurance sector, Risk Management and Quality control of the Firm. He also acted as Head of Islamic Finance for a couple of years with the International Firm in Oman.

d) Chakrapani Ranganathan, Head- Business Strategy/Life & Medical

Mr. Ranganathan has Insurance experience of over 25 years with 15 years in the Oman market. He has Bachelor degrees in Science and Law. He has been associated with two leading Insurance company with India, which were joint ventures with world Insurance leaders- Prudential, (UK) and Cardiff (France). He was in the core implementation team of Investment linked insurance schemes, during his tenure as Branch head in ICICI prudential in India. He has successfully managed various distribution channels, including the Bancassurance of the largest public sector bank (State bank of India) in the Southern region of India. His specialization is in the areas of Product distribution, Channel management and Life & Medical. He has the experience of handling large group insurances of public sector banks in India.

Al Madina Takaful

J AREAS OF NON-COMPLIANCE

During the year there has been penalty of RO 1,625 imposed on the Company by the Capital Market Authority for non-compliance with disclosure of change in Wakala fee for the year ended 31 December 2017. No other penalty was imposed on the Company except the one that has been disclosed.

During the year 2018, the Internal auditor has resigned. The Company is already in process of recruiting a suitable candidate which will be finalized soon.

Till the time a suitable person is appointed for the role, the Company's internal audit function has been outsourced to Moore & Stephens LLC.

K MEANS OF COMMUNICATION WITH SHAREHOLDERS

As per the legal requirements, a notice is sent to the shareholders for the Annual General Meeting together with the annual audited financial statements including details of related party transactions (which are entered into on an arm's length basis) along with the Chairman's Report and MD & A Report. The nature and value of related party transactions are disclosed by way of a note to the financial statements.

The Company has become a public joint stock company in December 2013. The quarterly results of the company are disclosed to the public through announcements in MSM website as per statutory requirements & Company's website (www.almadinatakaful.com).

L MARKET PRICE DATA AND DISTRIBUTION OF HOLDINGS

Market price data

Shares of the Company have been listed on the Muscat Securities Market on 10 December 2013.

The market price data of the shares for the year 2018 is as given below.

	Company's market price (Baiza)		MSM 30 Index	
Month	**High**	**Low**	**High**	**Low**
Jan 18	96	94	5,028	4,999
Feb 18	93	92	5,007	4,994
Mar 18	91	89	4,810	4,773
Apr 18	100	98	4,751	4,729
May 18	108	107	4,608	4,573
Jun 18	103	102	4,578	4,565
July 18	97	94	4,338	4,321
Aug 18	98	95	4,447	4,407
Sep 18	94	94	4,548	4,524
Oct 18	98	96	4,424	4,421
Nov 18	99	98	4,415	4,399
Dec 18	96	94	4,352	4,316

الـمـديـنـة تـكـافـل
Al Madina Takaful

L MARKET PRICE DATA AND DISTRIBUTION OF HOLDINGS (CONTINUED)

Pattern of Shareholding

Details of shareholders holdings 5% or more are given below.

SHAREHOLDER	NO. OF SHARES	% HOLDING
1. Mohammed Al Barwani Holding Co. L.L.C.	45,250,001	26
2. Bank Muscat OGF A/C Vision Asset Mgt Co	16,438,947	9

M DECLARATION BY THE BOARD OF DIRECTORS

We the board of directors hereby confirms that:

- the financial statements are prepared and presented in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- necessary policies and procedures are approved which are necessary for strategy implementation and smooth operational performance;
- internal control system of the Company is efficient and adequate and complies with the internal rules and regulations of the Company; and
- there are no material matters, which will affect the Company's ability to continue its operations in the coming financial years.

N PROFILE OF THE STATUTORY AUDITORS

PwC is a global network of firms operating in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for over 40 years, PwC Middle East has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 4,500 people. (www.pwc.com/me).

PwC has been established in Oman for over 40 years and the Firm comprises four partners, including one Omani national, and over 130 professionals and support staff. Our experts in assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

During the year 2018, audit fees amounting to RO 15,800 and reimbursable actuarial review fees of RO 3,000 was charged by the external auditors in respect of the services provided by them to the company. No other non-audit services were provided by the external auditors during the year 2018.

For **Al Madina Insurance Company SAOG**

M Barwani

بسم الله الرحمن الرحيم

In the name of Allah,
The Most Merciful, the All Beneficent

The report of the Shari'ah Supervisory Committee of Al Madina Insurance (Takaful) For the year ended on 31 December 2018

Praises to Allah, the Almighty, Prayers and Peace be Upon the True Messenger, His Relatives and All His Companions.

To the Shareholders of Al Madina Insurance (Takaful):

Peace and Blessings be upon you and hereafter,

In compliance with our appointment to undertake the duties of Shari'ah supervision, and after observing the company's activities, businesses and investments we hereby submit the following report:

The Shari'ah Supervisory Committee reviewed the procedures relating to the Takaful transactions and the applications introduced by the company for the year ended on 31 December 2018. The Committee has reviewed and confirmed the implementation of the principles and guidelines governing the relationship between the participants and shareholders in order to identify the rights of each side. Discussions took place with the Company's officers with regard to its items and the attached Notes.

The Committee gave its Shari'ah directives for Takaful transactions and answered the queries made by the management.

It is the management responsibility to ensure that the company conducts it is business in accordance with Islamic Shari'ah principles, our responsibility is to express an opinion on the company operations and that the financial are prepared on the basis of and in accordance with the principle of Islamic Shari'ah.
In our opinion:

1. The surplus distribution, charging of losses and expenses to the participants and shareholders fully confirm with the principles established by ourselves in compliance with Shari'ah rules and principles.

2. The steps and actions were taking to spend any gains realized from prohibited sources or methods to charitable causes according to Charity Manual approved by us.

3. The calculations of Zakah is being calculated in compliance with Islamic Shari'ah rules and principles and as directed by the Shari'ah supervisory Committee. It should be noted that responsibility for payment of Zakah is undertake by the shareholders.

We pray to Allah the Almighty to grant the Company continuous success for purifying business transactions from suspicions and prohibitions.

Peace and Blessings be upon you
08 Jumada Al Al Akhira, 1440 corresponding to 13 February 2019

Chairman of the Shari'ah Supervisory Committee
Dr. Shaikh Abdulsattar Abughuddah,

AL MADINA INSURANCE
Sharia Supervisory Board هيئة الرقابة الشرعية

AL MADINA INSURANCE COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Registered address:

P.O. Box 1805
Postal Code 130
South Al Khuwair, Bousher, Muscat
Sultanate of Oman

Principal place of business:

Third floor 301 and 302
Muscat Grand Mall
Ghubra, Muscat
Sultanate of Oman

AL MADINA INSURANCE COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Independent auditor's report to the shareholders of Al Madina Insurance Company SAOG

Introduction

We have audited the accompanying financial statements of Al Madina Insurance Company SAOG (the Company) which comprise the statement of financial position as at 31 December 2018 and the statements of participants' revenue and expenses, comprehensive income, changes in shareholders' equity, changes in participants' fund, cash flows and sources and uses of funds in the charity fund for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Shari'a rules and principles as determined by the Shari'a Supervisory Committee of the Company, the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), applicable requirements of the Commercial Companies Law of 1974, as amended, of the Sultanate of Oman, the provisions for disclosure related to insurance companies issued by the Capital Market Authority of the Sultanate of Oman and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for the Company's undertaking to operate in accordance with Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Committee of the Company.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Shari'a rules and principles as determined by the Shari'a Supervisory Committee of the Company and the Financial Accounting Standards issued by the AAOIFI.

Other legal and regulatory requirements

Further, we report that the financial statements have been prepared and comply, in all material respects, with the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the Commercial Companies Law of 1974, as amended.

PricewaterhouseCoopers

برايس وترهاوس كوبرز ش م م
س.ت ١٢٣٠٨٦٥
C.R. No 1230865
PricewaterhouseCoopers LLC

Kashif Kalam

Muscat, Sultanate of Oman
25 February 2019

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Shareholders' fund		Participants' fund						Grand total	
				General takaful		Family takaful		Total participants' fund			
	Note	2018 RO	2017 RO	2018 RO	2017 RO	2018 RO	2017 RO	2018 RO	2017 RO	2018 RO	2017 RO
ASSETS											
Cash and bank balances	4	535,336	1,554,510	2,634,095	2,376,372	26,211	495,020	2,660,306	2,871,392	3,195,642	4,425,902
Investments carried at fair value through profit or loss	6	1,710,928	2,098,401	-	-	-	-	-	-	1,710,928	2,098,401
Takaful balance receivable	7	-	-	9,145,445	10,248,311	994,405	1,058,122	10,139,850	11,306,433	10,139,850	11,306,433
Retakaful / reinsurance balance receivable	7	-	-	404,696	531,791	195,219	181,449	599,915	713,240	599,915	713,240
Receivable from participants' fund - family takaful		-	-	787,033	971,948	-	-	787,033	971,948	787,033	971,948
Receivable from shareholders' fund		-	-	-	1,208,484	-	-	-	1,208,484	-	1,208,484
Receivable from participants' fund	8	1,566,915	1,638,393	-	-	-	-	-	-	1,566,915	1,638,393
Due from retakaful / reinsurance companies in connection with takaful liabilities	9	-	-	31,804,558	116,085,145	1,113,057	1,351,180	32,917,615	117,436,325	32,917,615	117,436,325
Deferred policy acquisition cost	10	-	-	715,283	702,786	59,867	103,974	775,150	806,760	775,150	806,760
Other receivables and takaful assets	11	953,055	924,023	660,358	419,630	307,520	132,025	967,878	551,655	1,920,933	1,475,678
Investments at fair value through equity	12	2,178,384	1,820,153	-	-	-	-	-	-	2,178,384	1,820,153
Bank deposits	5	5,781,500	4,781,500	5,476,416	3,476,416	947,084	947,084	6,423,500	4,423,500	12,205,000	9,205,000
Investments carried at amortised cost	13	4,753,654	4,989,600	-	-	-	-	-	-	4,753,654	4,989,600
Deferred tax asset	14(f)	118,717	165,616	-	-	-	-	-	-	118,717	165,616
Investment in real estate	15	5,997,586	6,391,733	-	-	-	-	-	-	5,997,586	6,391,733
Property and equipment	16	930,587	1,080,640	-	-	-	-	-	-	930,587	1,080,640
Total assets		24,526,662	25,444,569	51,627,884	136,020,883	3,643,363	4,268,854	55,271,247	140,289,737	79,797,909	165,734,306

The notes and other explanatory information on pages 10 to 48 form an integral part of these financial statements.

Independent auditor's report – page 1.

PricewaterhouseCoopers LLC
Initialled for identification purpose only
Initial.............................. Date.................

