



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, it gives me great pleasure to report below on the performance of your company for the period ending on 30<sup>th</sup> September 2019.

### **Operating Environment**

The market remains characterized by challenging conditions. The insurance environment has been both volatile & turbulent. However, despite difficult market conditions, your company has been able to show an impressive growth of 21% in the Gross written contributions compared to the corresponding period last year. Your Company achieved a Gross written contribution of RO 29.4 million as of third quarter of 2019 as against RO 24.3 million during the same period of 2018.

### **Results from Operations**

The Company continues to deliver stable growth while strengthening its reserves by adopting quarterly actuarial validation of Company's claim reserves. The underwriting surplus from Takaful operations before investment income, mudarib share and Wakala fees amounted to RO 3.4mn for the third quarter of 2019 as against RO 3.1mn in the corresponding period of 2018, registering a growth of 10% in underwriting surplus due to prudent underwriting, best risk selection policy adopted by the Company and the high-quality global Reinsurance arrangements.

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

### **Investment Income**

The Company continues to monitor its investment book well while ensuring that the investments are diversified and constantly monitored for Shariah' Compliance. The investment environment continues to remain challenging with equity and real estate yields



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being under pressure. However, your Company has been prudently managing its investments and has increased its investment income by 26% to RO 858 K as at Sept 2019 as against RO 682 K in the corresponding period of 2018. The Company will continue to look at growing opportunities within the Islamic Finance space for optimizing its Investment Income in line with the Company's risk appetite.

### **Shareholders' profit**

Your Company has achieved growth in all operating parameters and has delivered strong performance. The Company reports a profit attributable to the shareholders of RO 3.3 million, compared to RO 2.2 million for the corresponding period in 2018. In order to meet with the sound practices of Takaful and recommendations of the regulators, your Company may adjust the Wakala fee to reduce the deficit, if any in the participant's account at the year end.

### **Risk Management**

The company constantly evaluates its risks associated with the insurance business as well as its Investments and adopts necessary measures to manage these risks.

### **Company's Outlook & Vision**

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

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

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



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### Acknowledgements

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

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

May God Bless you all.

**Dr. Mohammed Ali Al Barwani**  
Chairman of the Board.

# AL MADINA INSURANCE COMPANY SAOG

## UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 30 September 2019 RO	Audited 31 December 2018 RO	General takaful		Family takaful		Total participants' fund		Unaudited 30 September 2019 RO	Audited 31 December 2018 RO
				Unaudited 30 September 2019 RO	Audited 31 December 2018 RO	Unaudited 30 September 2019 RO	Audited 31 December 2018 RO	Unaudited 30 September 2019 RO	Audited 31 December 2018 RO		
<b>ASSETS</b>											
Cash and cash equivalents	5	2,198,445	535,336	2,016,812	2,634,095	151,083	26,211	2,167,895	2,660,306	4,366,340	3,195,642
Investments carried at fair value through profit or loss	7	1,490,896	1,710,928	-	-	-	-	-	-	1,490,896	1,710,928
Takaful balance receivable	8	-	-	13,244,753	9,145,445	871,846	994,405	14,116,599	10,139,850	14,116,599	10,139,850
Retakaful / reinsurance balance receivable	8	-	-	941,866	404,696	271,313	195,219	1,213,179	599,915	1,213,179	599,915
Receivable from participants' fund - family takaful		-	-	819,461	787,033	-	-	819,461	787,033	819,461	787,033
Receivable from participants' fund	9	3,637,794	1,566,915	-	-	-	-	-	-	3,637,794	1,566,915
Due from retakaful / reinsurance companies in connection with takaful liabilities	10	-	-	33,780,347	31,804,558	1,396,550	1,113,057	35,176,897	32,917,615	35,176,897	32,917,615
Deferred policy acquisition cost	11	-	-	751,850	715,283	53,085	59,867	804,935	775,150	804,935	775,150
Other receivables and takaful assets	12	731,088	953,055	662,574	660,358	392,405	307,520	1,054,979	967,878	1,786,067	1,920,933
Investments at fair value through equity	13	2,151,172	2,178,384	-	-	-	-	-	-	2,151,172	2,178,384
Bank deposits	6	5,326,500	5,781,500	4,876,416	5,476,416	947,084	947,084	5,823,500	6,423,500	11,150,000	12,205,000
Investments carried at amortised cost	14	4,753,219	4,753,654	-	-	-	-	-	-	4,753,219	4,753,654
Deferred tax asset		118,717	118,717	-	-	-	-	-	-	118,717	118,717
Investment in real estate	15	5,997,586	5,997,586	-	-	-	-	-	-	5,997,586	5,997,586
Property and equipment	16	841,908	930,587	-	-	-	-	-	-	841,908	930,587
<b>Total assets</b>		<b>27,247,325</b>	<b>24,526,662</b>	<b>57,094,079</b>	<b>51,627,884</b>	<b>4,083,366</b>	<b>3,643,363</b>	<b>61,177,445</b>	<b>55,271,247</b>	<b>88,424,770</b>	<b>79,797,909</b>

The notes on pages 8 to 23 form an integral part of this unaudited condensed interim financial information.

## AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 30 SEPTEMBER 2019

	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 30 September 2019 RO	Audited 31 December 2018 RO	General takaful		Family takaful		Total participants' fund		Unaudited 30 September 2019 RO	Audited 31 December 2018 RO
				Unaudited 30 September 2019 RO	Audited 31 December 2018 RO	Unaudited 30 September 2019 RO	Audited 31 December 2018 RO	Unaudited 30 September 2019 RO	Audited 31 December 2018 RO		
<b>LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY</b>											
<b>LIABILITIES</b>											
Takaful liabilities	10	-	-	47,546,586	44,970,099	1,800,115	1,464,256	49,346,701	46,434,355	49,346,701	46,434,355
Unearned retakaful commission	18	-	-	160,930	50,629	-	-	160,930	50,629	160,930	50,629
Retakaful/reinsurance payables		-	-	7,647,371	4,957,763	676,290	795,425	8,323,661	5,753,188	8,323,661	5,753,188
Accounts and other payables		954,332	717,104	2,478,181	2,068,754	1,009,134	868,056	3,487,315	2,936,810	4,441,647	3,653,914
Charity fund payable		263	18,763	-	-	-	-	-	-	263	18,763
Payable to shareholders	9	-	-	3,044,016	1,189,876	593,778	377,039	3,637,794	1,566,915	3,637,794	1,566,915
Payable to participants' fund - general takaful		-	-	-	-	819,461	787,033	819,461	787,033	819,461	787,033
Employees' end of service benefits		373,035	364,915	-	-	-	-	-	-	373,035	364,915
<b>Total liabilities</b>		<b>1,327,630</b>	<b>1,100,782</b>	<b>60,877,084</b>	<b>53,237,121</b>	<b>4,898,778</b>	<b>4,291,809</b>	<b>65,775,862</b>	<b>57,528,930</b>	<b>67,103,492</b>	<b>58,629,712</b>
<b>PARTICIPANTS' FUND</b>											
Deficit in participants' fund		-	-	(7,868,236)	(5,083,412)	(989,268)	(804,773)	(8,857,504)	(5,888,185)	(8,857,504)	(5,888,185)
Contingency reserve	17	-	-	4,085,231	3,474,175	173,856	156,327	4,259,087	3,630,502	4,259,087	3,630,502
<b>Total participants' fund</b>		<b>-</b>	<b>-</b>	<b>(3,783,005)</b>	<b>(1,609,237)</b>	<b>(815,412)</b>	<b>(648,446)</b>	<b>(4,598,417)</b>	<b>(2,257,683)</b>	<b>(4,598,417)</b>	<b>(2,257,683)</b>
<b>SHAREHOLDERS' EQUITY</b>											
<b>Capital and reserves</b>											
Share capital		17,500,000	17,500,000	-	-	-	-	-	-	17,500,000	17,500,000
Share premium		1,380,151	1,380,151	-	-	-	-	-	-	1,380,151	1,380,151
Legal reserve		1,234,413	909,244	-	-	-	-	-	-	1,234,413	909,244
Investment fair value reserve		372,009	254,891	-	-	-	-	-	-	372,009	254,891
Property fair value reserve		213,924	213,924	-	-	-	-	-	-	213,924	213,924
Retained earnings		5,219,198	3,167,670	-	-	-	-	-	-	5,219,198	3,167,670
<b>Total shareholders' equity</b>		<b>25,919,695</b>	<b>23,425,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,919,695</b>	<b>23,425,880</b>
<b>Total liabilities, participants' fund and shareholders' equity</b>		<b>27,247,325</b>	<b>24,526,662</b>	<b>57,094,079</b>	<b>51,627,884</b>	<b>4,083,366</b>	<b>3,643,363</b>	<b>61,177,445</b>	<b>55,271,247</b>	<b>88,424,770</b>	<b>79,797,909</b>
<b>Net assets per share attributable to shareholders</b>		<b>0.148</b>	<b>0.134</b>								

Director

Director

The notes on pages 8 to 23 form an integral part of this unaudited condensed interim financial information.