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

		Shareholders' fund		Participants' fund						Grand total	
				General Takaful		Family Takaful		Total participants' fund			
LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY	Note	2018 RO	2017 RO	2018 RO	2017 RO	2018 RO	2017 RO	2018 RO	2017 RO	2018 RO	2017 RO
LIABILITIES											
Takaful liabilities	9	-	-	44,970,099	128,194,278	1,464,256	1,795,063	46,434,355	129,989,341	46,434,355	129,989,341
Unearned retakaful commission	22	-	-	50,629	51,486	-	-	50,629	51,486	50,629	51,486
Retakaful/reinsurance payables		-	-	4,957,763	6,010,876	795,425	1,346,424	5,753,188	7,357,300	5,753,188	7,357,300
Accounts and other payables	23	717,104	687,196	2,068,754	2,397,120	868,056	329,037	2,936,810	2,726,157	3,653,914	3,413,353
Charity fund payable		18,763	20,047	-	-	-	-	-	-	18,763	20,047
Payable to shareholders	8(b)	-	-	1,189,876	1,183,956	377,039	454,437	1,566,915	1,638,393	1,566,915	1,638,393
Payable to participants' fund - general takaful		-	1,208,484	-	-	787,033	971,948	787,033	971,948	787,033	2,180,432
Employees' end of service benefits	21	364,915	318,622	-	-	-	-	-	-	364,915	318,622
Total liabilities		1,100,782	2,234,349	53,237,121	137,837,716	4,291,809	4,896,909	57,528,930	142,734,625	58,629,712	144,968,974
PARTICIPANTS' FUND											
Deficit in participants' fund		-	-	(5,083,412)	(4,672,388)	(804,773)	(754,599)	(5,888,185)	(5,426,987)	(5,888,185)	(5,426,987)
Contingency reserve	20	-	-	3,474,175	2,855,555	156,327	126,544	3,630,502	2,982,099	3,630,502	2,982,099
Total participants' fund			-	(1,609,237)	(1,816,833)	(648,446)	(628,055)	(2,257,683)	(2,444,888)	(2,257,683)	(2,444,888)
SHAREHOLDERS' EQUITY											
Capital and reserves											
Share capital	17	17,500,000	17,500,000	-	-	-	-	-	-	17,500,000	17,500,000
Share premium	18	1,380,151	1,380,151	-	-	-	-	-	-	1,380,151	1,380,151
Legal reserve	19	909,244	837,275	-	-	-	-	-	-	909,244	837,275
Investment fair value reserve	12(c)	254,891	148,901	-	-	-	-	-	-	254,891	148,901
Property fair value reserve		213,924	123,949	-	-	-	-	-	-	213,924	123,949
Retained earnings		3,167,670	3,219,944	-	-	-	-	-	-	3,167,670	3,219,944
Total shareholders' equity		23,425,880	23,210,220	-	-	-	-	-	-	23,425,880	23,210,220
Total liabilities, participants' fund and shareholders' equity		24,526,662	25,444,569	51,627,884	136,020,883	3,643,363	4,268,854	55,271,247	140,289,737	79,797,909	165,734,306
Net assets per share attributable to shareholders	29	0.134	0.133	-	-	-	-	-	-	-	-

The financial statements on pages 2 to 48 were approved and authorised for issue by the Board of Directors on 24 February 2019 and were signed on their behalf by:

Director | **Director**

Independent auditor's report – page 1.

PricewaterhouseCoopers LLC
Initialled for identification purpose only
Initial................................ Date..................

STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	General takaful 2018 RO	General takaful 2017 RO	Family takaful 2018 RO	Family takaful 2017 RO	Total 2018 RO	Total 2017 RO
Takaful revenues							
Gross contributions		27,496,131	26,273,252	2,978,280	3,641,376	30,474,411	29,914,628
Retakaful/reinsurance share		(12,154,701)	(11,719,357)	(2,176,427)	(2,581,126)	(14,331,128)	(14,300,483)
Retained contributions		15,341,430	14,553,895	801,853	1,060,250	16,143,283	15,614,145
Movement in unearned contributions reserve		(430,055)	(544,621)	77,252	(32,801)	(352,803)	(577,422)
Net earned contributions		14,911,375	14,009,274	879,105	1,027,449	15,790,480	15,036,723
Income earned from retakaful contracts	22	156,853	106,429	-	647	156,853	107,076
		15,068,228	14,115,703	879,105	1,028,096	15,947,333	15,143,799
Takaful expenses							
Gross claims settled	9(a)	(74,173,633)	(43,990,996)	(2,041,322)	(1,734,693)	(76,214,955)	(45,725,689)
Claims recovered from retakaful/reinsurance	9(a)	65,561,036	36,567,112	1,705,870	1,460,215	67,266,906	38,027,327
Net claims settled		(8,612,597)	(7,423,884)	(335,452)	(274,478)	(8,948,049)	(7,698,362)
Net movement in outstanding claims		(626,353)	(1,454,507)	15,432	(51,015)	(610,921)	(1,505,522)
Net claims incurred		(9,238,950)	(8,878,391)	(320,020)	(325,493)	(9,558,970)	(9,203,884)
Commission expense	10	(1,583,873)	(1,565,411)	(208,739)	(191,364)	(1,792,612)	(1,756,775)
		(10,822,823)	(10,443,802)	(528,759)	(516,857)	(11,351,582)	(10,960,659)
Surplus from takaful operations		4,245,405	3,671,901	350,346	511,239	4,595,751	4,183,140
Fees and other income	24	139,193	285,058	633	6,467	139,826	291,525
Provision for impairment of receivables	7(b)	(166,000)	(80,000)	46,000	(10,000)	(120,000)	(90,000)
Takaful expense		(257,947)	(13,908)	(17,409)	(1,440)	(275,356)	(15,348)
Surplus from takaful operations before investment income, mudarib share and wakala fees		3,960,651	3,863,051	379,570	506,266	4,340,221	4,369,317
Investment income - net	26	210,444	110,790	37,774	29,862	248,218	140,652
Mudarib share	25	(115,744)	(60,934)	(20,776)	(16,424)	(136,520)	(77,358)
Wakala fees	25	(3,847,755)	(3,650,168)	(416,959)	(509,793)	(4,264,714)	(4,159,961)
Surplus / (deficit) for the year		207,596	262,739	(20,391)	9,911	187,205	272,650

The notes and other explanatory information on pages 10 to 48 form an integral part of these financial statements.

Independent auditor's report – page 1.

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

AL MADINA INSURANCE COMPANY SAOG

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Shareholders' fund 2018 RO	2017 RO
Wakala fees	25	**4,264,714**	4,159,961
Investment income – net	26(b)	**651,400**	192,232
Mudarib share	25	**136,520**	77,358
		5,052,634	4,429,551
General and administrative expenses	27	**(4,100,603)**	(4,021,927)
Other income		**159**	940
		(4,100,444)	(4,020,987)
Profit before taxation		**952,190**	408,564
Taxation	14(a)	**(232,495)**	(11,620)
Profit for the year		**719,695**	396,944
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss			
Net change in fair value of investments at fair value through equity	12(c)	**124,161**	(159,142)
Gain on revaluation of investment in real estate	15	**251,675**	145,822
Transfer to statement of comprehensive income on sale of investment in real estate		**(145,822)**	-
Deferred tax impact directly charged to shareholders' equity	14(f)	**(34,049)**	(21,798)
Total other comprehensive income /(loss)		**195,965**	(35,118)
Total comprehensive income for the year		**915,660**	361,826
Earnings per share attributable to shareholders - basic and diluted	28	**0.004**	0.002

The notes and other explanatory information on pages 10 to 48 form an integral part of these financial statements.

Independent auditor's report – page 1.

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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	17,500,000	1,380,151	837,275	-	148,901	123,949	3,219,944	23,210,220
Comprehensive income								
Profit for the year	-	-	-	-	-	-	719,695	719,695
Other comprehensive income / (loss)								
Net change in fair value of investments at fair value through equity [note 12(c)]	-	-	-	-	124,161	-	-	124,161
Transfer to statement of comprehensive income on sale of investment in real estate (note 15)	-	-	-	-	-	(145,822)	-	(145,822)
Gain on revaluation of investment in real estate (note 15)	-	-	-	-	-	251,675	-	251,675
Deferred tax impact directly charged to shareholders' equity [note 14(f)]	-	-	-	-	(18,171)	(15,878)	-	(34,049)
Total other comprehensive income	-	-	-	-	105,990	89,975	-	195,965
Total comprehensive income for the year	-	-	-	-	105,990	89,975	719,695	915,660
Transactions with owner								
Dividend paid during the year (note 30)	-	-	-	-	-	-	(700,000)	(700,000)
Transfer to legal reserve (note 19)	-	-	71,969	-	-	-	(71,969)	-
	-	-	71,969	-	-	-	(771,969)	(700,000)
At 31 December 2018	17,500,000	1,380,151	909,244	-	254,891	213,924	3,167,670	23,425,880
At 1 January 2017	17,500,000	1,380,151	797,581	1,206,553	307,968	-	2,706,141	23,898,394
Comprehensive income								
Profit for the year	-	-	-	-	-	-	396,944	396,944
Other comprehensive (loss) / income								
Net change in fair value of investments at fair value through equity [note 12(c)]	-	-	-	-	(159,142)	-	-	(159,142)
Gain on revaluation of investment in real estate (note 15)	-	-	-	-	-	145,822	-	145,822
Deferred tax impact directly credited/(charged) to shareholders' equity [note 14(f)]	-	-	-	-	75	(21,873)	-	(21,798)
Total other comprehensive (loss) / income	-	-	-	-	(159,067)	123,949	-	(35,118)
Total comprehensive (loss) / income for the year	-	-	-	-	(159,067)	123,949	396,944	361,826
Transactions with owner								
Transfer to participants' contingency reserve	-	-	-	(1,206,553)	-	-	1,206,553	-
Dividend paid during the year (note 30)	-	-	-	-	-	-	(1,050,000)	(1,050,000)
Transfer to legal reserve (note 19)	-	-	39,694	-	-	-	(39,694)	-
	-	-	39,694	(1,206,553)	-	-	116,859	(1,050,000)
At 31 December 2017	17,500,000	1,380,151	837,275	-	148,901	123,949	3,219,944	23,210,220

The notes and other explanatory information on pages 10 to 48 form an integral part of these financial statements.

Independent auditor's report – page 1.

PricewaterhouseCoopers LLC
Initialled for Identification purpose only

Initial .... Date ....

STATEMENT OF CHANGES IN PARTICIPANTS' FUND
FOR THE YEAR ENDED 31 DECEMBER 2018

	Deficit in participants' fund		Contingency reserve		Total
	General takaful	Family takaful	General takaful	Family takaful	
	RO	RO	RO	RO	RO
At 1 January 2018	**(4,672,388)**	**(754,599)**	**2,855,555**	**126,544**	**(2,444,888)**
Surplus / (deficit) for the year	**207,596**	**(20,391)**	**-**	**-**	**187,205**
Contingency reserve (note 20)	**(618,620)**	**(29,783)**	**618,620**	**29,783**	**-**
At 31 December 2018	**(5,083,412)**	**(804,773)**	**3,474,175**	**156,327**	**(2,257,683)**
At 1 January 2017	(3,195,186)	(705,499)	1,115,614	67,533	(2,717,538)
Surplus for the year	262,739	9,911	-	-	272,650
Contingency reserve (note 20)	(555,985)	(36,414)	555,985	36,414	-
Transfer to contingency reserve (from shareholders' fund)	(1,183,956)	(22,597)	1,183,956	22,597	-
At 31 December 2017	(4,672,388)	(754,599)	2,855,555	126,544	(2,444,888)

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

The notes and other explanatory information on pages 10 to 48 form an integral part of these financial statements.

Independent auditor's report – page 1.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RO	2017 RO
Cash flows from operating activities			
Profit before tax for the year		952,190	408,564
Surplus from takaful operations		187,205	272,650
		1,139,395	681,214
Adjustments for:			
Depreciation	27	233,549	258,676
Dividend income	26	(159,447)	(161,654)
Profit on wakala deposits	26	(484,670)	(308,982)
Profit from investments carried at amortised cost	26	(292,114)	(288,239)
Amortisation of investments carried at amortised cost	13	7,581	9,115
End of service benefits charge for the year	27(a)	65,506	102,746
Rental income from investment in real estate	26(a)	(429,666)	(456,960)
Fair value loss on investments carried at fair value through profit or loss	26	515,921	359,807
Provision for impairment of receivables	7(b)	120,000	90,000
Realised gain on sale of investments - net	26	(28,677)	(27,182)
Gain on sale of investment in real estate	26	(216,666)	-
Impairment loss on investments at fair value through equity	26	-	434,715
		470,712	693,256
Payment of end of service benefits	21	(19,213)	(73,844)
Operating cash flows before working capital changes		451,499	619,412
Working capital changes:			
Takaful and retakaful / reinsurance balance receivables		1,159,908	(2,169,709)
Due from retakaful / reinsurance companies in connection with takaful liabilities		84,518,710	(106,963,497)
Other receivables and takaful assets		(445,255)	411,592
Deferred policy acquisition cost		31,610	(36,024)
Takaful liabilities		(83,554,986)	109,046,441
Accounts and other payables		239,277	1,170,529
Retakaful / reinsurance payables		(1,604,112)	1,389,342
Unearned retakaful commission		(857)	7,343
Net cash generated from operating activities		795,794	3,475,429
Cash flows from investing activities			
Purchase of property and equipment	16	(83,496)	(239,135)
Purchase of investments carried at fair value through profit or loss	6(b)	(202,659)	(146,155)
Purchase of investments carried at fair value through equity	12(a)	(806,985)	(915,120)
Purchase of investments carried at amortised cost	13	(2,502,500)	(751,500)
Proceeds from disposal of investments carried at amortised cost	13	2,730,865	-
Proceeds from sale of investment in real estate		716,666	-
Proceeds from disposal of investments at fair value through profit or loss	6(b)	80,517	826,946
Proceeds from disposal of investments carried at fair value through equity	12	595,288	468,023
Movement in bank deposits		(3,000,000)	(1,148,025)
Rent received		568,740	754,860
Profit received		418,063	639,808
Dividends received		159,447	161,654
Net cash used in investing activities		(1,326,054)	(348,644)
Cash flow from financing activity			
Dividends paid	30	(700,000)	(1,050,000)
Net change in cash and cash equivalents		(1,230,260)	2,076,785
Cash and cash equivalents at the beginning of the year	31	4,425,902	2,349,117
Cash and cash equivalents at the end of the year	31	3,195,642	4,425,902

The notes and other explanatory information on pages 10 to 48 form an integral part of these financial statements.

Independent auditor's report – page 1.

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

STATEMENT OF SOURCES AND USES OF FUNDS IN THE CHARITY FUND FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RO	2017 RO
At 1 January		**20,047**	18,842
Payment made during the year		**(2,502)**	-
Purification charges during the year	27	**1,218**	1,205
At 31 December	40	**18,763**	20,047

The notes and other explanatory information on pages 10 to 48 form an integral part of these financial statements.

Independent auditor's report – page 1

PricewaterhouseCoopers LLC
Initialled for identification purpose only
Initial .... Date ....

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 mudaraba models respectively, on behalf of the participants in accordance with the Islamic Shari'a principles. The retakaful / reinsurance activities are organised on an underwriting year 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

2.1 Basis of preparation

(a) These financial statements for the year ended 31 December 2018 have been prepared in accordance with the Shari'a rules and principles as determined by the Shari'a Supervisory Committee of the Company, the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), applicable requirements of the Commercial Companies Law of 1974, as amended, of the Sultanate of Oman and comply with the relevant disclosure requirements of Capital Market Authority.

(b) These financial statements have been prepared using historical cost convention except for investments carried at fair value through profit or loss, investments at fair value through equity and investment in real estate which are measured at fair value. The preparation of financial statements in conformity with applicable standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 3.

The accounting policies adopted are consistent with those of the previous financial year.

(c) Standards and amendments effective in 2018 and relevant for the Company's operations:

For the year ended 31 December 2018, the Company has adopted all of the new and revised standards and interpretations issued by the AAOIFI that are relevant to its operations and effective for periods beginning on 1 January 2018. The adoption of these standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current year.

(d) Standards that are not yet effective and have not been early adopted by the Company:

The following standards have been published by the AAOIFI and are mandatory for the Company's accounting periods beginning on or after 1 January 2019, but the Company has not early adopted. These are not expected to have a significant effect on the financial statements of the Company.

FAS 28, 'Murabaha and other deferred payment sales' (effective on or after 1 January 2019);
FAS 30, 'Impairment, credit losses and onerous commitments' (effective on or after 1 January 2020);
FAS 31, 'Investment Agency' (effective on or after 1 January 2020);
FAS 33, 'Investment in Sukuk Shares and Similar Instruments' (effective on or after 1 January 2020);
FAS 34, 'Financial Reporting for Sukuk-holders' (effective on or after 1 January 2020); and
FAS 35, 'Risk Reserves' (effective on or after 1 January 2020).

2 Summary of significant accounting policies (continued)

2.2 Takaful operations

The Company issues contracts that are based on co-operative activity by risk sharing or financial risk, or both. The Company classifies all its contracts as takaful contracts.

Takaful is a system where policyholders commit to donate all or part of the contributions to the takaful fund for paying the actual damages or to compensate any policyholder on occurrence of the insured risks according to the terms and conditions of the takaful contract. The Company's role, acting as agent, is limited to managing the takaful operations and investment of the assets of the takaful fund in compliance with Shari'a rules and principles.

The Company issues short term takaful contracts which are principally divided into general takaful (medical, motor and non-motor) and short term family takaful (credit life and group life). The Company also issues long term family takaful contracts.

2.3 Takaful and retakaful / reinsurance contracts

2.3.1 Takaful contracts

(a) Recognition and measurement

Takaful contracts are classified into two main categories, short term and long term takaful contracts.

Short term takaful contracts

For all the short term contracts, contributions are recognised as revenue (earned contributions). A proportion of net retained contribution is provided as 'unearned contribution reserve' to cover portions of risks which have not expired at the statement of financial position date. Unearned contribution reserve is calculated by using 1/365 method of the net retained contributions for the year for all classes of general takaful business as required by Capital Market Authority.

Claim and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on the estimated liability for compensation owed to contract holders or third parties affected by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analysis for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Long term takaful contracts

Contributions are recognised as revenue when they become payable by the contract holder. Contributions are shown before deduction of income from retakaful contracts.

Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the contributions are recognised based on actuarial valuation. The liabilities are recalculated at each reporting date using the assumptions established at inception based on the actuarial valuation.

Benefits payable to contract holders are recorded as an expense when they are incurred.

(b) Deferred policy acquisition costs

The costs attributable to the acquisition of new business and renewing existing contracts are capitalised as an intangible asset under deferred acquisition costs. All other costs are recognised as expenses when incurred. The expense is subsequently amortised over the life of the contracts as contribution is earned. The deferred policy acquisition cost is calculated using 1/365 method of the total commission expense for the year for general and family takaful business.

2 Summary of significant accounting policies (continued)

2.3 Takaful and retakaful / reinsurance contracts (continued)

2.3.1 Takaful contracts (continued)

(c) Unearned retakaful income

The income from retakaful contracts attributable to the retakaful ceded contributions are deferred and classified as unearned retakaful income which is subsequently amortised over the life of the retakaful contracts as retakaful ceded contribution is expensed. Unearned retakaful commission is calculated using 1/365 method of the retakaful commission income for the year for general and family takaful business.

(d) Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in light of the estimated future cash flows, the entire deficiency is immediately recognised in the statement of comprehensive income and an unexpired risk provision is created.

(e) Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of comprehensive income as incurred.

Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

Provisions for reported claims not paid at the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgement and the management's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) at the date of the statement of financial position. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

The Company may sell the salvaged vehicle or property to recover a part of the claim cost. The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included under other assets based on estimates through a tender mechanism. Subrogation reimbursements are also recognised under other assets based on the assessment of the amount that can reasonably be recovered from the action against the liable third party.

2.3.2 Retakaful / reinsurance contracts held

In order to minimise financial exposure, the Company enters into agreements with other parties for retakaful / reinsurance purposes. Under retakaful / reinsurance contracts, the Company is compensated for losses on one or more takaful contracts issued by the Company. Takaful contracts entered into by the Company under which the contract holder is another takaful company (inwards retakaful / reinsurance) are included within takaful contracts.

The benefits to which the Company is entitled under its retakaful / reinsurance contracts held are recognised as retakaful / reinsurance assets. These assets consist of short-term balances due from retakaful / reinsurance (classified within Retakaful / reinsurance balances receivable), as well as the retakaful / reinsurance portion of gross claims outstanding including IBNR and unearned contribution reserve that are dependent on the expected claims and benefits arising under the related retakaful / reinsurance contracts. Amounts recoverable from or due to retakaful / reinsurance are measured consistently with the amounts associated with the retakaful / reinsurance contracts and in accordance with the terms of each retakaful / reinsurance contract. Retakaful / reinsurance liabilities are primarily contributions payable for retakaful / reinsurance contracts.

The Company assesses its retakaful / reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the retakaful / reinsurance asset is impaired, the Company reduces the carrying amount of the retakaful / reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a retakaful / reinsurance asset is impaired using the same process adopted for takaful balances receivable. The impairment loss is also calculated following the same method used for these financial assets.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency

(a) Functional and presentation currency

The financial statements are presented in Rials Omani, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as investments at fair value through equity, are included in other comprehensive income.

2.5 Revenue and income recognition

(a) Gross contributions

Gross contributions represent the total business written during the year and are recognised as revenue (contributions) at the time of entering into the takaful contract. A proportion of net retained contribution is provided as 'unearned contribution reserve' to cover portions of risks which have not expired at the statement of financial position date. In certain circumstances, the Company or the policyholder may cancel takaful contract and contribution refund is made as per the terms and conditions agreed with the policyholder and the local laws and regulations.

(b) Wakala fees and mudarib share

Wakala fees and mudarib share are recognised when the right to receive is established and are measured by applying a percentage approved by the Board of Directors and the Shari'a Supervisory Committee to the gross contributions and income generated by participants' fund respectively.

(c) Income earned from retakaful contracts

Income earned from retakaful contracts is recognised at the time when takaful contracts are written. The amounts received by the Company from conventional reinsurance companies is treated as premium discounts and is accordingly netted off from reinsurance share of gross contributions.

(d) Investment and other income

Profit from investments carried at amortised cost and bank deposits is recognised on a time proportion basis using effective profit method. Rental income from investment in real estate, dividend income and other income is recognised when the right to receive is established.

2.6 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2 Summary of significant accounting policies (continued)

2.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful economic lives are as follows:

Buildings	20 years
Leasehold improvements	3-5 years
Office furniture and equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts, are recognised within 'other income' and are taken into account in determining operating results.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policy.

2.8 Investment in real estate

Property that is held for rental yields or for capital appreciation or both, and that is not occupied by the Company is classified as investment in real estate.