## AL MADINA INSURANCE COMPANY SAOG

### UNAUDITED CONDENSED INTERIM STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Note	General takaful		Family takaful		Total	
		Unaudited 30 September 2019 RO	Unaudited 30 September 2018 RO	Unaudited 30 September 2019 RO	Unaudited 30 September 2018 RO	Unaudited 30 September 2019 RO	Unaudited 30 September 2018 RO
<b>Takaful revenue</b>							
Gross contributions		27,649,089	22,123,887	1,752,870	2,141,744	29,401,959	24,265,631
Retakaful/reinsurance share		(16,035,465)	(9,563,216)	(1,297,102)	(1,552,388)	(17,332,567)	(11,115,604)
Retained contributions		11,613,624	12,560,671	455,768	589,356	12,069,392	13,150,027
Movement in unearned contributions reserve		(523,287)	(573,758)	3,910	47,238	(519,377)	(526,520)
Net earned contributions		11,090,337	11,986,913	459,678	636,594	11,550,015	12,623,507
Income earned from retakaful contracts		205,173	132,184	-	-	205,173	132,184
		<b>11,295,510</b>	<b>12,119,097</b>	<b>459,678</b>	<b>636,594</b>	<b>11,755,188</b>	<b>12,755,691</b>
<b>Takaful expenses</b>							
Gross claims settled	10	(14,373,819)	(69,679,538)	(746,092)	(1,535,962)	(15,119,911)	(71,215,500)
Claims recovered from retakaful/reinsurance	10	7,726,346	63,226,414	617,846	1,278,361	8,344,192	64,504,775
Net claims settled		(6,647,473)	(6,453,124)	(128,246)	(257,601)	(6,775,719)	(6,710,725)
Net movement in outstanding claims		(77,411)	(1,380,613)	(56,276)	(7,876)	(133,687)	(1,388,489)
Net claims incurred	19	(6,724,884)	(7,833,737)	(184,522)	(265,477)	(6,909,406)	(8,099,214)
Commission expense		(1,179,820)	(1,252,054)	(94,797)	(145,592)	(1,274,617)	(1,397,646)
		<b>(7,904,704)</b>	<b>(9,085,791)</b>	<b>(279,319)</b>	<b>(411,069)</b>	<b>(8,184,023)</b>	<b>(9,496,860)</b>
		<b>3,390,806</b>	<b>3,033,306</b>	<b>180,359</b>	<b>225,525</b>	<b>3,571,165</b>	<b>3,258,831</b>
Takaful income		145,621	129,033	381	290	146,002	129,323
Provision for impairment of receivables		(80,000)	(87,300)	(10,000)	(2,700)	(90,000)	(90,000)
Takaful expense		(178,177)	(152,499)	(831)	(17,279)	(179,008)	(169,778)
Surplus from takaful operations		3,278,250	2,922,540	169,909	205,836	3,448,159	3,128,376
Investment income - net		172,890	173,936	30,442	22,079	203,332	196,015
Mudarib share	20	(95,090)	(95,665)	(16,743)	(12,143)	(111,833)	(107,808)
Wakala fees	20	(5,529,818)	(4,422,346)	(350,574)	(428,349)	(5,880,392)	(4,850,695)
<b>Deficit from takaful operations</b>		<b>(2,173,768)</b>	<b>(1,421,535)</b>	<b>(166,966)</b>	<b>(212,577)</b>	<b>(2,340,734)</b>	<b>(1,634,112)</b>

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## AL MADINA INSURANCE COMPANY SAOG

### UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Note	Shareholders' fund	
		Unaudited 30 September 2019 RO	Unaudited 30 September 2018 RO
Wakala fees	20	5,880,392	4,850,695
Investment income – net	21	654,539	486,182
Mudarib share	20	111,833	107,808
		<u>6,646,764</u>	<u>5,444,685</u>
General and administrative expenses		(3,234,333)	(3,097,844)
Other income		92	157
		<u>(3,234,241)</u>	<u>(3,097,687)</u>
<b>Profit before tax</b>		<b>3,412,523</b>	2,346,998
Taxation		(160,826)	(120,802)
<b>Profit for the period</b>		<b>3,251,697</b>	<u>2,226,196</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of investments at fair value through equity		117,118	3,005
<b>Total comprehensive income for the period</b>		<b>3,368,815</b>	<u>2,229,201</u>
<b>Earnings per share attributable to shareholder - basic and diluted</b>	24	<b>0.019</b>	0.013