Investment in real estate comprises residential and commercial building and the land on which it is constructed. After initial recognition, investment in real estate is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are carried out by third party property valuation consultant who has the necessary experience and qualifications to perform such valuations.

The fair value of investment in real estate assuming full possession reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred.

Gains arising from change in fair value of investment in real estate is recognised directly in equity under 'property fair value reserve'. Losses resulting from fair valuation of investment in real estate are adjusted in equity against property fair value reserve to the extent of available credit balance of this reserve. In case such losses exceed the available balance, the losses are recognised in the statement of comprehensive income. If there are losses relating to investment in real estate that have been recognised in the statement of comprehensive income in a prior period, the gains relating to current financial period are recognised in the statement of comprehensive income to the extent of crediting back such previously recognised losses.

2 Summary of significant accounting policies (continued)

2.8 Investment in real estate (continued)

If an investment in real estate becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. Investment in real estate under construction is measured at fair value if the fair value is considered to be reliably determinable.

Investment in real estate is derecognised on disposal or where it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain/loss on disposal of investment in real estate is recognised in statement of comprehensive income and is determined as the difference between the net disposal proceeds and the carrying amount of the asset after adjusting the available balance on the property fair value reserve account attributable to the asset disposed.

2.9 Financial instruments

The Company classifies its financial assets in the following categories: investments carried at fair value through profit or loss, investments at fair value through equity, investments carried at amortised cost and loans and receivables. Management determines the classification of its investments at initial recognition. Investments out of shareholders' fund are approved by investment executive committee.

(a) Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss are investments held for trading. Investments held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short-term. These investments are initially recognised at fair value. Transaction costs for all investments carried at fair value through profit or loss are expensed as incurred.

Investments carried at fair value through profit or loss are subsequently carried at fair value. The fair value of investments carried at fair value through profit or loss is based on their quoted market prices as at the date of statement of financial position.

Gains and losses arising from changes in the fair value of the investments carried at fair value through profit or loss category are included in the statement of comprehensive income in the year in which they arise.

Realised gains on sale of investments are determined by the difference between the sale proceeds and the carrying value and are included in the statement of comprehensive income in the year in which they arise.

Dividend income from investments carried at fair value through profit or loss is recognised in the statement of comprehensive income when the Company's right to receive payments is established.

(b) Investments at fair value through equity

Investments at fair value through equity are non-derivatives that are either designated in this category or not classified in any of other categories. Investments at fair value through equity are initially recognised at fair value including transaction costs. Investments at fair value through equity are subsequently carried at fair value. Changes in the fair value of investments at fair value through equity are recognised in the statement of other comprehensive income. When securities classified as investments at fair value through equity are sold, the accumulated fair value changes recognised in equity are included in the statement of comprehensive income.

The fair value of investments at fair value through equity is based on their quoted market prices as at the date of statement of financial position. The fair value of financial instruments that are not traded in an active market (for example, unquoted investments) is determined by using certain valuation techniques.

(c) Investments carried at amortised cost

Investments which have fixed or determinable payments and where the Company has both the intent and ability to hold to maturity are classified as investments carried at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such instruments is recognised in the statement of comprehensive income when the instruments are de-recognised or impaired.

PricewaterhouseCoopers LLC
Initialled for Identification purpose only

Initial .... Date ....

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination.

They are subsequently measured at amortised cost using the effective profit method, less provision for impairment. Qard hassan (receivable from participants) is profit free loan and accordingly no effective profit method will apply. The Company's loans and receivables comprise of 'takaful balance receivable, retakaful / reinsurance balance receivable, bank deposits, cash and bank balances, other receivables and takaful assets' in the statement of financial position.

Reclassification

The Company reclassifies its financial assets in case its intention relating to the holding of investments changes. The Company measures the financial asset that have been reclassified from one category to the other at fair value. Subsequently, the Company applies the accounting policy relating to the category to which the financial asset were reclassified.

Derecognition

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial liabilities

Financial liabilities are measured at amortised cost using effective profit rate. The financial liabilities of the Company comprise of takaful liabilities, deferred income from retakaful contracts, payable to retakaful / reinsurance and accounts and other payables.

2.10 Impairment and un-collectability of financial assets

(a) Investments at fair value through equity

The Company assesses at the end of each reporting year whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as investments at fair value through equity, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for investments at fair value through equity, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(b) Assets carried at amortised cost

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.10 Impairment and un-collectability of financial assets (continued)

(b) Assets carried at amortised cost (continued)

A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in profit or principal payments;
- the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; and,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets, including adverse changes in the payment status of borrowers, or national or local economic conditions that correlate with defaults on the assets.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

2.11 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

2 Summary of significant accounting policies (continued)

2.13 Takaful balances receivable

Takaful balances receivable are initially recognised at fair value and subsequently are stated at amortised cost using the effective profit method less impairment losses. A provision for impairment of takaful balances receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the takaful balances receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective profit rate. The amount of any provision is recognised in the statement of participants' revenue and expenses. Subsequent recoveries of amounts for which provision is created in prior periods are credited in the statement of participants' revenue and expenses.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and bank deposits with a maturity of three months or less from the date of placement.

2.15 Legal reserve

In accordance with the Commercial Companies Law of Oman 1974, annual appropriations of 10% of the profit for the year are made to the legal reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid up share capital.

Reserve is reviewed and transferred on a yearly basis.

2.16 Contingency reserve

In accordance with the Insurance Companies Law of Oman, the following contingency reserves are required to be established in the year of profits in respect of general and life insurance business:

General insurance - transfer equivalent to 10% of the net outstanding claims at the year end.
Life insurance - transfer equivalent to 1% of life assurance contributions for the year.

The company may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. Transfers to these reserves are made until the total of both are equal to the paid-up capital of the Company.

2.17 Employees' end of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003, as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

2.18 Accounts and other payables

Accounts and other payables are initially measured at fair value and subsequently carried at amortised cost using the effective profit method. Liabilities are recognised for amount to be paid for goods or services received, whether or not billed to the Company.

2 Summary of significant accounting policies (continued)

2.19 Director's remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority.

The Annual General Meeting shall approve the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed RO 200,000 in one year. The sitting fees for each Director shall not exceed RO 10,000 in one year.

2.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.21 Provisions

Provisions are recognised in the statement of financial position when the Company has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.22 Dividend and underwriting surplus distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements only in the year in which the dividends are approved by the Company's shareholders.

The Company operates in accordance with Shari'a principles as a result, the net surplus from the operations of the takaful fund is attributable to policyholders in accordance with the terms and conditions of takaful contracts acquired by the policyholder. Any surplus distribution to the policyholders is done based on the advice of the Shari'a Supervisory Committee.

2.23 Earnings prohibited by Shari'a

The Company is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a separate account where the Company uses these funds based on advice from Shari'a Supervisory Committee.

2.24 Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's shareholders), head office expenses, and income tax assets and liabilities.

2 Summary of significant accounting policies (continued)

2.25 Qard hassan

In the event of deficit in the participants' fund, the shareholders may cover the deficit in the participants' fund by granting an interest free loan i.e. Qard Hassan to the participants' fund. This will be repaid by the participants from the surpluses in subsequent periods.

3 Critical accounting estimates and judgements

In the preparation of financial statements and application of the accounting policies mentioned in note 2, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the resultant provisions and change in fair value for the year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

(a) Outstanding claims

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the statement of financial position date. The management uses the initial value of the claim provided by the surveyor for the expected ultimate cost of claims reported at the financial position date. The primary technique adopted by management in estimating the cost of IBNR claims, is that of using past claims settlement trend to predict future claims settlement trends. The computation of IBNR is done using the services of independent actuary. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General takaful claims provisions are not discounted for the time value of money.

(b) Impairment of receivables

An estimate of the collectible amount of takaful and retakaful / reinsurance balances receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied on the basis of length of time past due and/or qualitative factors, based on historical recovery rates.

(c) Fair valuation of investment in real estate

The fair value of investment in real estate is determined by independent professional property valuation consultant. The basis of valuation was open market rate represented by the best price for which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of the valuation.

(d) Impairment of investments carried at fair value through equity

The Company follows guidance of AAOIFI standards to determine when investments carried at fair value through equity are impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(e) Fair valuation of unquoted investments

The fair value of investments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3 Critical accounting estimates and judgements (continued)

(f) Mathematical reserve

The determination of the liabilities under long-term insurance contracts (mathematical reserve) is dependent on estimates made by the management through appointing an independent actuary. Estimates are made as to the expected number of deaths for each of the periods in which the Company is exposed to risk. The Company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. The estimated number of deaths allowing for discounting at the valuation rate of discount determines the present value of the benefit payments and the present value of the future premiums, the difference between the two being the reserve required at the valuation date. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk.

4 Cash and bank balances

	Shareholders	Participants		
		General	Family	Total
2018	**RO**	**RO**	**RO**	**RO**
Cash at bank in current accounts	**31,275**	**563,766**	**17,737**	**581,503**
Cash at bank in call accounts	**393,334**	**2,029,396**	**8,460**	**2,037,856**
Cash balances with investment managers	**107,427**	**-**	**-**	**-**
Cash in hand	**3,300**	**40,933**	**14**	**40,947**
	535,336	**2,634,095**	**26,211**	**2,660,306**
2017				
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

The Company has call accounts with Islamic banks in Sultanate of Oman with profit rate of 1.2% per annum (2017-1% per annum). The above cash and bank balances include restricted cash for margin deposit for tender bonds amounting to RO 22,658 (2017 - RO 66,864).

5 Bank deposits

	Shareholders	Participants		
		General	Family	Total
2018	**RO**	**RO**	**RO**	**RO**
Bank deposits with maturity of more than three months	**5,781,500**	**5,476,416**	**947,084**	**6,423,500**
2017				
Bank deposits with maturity of more than three months	4,781,500	3,476,416	947,084	4,423,500

5.1 There is no bank deposit denominated in foreign currencies as at 31 December 2018 (2017 - nil). Bank deposits carry profit rates in range of 3.5% to 4.3% per annum (2017 - 3.5% to 4.2% per annum).

5.2 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 12,155,000 (2017 - RO 8,655,000) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

5.3 The Company has kept a deposit of RO 50,000 (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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

6 Investments carried at fair value through profit or loss

	Shareholders		Shareholders	
	2018		2017	
	Fair value	Cost	Fair value	Cost
Local quoted	RO	RO	RO	RO
Service sector	659,763	790,905	790,905	1,438,237
Industrial sector	1,048,915	1,433,437	1,304,988	1,017,463
Financial sector	2,250	2,508	2,508	2,508
	1,710,928	2,226,850	2,098,401	2,458,208

(a) At 31 December 2018, the financial assets at fair value through profit or loss are measured using level 1 of fair value hierarchy. The investments classified as 'investment carried at fair value through profit or loss' primarily include equity securities.

(b) Movement in investments at fair value through profit or loss is as follows:

	Shareholders	
	2018	2017
	RO	RO
At 1 January	2,098,401	3,190,997
Purchases during the year	202,659	146,155
Disposals during the year	(80,517)	(826,946)
Realised gain/(loss) on disposal	6,306	(51,998)
Net change in fair value (note 26)	(515,921)	(359,807)
At 31 December	1,710,928	2,098,401

(c) 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 December are:

	% of Portfolio	Number of Securities	Fair value RO	Cost RO
2018				
Salalah Mills Company SAOG	11	256,556	191,904	341,219
Oman Oil Marketing Company SAOG	10	144,410	163,183	209,395
Oman Refreshment Company SAOG	10	99,802	169,663	204,594
Al Maha Petroleum Products Marketing Company SAOG	10	188,800	175,962	188,800

	% of Portfolio	Number of Securities	Fair value RO	Cost RO
2017				
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

(d) 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 1,548,848 (2017 - RO 347,030) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

7 Takaful and retakaful / reinsurance balance receivable

	Participants		
	General RO	Family RO	Total RO
2018			
Takaful receivable including due from related parties	9,826,847	1,029,150	10,855,997
Less: specific and portfolio provision for impairment	(681,402)	(34,745)	(716,147)
	9,145,445	994,405	10,139,850
Retakaful / reinsurance balances receivable	684,645	216,084	900,729
Less: specific and portfolio provision for impairment	(279,949)	(20,865)	(300,814)
	404,696	195,219	599,915
	9,550,141	1,189,624	10,739,765
2017			
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)
	10,248,311	1,058,122	11,306,433
Retakaful / reinsurance balances receivable	768,530	218,524	987,054
Less: specific and portfolio provision for impairment	(236,739)	(37,075)	(273,814)
	531,791	181,449	713,240
	10,780,102	1,239,571	12,019,673

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 December 2018, receivables past due above 121 days amounting to RO 3,570,283 (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 ageing analysis of takaful balances receivable including due from related parties and retakaful / reinsurance balances receivable as at year end is as under:

	2018			2017		
	General RO	Family RO	Total RO	General RO	Family RO	Total RO
Ageing						
Less than 120 days	6,290,843	878,639	7,169,482	7,465,378	976,648	8,442,026
Above 120 days	4,220,649	366,595	4,587,244	4,110,075	364,533	4,474,608
Total	10,511,492	1,245,234	11,756,726	11,575,453	1,341,181	12,916,634

PricewaterhouseCoopers LLC
Initialled for Identification purpose only

Initial .... Date ....

7 Takaful and retakaful / reinsurance balance receivable (continued)

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

	Participants		
	General RO	Family RO	Total RO
At 1 January 2018	**795,351**	**101,610**	**896,961**
Charge/(release) for the year	**166,000**	**(46,000)**	**120,000**
At 31 December 2018	**961,351**	**55,610**	**1,016,961**
At 1 January 2017	715,351	91,610	806,961
Charge for the year	80,000	10,000	90,000
At 31 December 2017	795,351	101,610	896,961

(c) At 31 December 2018, 40% of the Company's takaful receivable is from 5 customers (2017- 50% from 5 customers).

(d) At 31 December 2018, 67% of the Company's due from retakaful / reinsurance companies are from 5 retakaful / reinsurance companies (2017 – 62% from 5 retakaful / reinsurance companies).

8 Receivable from participants' fund

	Shareholders	
	2018 RO	2017 RO
At 1 January	**1,638,393**	1,976,829
Wakala fees income for the year (note 25)	**4,264,714**	4,159,961
Mudarib share for the year (note 25)	**136,520**	77,358
Amount received from policyholders	**(4,500,000)**	(5,954,707)
Net movement in policyholders' account	**27,288**	172,399
Receivable from participants	**1,566,915**	431,840
Qard hassan provided to participants' fund during the year	**-**	1,206,553
At 31 December	**1,566,915**	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	
	2018 RO	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	**5,920**	-
- From family takaful	**354,442**	431,840
	360,362	431,840
	1,566,915	1,638,393

PricewaterhouseCoopers LLC
Initialled for Identification purpose only

Initial .... Date ....

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

9 Takaful liabilities

	2018 Gross RO	2018 Retakaful/ reinsurance RO	2018 Net RO	2017 Gross RO	2017 Retakaful / reinsurance RO	2017 Net RO
General takaful						
Claims incurred but not settled	28,094,636	(23,278,479)	4,816,157	113,710,973	(109,478,424)	4,232,549
Claims incurred but not reported	4,120,498	(2,750,452)	1,370,046	2,660,341	(1,333,040)	1,327,301
	32,215,134	(26,028,931)	6,186,203	116,371,314	(110,811,464)	5,559,850
Unearned contributions reserve	12,754,965	(5,775,627)	6,979,338	11,822,964	(5,273,681)	6,549,283
	44,970,099	(31,804,558)	13,165,541	128,194,278	(116,085,145)	12,109,133
Family takaful						
Claims incurred but not settled	338,300	(279,569)	58,731	397,311	(321,807)	75,504
Claims incurred but not reported	610,190	(510,614)	99,576	642,155	(543,920)	98,235
	948,490	(790,183)	158,307	1,039,466	(865,727)	173,739
Unearned contributions reserve	515,766	(322,874)	192,892	755,597	(485,453)	270,144
	1,464,256	(1,113,057)	351,199	1,795,063	(1,351,180)	443,883
	46,434,355	(32,917,615)	13,516,740	129,989,341	(117,436,325)	12,553,016

(a) Claims and loss adjustment expenses

	2018 Gross RO	2018 Retakaful reinsurance RO	2018 Net RO	2017 Gross RO	2017 Retakaful/ reinsurance RO	2017 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 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 year	(74,173,633)	65,561,036	(8,612,597)	(43,990,996)	36,567,112	(7,423,884)
Increase in liabilities arising from current and prior period claims	(9,982,547)	19,221,497	9,238,950	151,568,600	(142,690,209)	8,878,391
Total at the end of the year	32,215,134	(26,028,931)	6,186,203	116,371,314	(110,811,464)	5,559,850
Notified claims	28,094,636	(23,278,479)	4,816,157	113,710,973	(109,478,424)	4,232,549
Incurred but not reported	4,120,498	(2,750,452)	1,370,046	2,660,341	(1,333,040)	1,327,301
Total at the end of the year	32,215,134	(26,028,931)	6,186,203	116,371,314	(110,811,464)	5,559,850

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

9 Takaful liabilities (continued)

(a) Claims and loss adjustment expenses (continued)

	2018			2017		
	Gross	Retakaful reinsurance	Net	Gross	Retakaful/ reinsurance	Net
Family takaful	RO	RO	RO	RO	RO	RO
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 year	1,039,466	(865,727)	173,739	710,740	(588,016)	122,724
Cash paid for claims settled during the year	(2,041,322)	1,705,870	(335,452)	(1,734,693)	1,460,215	(274,478)
Increase in liabilities arising from current and prior period claims	1,950,346	(1,630,326)	320,020	2,063,419	(1,737,926)	325,493
Total at the end of the year	948,490	(790,183)	158,307	1,039,466	(865,727)	173,739
Notified claims	338,300	(279,569)	58,731	397,311	(321,807)	75,504
Incurred but not reported	610,190	(510,614)	99,576	642,155	(543,920)	98,235
Total at the end of the year	948,490	(790,183)	158,307	1,039,466	(865,727)	173,739

(b) Provisions for unearned contributions and mathematical reserves

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RO	RO	RO	RO	RO	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 year	12,578,561	(5,759,134)	6,819,427	11,438,450	(5,196,445)	6,242,005
Gross contributions during the year	30,474,411	(14,331,128)	16,143,283	29,914,628	(14,300,483)	15,614,145
Net (release) / increase during the year	(29,782,241)	13,991,761	(15,790,480)	(28,774,517)	13,737,794	(15,036,723)
Total at the end of the year	13,270,731	(6,098,501)	7,172,230	12,578,561	(5,759,134)	6,819,427
Unearned contributions reserves	12,754,965	(5,775,627)	6,979,338	11,822,964	(5,273,681)	6,549,283
Mathematical reserves	515,766	(322,874)	192,892	755,597	(485,453)	270,144
Total at the end of the year	13,270,731	(6,098,501)	7,172,230	12,578,561	(5,759,134)	6,819,427

10 Deferred policy acquisition cost

	Participants		
	General takaful	Family takaful	Total
	RO	RO	RO
At 1 January 2018	702,786	103,974	806,760
Cost incurred during the year	1,596,370	164,632	1,761,002
Amortised during the year	(1,583,873)	(208,739)	(1,792,612)
At 31 December 2018	715,283	59,867	775,150
	General takaful	Family takaful	Total
	RO	RO	RO
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

11 Other receivables and takaful assets

2018	Shareholders RO	Participants General takaful RO	Participants Family takaful RO	Participants Total RO
Accrued profit on bank deposits and Sukuk	547,284	-	-	-
Rent receivable	191,416	-	-	-
Prepayments	151,687	42,435	-	42,435
Advances	62,452	-	307,520	307,520
Other	216	617,923	-	617,923
	953,055	660,358	307,520	967,878

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

12 Investments at fair value through equity

	Shareholders			
	2018 Fair value RO	2018 Cost RO	2017 Fair value RO	2017 Cost RO
Local quoted				
Service sector	244,140	305,010	169,275	203,632
Industrial sector	14,998	35,554	43,007	60,165
	259,138	340,564	212,282	263,797
Local unquoted				
Service sector	306,926	71,428	272,569	71,428
Industrial sector	155,850	157,500	157,200	157,500
	462,776	228,928	429,769	228,928
Total Local	721,914	569,492	642,051	492,725
Foreign quoted				
Financial sector	209,400	233,713	853,653	859,830
Service sector	928,504	689,549	170,170	167,019
Real estate development	266,216	366,222	100,895	99,308
Food and beverages	52,350	46,346	53,384	52,445
Total Foreign	1,456,470	1,335,830	1,178,102	1,178,602
Total investments	2,178,384	1,905,322	1,820,153	1,671,327

12 Investments at fair value through equity (continued)

(a) Movement in investments at fair value through equity

	Shareholders	
	2018	2017
	RO	RO
At 1 January	**1,820,153**	1,887,733
Purchases	**806,985**	915,120
Disposals	**(595,288)**	(468,023)
Realised gain	**22,373**	22,220
Net change in fair value [see note (c) below]	**124,161**	(102,182)
Impairment loss on investment (note 26)	**-**	(434,715)
At 31 December	**2,178,384**	1,820,153

(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 31 December are:

	% of portfolio	Basis of valuation	Number of securities	Fair value RO
2018				
Investment from shareholders' fund				
National Takaful Company (Watania) - listed	**43**	**Fair value**	**14,303,596**	**928,504**
Omani Unified Bureau Orange Card SAOC-unlisted	**14**	**Fair value**	**71,428**	**306,926**
2017				
National Takaful Company (Watania) - listed	38	Fair value	14,303,596	689,548
Omani Unified Bureau Orange Card SAOC-unlisted	15	Fair value	71,428	272,569

(c) Movement in investments fair value reserve:

	Shareholders	
	2018	2017
	RO	RO
At 1 January	**148,901**	307,968
Transfer of fair value reserve on sale of investment	**-**	(56,960)
Net change in fair value of investment during the year	**124,161**	(102,182)
Impact of deferred tax	**(18,171)**	75
	105,990	(159,067)
At 31 December	**254,891**	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 88,738 (2017 – RO 103,286) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

13 Investments carried at amortised cost

	Shareholders	
	2018	2017
	RO	RO
At 1 January	**4,989,600**	4,247,215
Purchase during the year	**2,502,500**	751,500
Matured during the year	**(2,730,865)**	-
Amortised during the year	**(7,581)**	(9,115)
At 31 December	**4,753,654**	4,989,600

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

13 Investments carried at amortised cost (continued)

(a) 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 which ranges from June 2021 to November 2023. The effective average rate of return on investments carried at amortised cost at 31 December 2018 ranges from 5% to 8.50% (2017 – from 4.22% to 8.50%) per annum with coupon receipts on a semi-annual basis. All the investments classified as 'investments carried at amortised cost' are debt instruments. The fair value of investments carried at amortised cost at 31 December 2018 is RO 4,749,999 (2017 – RO 4,984,931).

(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 2,275,000 units (2017 - 2,275,000 units) with total face value of RO 4,750,000 (2017 – RO 4,750,000) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

(c) Currently, the percentage of Modern Sukuk Company SAOC (Tilal Sukuk) investment in relation to overall investments of the Company is 8.33% which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by the CMA. As per the Regulation, investments in bond of any one company should not exceed 5% of the total investments of the insurer and the rating should not be below "BBB+'. The Company has obtained approvals from the CMA for this investment as at 31 December 2018.

14 Taxation

(a) The Company is subject to income tax at the rate of 15% (2017 - 15%) in accordance with the income tax law of the Sultanate of Oman.

	Shareholders	
	2018	2017
	RO	RO
Current tax		
- For the current year	**219,645**	199,034
Deferred tax		
- For the current year	**12,850**	(73,748)
- For the prior year	**-**	(113,666)
	12,850	(187,414)
Tax expense for the year	**232,495**	11,620

(b) Reconciliation of income tax

	Shareholders	
	2018	2017
	RO	RO
Accounting profit for the year (note c)	**1,139,395**	681,214
Tax expense at the rates mentioned in 'a' above	**170,909**	102,182
Non-deductible expense	**80,895**	75,192
Tax exempt income	**(19,309)**	(23,671)
Deferred tax impact of prior year	**-**	(113,666)
Impact of change in tax rate	**-**	(28,417)
	232,495	11,620

(c) Accounting profit for the year includes surplus of RO 187,205 (2017 – RO 272,650) as per the statement of participants' revenues and expenses and profit of RO 952,190 (2017 – RO 408,564) as per the statement of comprehensive income.

PricewaterhouseCoopers LLC
Initialled for Identification purpose only

Initial .... Date ....

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

14 Taxation (continued)

(d) Status of tax assessments

The Company's income tax assessments have been finalized up to 2012 by the Secretariat General for Taxation at the Ministry of Finance. The management is of the opinion that additional taxes, if any, relating to the income tax return for the year would not be significant to the Company's financial position as at 31 December 2018.

(e) The movement of the tax payable at the year-end is as follows:

	Shareholders	
	2018 RO	2017 RO
At 1 January	199,034	205,363
Charged for the year	219,645	199,034
Paid during the year	(178,724)	(205,363)
At 31 December	239,955	199,034

(f) Deferred tax

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 15% (2017 - 15%).

	At 1 January 2018 RO	Credit/(charged) to the statement of comprehensive income RO	Charged to shareholders' equity RO	At 31 December 2018 RO
Deferred tax asset / (liability)				
Depreciation on property and equipment	16,798	3,625	-	20,423
Investment in real estate	(165,900)	(34,475)	(15,878)	(216,253)
Provision for doubtful debts	134,544	18,000	-	152,544
Unrealised income on investments	180,174	-	(18,171)	162,003
	165,616	(12,850)	(34,049)	118,717

	At 1 January 2017 RO	Credit to the statement of comprehensive income RO	Credit/(charge) to shareholders' equity RO	At 31 December 2017 RO
Deferred tax asset / (liability)				
Depreciation on property and equipment	(210)	17,008	-	16,798
Investment in real estate	(145,779)	1,752	(21,873)	(165,900)
Provision for doubtful debts	96,835	37,709	-	134,544
Unrealised income on investments	49,154	130,945	75	180,174
	-	187,414	(21,798)	165,616

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

15 Investment in real estate

Movement of carrying amounts of investment in real estate:

	Shareholders 2018 RO	Shareholders 2017 RO
At 1 January	6,391,733	6,245,911
Disposal of real estate	(645,822)	-
Gain on revaluation of investment in real estate	251,675	145,822
At 31 December	5,997,586	6,391,733

(a) Following are the details related to the fair valuation estimation:

Property description	Valuation RO	Valuation technique	Valuation date	Valuer name	Fair value level hierarchy	Impact of 5% change RO
Building at Al Khuwair	3,350,911	Market value	31 December 2018	Manaba Al Atta Trading and Services Establishment	Level 2	167,546
Building at Al Hail	2,646,675	Market value	31 December 2018	Manaba Al Atta Trading and Services Establishment	Level 2	132,334
	5,997,586					

Property description	Valuation RO	Valuation technique	Valuation date	Valuer name	Fair value level hierarchy	Impact of 5% change RO
Building at Al Khuwair	3,145,911	Market value	31 December 2017	Manaba Al Atta Trading and Services Establishment	Level 2	157,296
Building at Al Hail	2,600,000	Market value	31 December 2017	Manaba Al Atta Trading and Services Establishment	Level 2	130,000
Land at Al Hail	645,822	Market value	31 December 2017	Al Osool Real Estate LLC	Level 2	32,291
	6,391,733					

16 Property and equipment

	Shareholders					
	Buildings RO	Leasehold improvements RO	Office furniture and equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost						
At 1 January 2018	724,462	115,069	1,721,788	38,327	-	2,599,646
Additions	-	11,117	72,379	-	-	83,496
At 31 December 2018	724,462	126,186	1,794,167	38,327	-	2,683,142
Accumulated depreciation						
At 1 January 2018	114,144	74,325	1,292,212	38,325	-	1,519,006
Charge for the year	29,544	19,232	184,773	-	-	233,549
At 31 December 2018	143,688	93,557	1,476,985	38,325	-	1,752,555
Carrying value						
At 31 December 2018	580,774	32,629	317,182	2	-	930,587

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

16 Property and equipment (continued)

	Shareholders					
	Buildings RO	Leasehold improvements RO	Office furniture and equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost						
At 1 January 2017	724,462	75,071	1,451,884	34,327	74,767	2,360,511
Additions	-	39,998	143,514	4,000	51,623	239,135
Transfer	-	-	126,390	-	(126,390)	-
At 31 December 2017	724,462	115,069	1,721,788	38,327	-	2,599,646
Accumulated depreciation						
At 1 January 2017	86,412	54,534	1,086,297	33,087	-	1,260,330
Charge for the year	27,732	19,791	205,915	5,238	-	258,676
At 31 December 2017	114,144	74,325	1,292,212	38,325	-	1,519,006
Carrying value						
At 31 December 2017	610,318	40,744	429,576	2	-	1,080,640

17 Share capital

	2018 RO	2017 RO
Authorised - shares of RO 0.1 each	25,000,000	25,000,000
Issued and fully paid - shares of RO 0.1 each	17,500,000	17,500,000

(a) Shareholders of the Company who own 10% or more of the Company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	% of holding 2018	Number of shares 2018	% of holding 2017	Number of shares 2017
Mohammed Al Barwani Holding Company LLC	25.86	45,250,001	25.86	45,250,001

18 Share premium

Share premium represents the premium of RO 0.038 per share collected at the time of initial public offering of 66,666,670 shares and incurred expenses of RO 319,849 relating to initial public offering. During the year 2014, the Company utilised share premium of RO 833,333 to issue free shares.

19 Legal reserve

As required by the Commercial Companies Law of Oman, 10% of the profit after tax for the year is transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution.

20 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 year 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).

20 Contingency reserve (continued)

The CMA has issued 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 year, the Company has added an amount of RO 618,620 (2017 - 555,985) and RO 29,783 (2017 - RO 36,414) to the contingency reserve, with respect to the general and family takaful business, respectively. The Company has made profit of RO 906,900 (2017 – RO 669,594) on an overall basis and accordingly, created contingency reserve which has been charged to the participants' fund.

21 Employees' end of service benefits

	Shareholders	
	2018 RO	2017 RO
At 1 January	318,622	289,720
Charge for the year [note 27(a)]	65,506	102,746
Payments made during the year	(19,213)	(73,844)
At 31 December	364,915	318,622

22 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	155,996	-	155,996
Amortised during the year	(156,853)	-	(156,853)
At 31 December 2018	50,629	-	50,629

	General Takaful RO	Family takaful RO	Total RO
At 1 January 2017	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	51,486	-	51,486

23 Accounts and other payables

	Shareholders	Participants		
2018	RO	General Takaful RO	Family takaful RO	Total RO
Accounts payables	96,781	1,654,468	851,675	2,506,143
Government levy payable	-	414,286	16,381	430,667
Provision for taxation [note 14 (e)]	239,955	-	-	-
Accrued expenses	227,980	-	-	-
Leave salary provision	86,279	-	-	-
Other payables	66,109	-	-	-
	717,104	2,068,754	868,056	2,936,810

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

23 Accounts and other payables

2017	Shareholders RO	Participants General takaful RO	Participants Family takaful RO	Participants Total RO
Accounts payables	224,249	2,050,406	313,368	2,363,774
Government levy payable	-	346,714	15,669	362,383
Provision for taxation [note 14 (e)]	199,034	-	-	-
Accrued expenses	103,491	-	-	-
Leave salary provision	101,000	-	-	-
Other payables	59,422	-	-	-
	687,196	2,397,120	329,037	2,726,157

24 Fees and other income

	Participants 2018 General takaful RO	2018 Family takaful RO	2018 Total RO	2017 General takaful RO	2017 Family takaful RO	2017 Total RO
Policy fees and service income	**139,193**	**633**	**139,826**	67,481	6,467	73,948
Other	-	-	-	217,577	-	217,577
	139,193	**633**	**139,826**	285,058	6,467	291,525

25 Wakala fees and mudarib share

The shareholders manage the general and family takaful operations for the participants and charge 14% (2017 14%) of gross contributions as a wakala fees except for business from a specific customer for which the wakala fees is charged at 5% (2017 - 5%) as approved by the Board of Directors. The shareholders also manage the participants' fund as a mudarib and charge 55% (2017 - 55%) of the general takaful and family takaful investment income earned by the participants' investment funds. The maximum chargeable wakala fees and mudarib share for the year 2018 as approved by the Shari'a Supervisory Committee are 14% and 55% (2017 - 14% and - 55%) respectively. During the fourth quarter of current year, the Board of Directors decided to reduce the wakala fees from 20% to 14% retrospectively with effect from 1 January 2018. Wakala fees being charged at 20% for first three quarters was reversed in fourth quarter of 2018. The reduction of wakala fees was recommended by the Board of Directors and approved by the Shari'a Supervisory Committee.

26 Investment income – net

	2018 RO	2017 RO
Profit on wakala bank deposits	**484,670**	308,982
Profit from investment carried at amortised cost	**292,114**	288,239
Rental income from investment in real estate [refer note (a) below]	**233,965**	341,349
Gain on sale of investment in real estate	**216,666**	-
Dividend income	**159,447**	161,654
Realised gain on sale of investments – net	**28,677**	27,182
Fair value loss on investments carried at fair value through profit or loss - net [note 6 (b)]	**(515,921)**	(359,807)
Impairment loss on investments at fair value through equity [note 12 (a)]	**-**	(434,715)
	899,618	332,884

(a) Rental income from investment in real estate amounting to RO 429,666 (2017 - RO 456,960) is netted of with investment management costs of RO 195,701 (2017 – RO 115,611).

PricewaterhouseCoopers LLC
Initialled for Identification purpose only

Initial .... Date ....

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

26 Investment income – net (continued)

(b) Allocation of investment income to participants and shareholders is as follows:

	2018 RO	2017 RO
General takaful	210,444	110,790
Family takaful	37,774	29,862
Shareholders	651,400	192,232
	899,618	332,884

27 General and administrative expenses

	Shareholders	
	2018 RO	2017 RO
Staff costs [note (a) below]	2,879,171	2,840,132
Depreciation (note 16)	233,549	258,676
Rent and utilities	213,970	252,365
Legal and professional	137,477	94,964
IT expenses	130,038	128,080
Communication	126,278	112,656
Advertisement and publicity	62,288	79,545
Directors' sitting fee [note 32(a)]	62,400	51,200
Business travel	55,518	40,320
Shari'a Supervisory Committee's sitting fee [note 32(a)]	16,500	18,000
Directors' travel and other expenses [note 32(a)]	15,416	21,184
Shari'a Supervisory Committee's travel and other expenses [note 32(a)]	10,049	14,363
Corporate social responsibility	373	2,255
Purification charges	1,218	1,205
Others	156,358	106,982
	4,100,603	4,021,927

(a) Staff costs

	Shareholders	
	2018 RO	2017 RO
Salaries and benefits	2,457,813	2,343,139
Other staff cost	226,080	240,090
Social security cost	128,792	122,840
Employees' end of service benefits charge (note 21)	65,506	102,746
Leave salary	980	31,317
	2,879,171	2,840,132

28 Earnings per share attributable to shareholders - basis and diluted

	Shareholders	
	2018	2017
Shareholders' profit for the year - RO	719,695	396,944
Weighted average number of shares outstanding during the year - number	175,000,000	175,000,000
Shareholders' earnings per share – basic and diluted - RO	0.004	0.002

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

28 Earnings per share attributable to shareholders - basis and diluted (continued)

Shareholders' basic earnings per share is calculated by dividing the shareholders' profit for the year by the weighted average number of shares outstanding during the year. There is no effect on diluted earnings per share as the Company has not issued any instruments having diluting effects.

29 Net assets per share attributable to shareholders

	Shareholders	
	2018	2017
Shareholders' net assets – RO	23,425,880	23,210,220
Weighted average number of shares outstanding – number	175,000,000	175,000,000
Shareholders' net assets per share – RO	0.134	0.133

Net assets per share attributable to shareholders is calculated by dividing the shareholders' net assets at the year-end by the number of shares outstanding at 31 December.

30 Dividend distributions

During the current year, the Board of Directors proposed cash dividend of 4% (2016 – 6%) of the share capital amounting to RO 700,000 (2016 - RO 1,050,000) for the year ended 31 December 2017. The proposed cash dividend was approved in the Annual General Meeting held on 26 March 2018.

31 Cash and cash equivalents

	Shareholders	Participants	Total
2018	**RO**	**RO**	**RO**
Cash and bank balances			
Cash at bank in current accounts	31,275	581,503	612,778
Cash at bank in call account	393,334	2,037,856	2,431,190
Cash balances with investment managers	107,427	-	107,427
Cash in hand	3,300	40,947	44,247
	535,336	2,660,306	3,195,642

	Shareholders	Participants	Total
2017	RO	RO	RO
Cash and bank balances			
Cash at bank in current accounts	108,508	2,123,104	2,231,612
Cash at bank in call account	1,119,761	736,910	1,856,671
Cash balances with investment managers	323,472	-	323,472
Cash in hand	2,769	11,378	14,147
	1,554,510	2,871,392	4,425,902

The above cash and cash equivalents include restricted cash and bank balances amounting to RO 22,658 (2017 - RO 66,864).

32 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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

32 Related parties (continued)

(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 comprehensive income are as follows:

	2018 RO	2017 RO
Gross contributions	4,887,832	4,022,878
Retakaful / reinsurance contribution ceded	60,408	56,477
Gross outstanding claims	702,049	831,032
Gross claims settled	592,492	529,084
Commission paid	595,559	474,043
Directors' sitting fee (note 27)	62,400	51,200
Directors' travel and other expenses (note 27)	15,416	21,184
Shari'a Supervisory Committee sitting fee (note 27)	16,500	18,000
Shari'a Supervisory Committee's travel and other expenses (note 27)	10,049	14,363
Rental income	-	132,960
Income from investment in Sukuks	253,193	253,193
Amortisation of investment in Modern Sukuk Company SAOC	3,620	3,620
Professional and consultancy charges	-	7,000
Investment management cost	29,173	21,173

(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:

	2018 RO	2017 RO
Contribution balances receivables from other related parties	2,548,062	2,494,477
Rental income receivable	33,626	222,980
Accrued profit on investment in Sukuks	62,637	62,499
Investment in Modern Sukuk Company SAOC (Tilal sukuk)	2,502,500	2,503,168
Investment in Mohammed Al Barwani Sukuk Issue SAOC	1,500,000	1,500,000
Investment in real estate	-	645,420
Investments at fair value through equity	1,391,280	1,119,317
Investment at fair value through profit or loss	-	434,715

(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:

	2018 RO	2017 RO
Short-term benefits	535,252	566,017
Employee end of service benefits	126,635	51,211
	661,887	617,228

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

33 Contingencies and commitment

Contingent liabilities

At 31 December 2018, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business amounting to RO 22,658 (2017 - RO 66,864).

Capital commitment

At 31 December 2018, the Company has no capital commitment (2017 – nil).

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.

34 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 marketing strategies. For each of the strategic units, the Company's CEO reviews internal management reports on regular basis.

Operating segments

The Company has the following operating segments:

(a) General takaful

General business includes takaful and retakaful / reinsurance of motor; fire and general accident; marine cargo and hull; medical; workmen compensation; engineering and aviation.

Operating segments

(b) Family takaful

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

2018	General takaful RO	Family Takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	15,068,228	879,105	15,947,333
Takaful expenses (net of retakaful / reinsurance)	(10,822,823)	(528,759)	(11,351,582)
Segment results	4,245,405	350,346	4,595,751
Fees and other income	139,193	633	139,826
(Provision) / reversal for impairment of receivables	(166,000)	46,000	(120,000)
Takaful expense	(257,947)	(17,409)	(275,356)
Investment income – net	210,444	37,774	248,218
Mudarib share	(115,744)	(20,776)	(136,520)
Wakala fees	(3,847,755)	(416,959)	(4,264,714)
Surplus / (deficit) for the year	207,596	(20,391)	187,205
Segment assets	51,627,884	3,643,363	55,271,247
Assets allocated to shareholders			24,526,662
Total assets			79,797,909
Segment liabilities	53,237,121	4,291,809	57,528,930
Liabilities allocated to shareholders			1,100,782
Total liabilities			58,629,712

34 Segment information (continued)

2017	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
Fees and other 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 Shari'a significant portion of which is 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.

35 Risk management

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders and participants from events that hinder the sustainable achievement of set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

(b) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

(c) Takaful risk

The risk under any takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of a takaful contract, this risk is random and therefore unpredictable. For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its takaful contracts is that the actual claims and benefit payments may exceed the carrying amount of the takaful liabilities. This could occur because of the frequency or severity of claims and benefits are greater than estimated. Takaful events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

35 Risk management (continued)

(c) Takaful risk (continued)

The Company manages the takaful risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate retakaful / reinsurance arrangements and proactive claims handling.

The concentration of takaful risk exposure is mitigated by the implementation of the underwriting strategy of the Company, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Company principally issues general takaful contracts which constitute mainly motor, fire and allied perils, marine and general risks as well as life and medical takaful contracts.

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for retakaful / reinsurance purposes. Such retakaful / reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful / reinsurance is effected under treaty, facultative and excess-of-loss retakaful / reinsurance contracts.

Amounts recoverable from retakaful / reinsurance companies are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful / reinsurance contracts. To minimise its exposure to significant losses from retakaful / reinsurance company insolvencies, the Company evaluates the financial condition of its retakaful / reinsurance companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful / reinsurance companies.

The Company only deals with retakaful / reinsurance companies approved by the management, which are generally international companies that are rated by international rating agencies.

The Company's placement of retakaful / reinsurance is diversified such that it is neither dependent on a single retakaful / reinsurance company nor are the operations of the Company substantially dependent upon any single retakaful / reinsurance contract.

The amount and timing of claims payments is expected to be settled within one year. Additional claim liabilities that could reasonably occur due to changes in key variables used in estimating the outstanding claims provision are considered to be adequately catered for through provision for claims incurred but not reported (IBNR).

Moreover, the Company limits takaful risk by monitoring changes in key variables that could give rise to additional claim liabilities.

The results from takaful operations before retakaful / reinsurance recoveries and wakala fees are analysed as follows:

	2018	2017
General takaful	**RO**	RO
Motor	**2,521,414**	3,355,130
Fire, general accidents, engineering and others	**31,624,867**	(131,465,472)
Marine cargo and hull	**69,172**	677,521
Medical	**628,602**	(199,893)
	34,844,055	(127,632,714)
Family takaful		
Life	**1,221,882**	1,114,984
Total	**36,065,937**	(126,517,730)

35 Risk management (continued)

(c) Takaful risk (continued)

The net claims ratios are as follows:

	2018 %	2017 %
Motor	61	50
Fire, general accidents, engineering and others	26	37
Medical	81	98
Life	39	32

The net claims ratio is calculated by dividing the net incurred claims (gross claims less retakaful / reinsurance and other recoveries) by the net contributions earned (gross contributions less contributions ceded and adjustment for unearned contributions reserve).

Key assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident period. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in mortality, longevity, profit rates and delays in settlement. Discount rate used is determined with reference to risk free rate adjusted for country risk premium.

Sensitivities

The general takaful claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and underwriting results.

	Change in assumptions %	Impact on liabilities RO	Impact on underwriting results RO
2018			
Incurred claims – net	+10%	955,897	(955,897)
	-10%	(955,897)	955,897

	Change in assumptions %	Impact on liabilities RO	Impact on underwriting results RO
2017			
Incurred claims – net	+10%	920,388	(920,388)
	-10%	(920,388)	920,388

Claims development

The Company maintains strong reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments for short term contracts are normally resolved within one year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

35 Risk management (continued)

(d) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (exchange rate risk, profit rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out by the management under policies approved by the Board of Directors.

(i) Market risk

Exchange rate risk

Exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk primarily from USD which is pegged to Omani Rial. The Company's exposure to foreign currency risk was as follows:

	2018		2017	
Assets	**USD**	**Other foreign currencies**	USD	Other foreign currencies
Cash and bank balances	489,128	-	434,618	-
Takaful and retakaful / reinsurance balance receivables	2,373,124	1,644	3,957,553	4,073
Investments at fair value through equity	136,493	1,319,977	170,170	1,033,914
Investments carried at amortised cost	-	-	234,931	-
Liabilities				
Retakaful / reinsurance payables	1,493,421	523	2,402,467	1,325

Sensitivity analysis

The exchange rate for USD is pegged to Riyal Omani, therefore, management does not consider any significant risk arising from transactions in USD. During the year ended 31 December 2018, Rial Omani were to have strengthened or weakened by 1% against other foreign currencies with all other variables held constant, results for the year would have been higher or lower by approximately RO 13,211 (2017 - RO 10,367).

Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Company invests in securities and has deposits that are subject to profit rate risk. Profit rate risk to the Company is the risk of changes in market profit rates reducing the overall return on its profit bearing securities. The Company limits profit rate risk by monitoring changes in profit rates.

	Change in assumptions	**2018**	2017
		RO	RO
Income from bank deposit and investments carried at amortised cost	**+0.5%**	**84,793**	70,973
	-0.5%	**(84,793)**	(70,973)

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

35 Risk management (continued)

(d) Financial risk factors (continued)

(i) Market risk (continued)

Profit rate risk (continued)

The Company's profit rate risk based on contractual undiscounted arrangements were as follows:

2018	**Less than 1 year RO**	**Over 1 year RO**	**Total RO**
Bank deposits	8,414,089	4,183,173	12,597,262
Investments carried at amortised cost	-	5,989,384	5,989,384

2017	Less than 1 year RO	Over 1 year RO	Total RO
Bank deposits	907,336	8,805,898	9,713,234
Investments carried at amortised cost	2,877,917	2,863,525	5,741,442

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

63% (2017 - 70%) of the Company's equity investments at the statement of financial position date are within the Sultanate of Oman.

A 10% change in fair value of the Company's investments carried at fair value through profit or loss would have impact on profit / (loss) of approximately RO 171,093 (2017 - RO 209,840).

A 10% change in fair value of the Company's investments at fair value through equity would have impact on equity of approximately RO 217,838 (2017 - RO 182,015).

Fair value estimation

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, by valuation techniques. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data.

2018	**Level 1 RO**	**Level 2 RO**	**Level 3 RO**	**Total RO**
Investment in real estate	-	5,997,586	-	5,997,586
Investments at fair value through equity	1,715,608	-	462,776	2,178,384
Investments carried at fair value through profit or loss	1,710,928	-	-	1,710,928
	3,426,536	5,997,586	462,776	9,886,898

PricewaterhouseCoopers LLC
Initialled for Identification purpose only

Initial .... Date ....

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

35 Risk management (continued)

(d) Financial risk factors (continued)

(i) Market risk (continued)

Fair value estimation (continued)

	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
2017				
Investment in real estate	-	6,391,733	-	6,391,733
Investments at fair value through equity	1,390,384	-	429,769	1,820,153
Investments carried at fair value through profit or loss	2,098,401	-	-	2,098,401
	3,488,785	6,391,733	429,769	10,310,287

The net change in fair value of investments carried at fair value through profit or loss of RO 515,921 (2017 – RO 359,807) relates to level 1 of fair valuation hierarchy.

The change in fair value of investments at fair value through equity includes loss amounting to RO 171,561 (2017 - RO 134,967) which relates to level 1 and gain amounting to RO 46,278 (2017 – RO 32,785) which relates to level 3 of fair valuation hierarchy.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The maximum credit exposure to credit risk at the reporting date by type was shown as below:

	2018 RO	2017 RO
Cash and bank balances (excluding cash in hand)	**3,151,395**	4,411,755
Bank deposits	**12,205,000**	9,205,000
Takaful balance receivable	**10,139,850**	11,306,433
Retakaful / reinsurance balance receivable	**599,915**	713,240
Other receivables and takaful assets (excluding advances and prepayments)	**1,356,839**	1,120,071
Investments carried at amortised cost	**4,753,654**	4,989,600
	32,206,653	31,746,099

The Company's bank balances and sukuk investments are maintained with a range of international and local banks in accordance with limits set by the board of directors. Debt type instruments carried at amortised cost is investment in Sukuk which are secured through underlying assets of the investee companies.

The maximum credit exposure to credit risk for bank deposits and bank balances and cash balance with investment managers at the reporting date, by classification of counterparties, is as follows:

	2018 RO	2017 RO
P1	**-**	1,456,509
P2	**-**	11,836,773
P3	**15,356,395**	-
Unrated	**-**	323,473
	15,356,395	13,616,755

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....

35 Risk management (continued)

(d) Financial risk factors (continued)

(ii) Credit risk (continued)

Takaful receivables comprise a number of customers within Oman and local and foreign retakaful / reinsurance companies. At 31 December 2018, top 5 retakaful / reinsurance companies account for 67% (2017 – 62%) of the credit exposure. The Company monitors these receivables on a regular basis. Most of the credit customers and retakaful / reinsurance companies have been dealing with the Company for over 2 years and losses have occurred infrequently. The Company establishes an allowance for impairment that represents its estimate of likely losses in respect of these receivable accounts in accordance with the guidelines of the credit policy along with individually assessing each receivable for impairment. This assessment is carried out periodically and the adequacy of the provision for impairment is also assessed.

The other classes within receivables do not contain impaired assets. The Company does not hold any collateral as security.

The maximum credit exposure to credit risk for takaful and retakaful / reinsurance contract receivables at the reporting date by geographic region is as follows:

	2018	2017
	RO	RO
Oman	**10,106,414**	11,269,952
Middle east	**428,713**	514,435
Others	**204,638**	235,286
	10,739,765	12,019,673

The maximum credit exposure to credit risk for takaful and retakaful / reinsurance contract receivables at the reporting date by classification of counterparties is as follows:

	2018	2017
	RO	RO
Brokers and agents	**4,501,343**	6,469,560
Individuals and corporate clients	**5,638,507**	4,836,873
Retakaful / reinsurance companies	**599,915**	713,240
	10,739,765	12,019,673

With respect to retakaful / reinsurance companies, as per Company policy of managing takaful risk, such contracts are placed only with internationally reputed well rated retakaful / reinsurance companies. The table below shows the gross retakaful / reinsurance receivables at the reporting date as rated by various rating agencies:

Rating	**2018**	2017
	RO	RO
A	**430,711**	429,498
AA	**17,528**	113,131
B	**153,720**	31,658
Other rated	**32,216**	9,814
Unrated	**266,554**	402,953
	900,729	987,054

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and the directors ensure that sufficient funds are available to meet any commitments as they arise. The Company considers their liquidity position to be satisfactory.

35 Risk management (continued)

(d) Financial risk factors (continued)

(iii) Liquidity risk (continued)

At 31 December 2018, the Company's solvency margin (as determined in accordance with the Oman Insurance regulations) indicates surplus of RO 4,787,876 (2017 - RO 4,594,232) against the regulatory requirement.

At reporting date, the maturity profile of financial liabilities is as follows:

2018	**1 month to 4 months RO**	**4 months to 12 months RO**	**Non-fixed maturity RO**	**Total RO**
Financial liabilities				
Takaful liabilities	-	-	46,434,353	46,434,353
Retakaful / reinsurance payable	-	5,753,190	-	5,753,190
Accounts and other payables (excluding government levy payable)	2,983,292	-	-	2,983,292
Charity fund payable	18,763	-	-	18,763
Total	3,002,055	5,753,190	46,434,353	55,189,598

2017	1 month to 4 months RO	4 months to 12 months RO	Non-fixed maturity RO	Total RO
Financial liabilities				
Takaful liabilities	-	-	129,989,341	129,989,341
Retakaful / reinsurance payable	-	7,357,300	-	7,357,300
Accounts and other payables (excluding government levy payable)	2,851,936	-	-	2,851,936
Charity fund payable	20,047	-	-	20,047
Total	2,871,983	7,357,300	129,989,341	140,218,624

(e) Capital risk management

Capital Market Authority (CMA) has issued Takaful Insurance Law, however, the related regulations have not been issued yet. As and when any new regulations and instructions are issued by the CMA regarding Takaful Business, management will ensure that the solvency margin complies with such regulations. In the absence of specific takaful regulations, the Company has complied with the existing regulations for the conventional insurance companies in the Sultanate of Oman.

Externally imposed capital requirements are set and regulated by the CMA and are put in place to ensure sufficient solvency margin. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders and policyholders value.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and policyholders and to maintain an optimal capital structure to reduce the cost of capital. Further, the Insurance Companies Law of Oman of 1979 as amended requires a minimum capital of RO 10 million for insurance companies.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

36 Financial assets by category

The accounting policies for financial statements have been applied to the line items below

	Loans and receivables RO	Investments carried at fair value through profit or loss RO	Investments at fair value through equity RO	Investments carried at amortised cost RO	Total RO
2018					
Cash and bank balances	3,195,642	-	-	-	3,195,642
Bank deposits	12,205,000	-	-	-	12,205,000
Investments carried at fair value through profit or loss	-	1,710,928	-	-	1,710,928
Takaful balance receivable	10,139,850	-	-	-	10,139,850
Retakaful / reinsurance balance receivable	599,915	-	-	-	599,915
Other receivables and takaful assets (excluding advances and prepayments)	1,356,839	-	-	-	1,356,839
Investments at fair value through equity	-	-	2,178,384	-	2,178,384
Investments carried at amortised cost	-	-	-	4,753,654	4,753,654
	27,497,246	1,710,928	2,178,384	4,753,654	36,140,212

	Loans and receivables RO	Investments carried at fair value through profit or loss RO	Investments at fair value through equity RO	Investments carried at amortised cost RO	Total RO
2017					
Cash and bank balances	4,425,902	-	-	-	4,425,902
Bank deposits	9,205,000	-	-	-	9,205,000
Investments carried at fair value through profit or loss	-	2,098,401	-	-	2,098,401
Takaful balance receivable	11,306,433	-	-	-	11,306,433
Retakaful / reinsurance balance receivable	713,240	-	-	-	713,240
Other receivables and takaful assets (excluding advances and prepayments)	1,120,071	-	-	-	1,120,071
Investments at fair value through equity	-	-	1,820,153	-	1,820,153
Investments carried at amortised cost	-	-	-	4,989,600	4,989,600
	26,770,646	2,098,401	1,820,153	4,989,600	35,678,800

37 Zakat

With regards to the zakat liability of the Company's shareholders, the Shari'a Supervisory Committee has approved the calculation of zakat in accordance with the guidance provided by AAOIFI. Such calculation is based on the net invested fund method. This has been communicated to the shareholders and is payable directly by them as per the Articles of Association of the Company.

38 Distribution of surplus in policyholders' fund

As per the Company's policy for distribution of surplus in participants' fund, 50% of surplus in policyholders' fund for the year shall be transferred to takaful reserve. Takaful reserve allocation will be made on the basis advised by the Shari'a Supervisory Committee. During the period, no amount has been transferred to the takaful reserve as there is no surplus for the current year after appropriation of contingency reserve.

39 Shari'a Supervisory Committee

The Company's business activities are subject to supervision of a Shari'a Supervisory Committee (SSC) consisting of three members appointed by the shareholders of the Company. The SSC performs supervisory role in order to determine whether the operations of the Company are conducted in accordance with the Islamic Shari'a rules and principles.

40 Earnings prohibited under Shari'a

Earnings retained during the previous year from transactions which are not permitted under Shari'a and are recorded as part of accounts and other payables amounted to RO 18,763 (2017 - RO 20,047). All non-Islamic income is credited to a charity account where the Company uses these funds for charitable purposes.

PricewaterhouseCoopers LLC
Initialled for Identification purpose only
Initial .... Date ....