**AL MADINA INSURANCE COMPANY SAOG**
**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

	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
<b>At 1 January 2019</b>	<b>17,500,000</b>	<b>1,380,151</b>	<b>909,244</b>	-	<b>254,891</b>	<b>213,924</b>	<b>3,167,670</b>	<b>23,425,880</b>
<b>Comprehensive income:</b>								
Profit for the period	-	-	-	-	-	-	<b>3,251,697</b>	<b>3,251,697</b>
<b>Other comprehensive income:</b>								
Net change in fair value of investment at fair value through equity	-	-	-	-	<b>117,118</b>	-	-	<b>117,118</b>
<b>Total other comprehensive income</b>	-	-	-	-	<b>117,118</b>	-	-	<b>117,118</b>
<b>Transaction with owners:</b>								
Transfer to legal reserve	-	-	<b>325,169</b>	-	-	-	<b>(325,169)</b>	-
Dividend paid	-	-	-	-	-	-	<b>(875,000)</b>	<b>(875,000)</b>
	-	-	<b>325,169</b>	-	-	-	<b>(1,200,169)</b>	<b>(875,000)</b>
<b>At 30 September 2019</b>	<b>17,500,000</b>	<b>1,380,151</b>	<b>1,234,413</b>	-	<b>372,009</b>	<b>213,924</b>	<b>5,219,198</b>	<b>25,919,695</b>
At 1 January 2018 (audited)	17,500,000	1,380,151	837,275	-	148,901	123,949	3,219,944	23,210,220
<b>Comprehensive income:</b>								
Profit for the period	-	-	-	-	-	-	<b>2,226,196</b>	<b>2,226,196</b>
<b>Other comprehensive income:</b>								
Net change in fair value of investment at fair value through equity	-	-	-	-	<b>(3,005)</b>	-	-	<b>(3,005)</b>
Transfer to profit or loss on sale of investment in real estate	-	-	-	-	-	<b>(123,949)</b>	-	<b>(123,949)</b>
<b>Total other comprehensive income</b>	-	-	-	-	<b>(3,005)</b>	<b>(123,949)</b>	-	<b>126,954</b>
<b>Transaction with owners:</b>								
Transfer to legal reserve	-	-	<b>222,619</b>	-	-	-	<b>(222,619)</b>	-
Dividend paid	-	-	-	-	-	-	<b>(700,000)</b>	<b>(700,000)</b>
	-	-	<b>222,619</b>	-	-	-	<b>(922,619)</b>	<b>(700,000)</b>
<b>At 30 September 2018 (unaudited)</b>	<b>17,500,000</b>	<b>1,380,151</b>	<b>1,059,894</b>	-	<b>145,896</b>	-	<b>4,523,521</b>	<b>24,863,370</b>

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## AL MADINA INSURANCE COMPANY SAOG

### UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN PARTICIPANTS' FUND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Deficit in participants' fund		Contingency reserve		Total
	General takaful RO	Family takaful RO	General takaful RO	Family takaful RO	RO
<b>At 1 January 2019 (audited)</b>	(5,083,412)	(804,773)	3,474,175	156,327	(2,257,683)
Deficit for the period	(2,173,768)	(166,966)	-	-	(2,340,734)
Transfer to contingency reserve	(611,056)	(17,529)	611,056	17,529	-
<b>At 30 September 2019 (unaudited)</b>	<b>(7,868,236)</b>	<b>(989,268)</b>	<b>4,085,231</b>	<b>173,856</b>	<b>(4,598,417)</b>
<b>At 1 January 2018 (audited)</b>	(4,672,388)	(754,599)	2,855,555	126,544	(2,444,888)
Deficit for the period	(1,421,535)	(212,577)	-	-	(1,634,112)
Transfer to contingency reserve	(694,045)	(21,418)	694,045	21,418	-
<b>At 30 September 2018 (unaudited)</b>	<b>(6,787,968)</b>	<b>(988,594)</b>	<b>3,549,600</b>	<b>147,962</b>	<b>(4,079,000)</b>

**AL MADINA INSURANCE COMPANY SAOG**  
**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Unaudited 30 September 2019 RO	Unaudited 30 September 2018 RO
<b>Operating activities</b>			
Profit before tax for the period		3,412,523	2,346,998
Deficit from takaful operations		(2,340,734)	(1,634,112)
<b>Adjustments for:</b>			
Depreciation	16	137,925	184,189
Dividend income	21	(214,836)	(164,325)
Income from bank deposit	21	(396,075)	(378,989)
Profit from investments carried out at amortised cost		(245,316)	(228,342)
Amortisation of investments carried at amortised cost		435	6,478
End of service benefits charge for the period		67,527	51,794
Rental income on investment in real estate		(338,620)	(316,870)
Unrealised gains on investments at fair value through profit or loss	21	219,983	481,533
Realised gain on investments carried at fair value through profit or loss	21	-	(5,310)
Provision for bad and doubtful debt		90,000	90,000
Gain on real estate		-	(216,666)
Realised profit on redemption of investments at fair value through equity		40,445	(22,373)
<b>Operating cash flows before payment of end of service benefits</b>		<b>433,257</b>	<b>194,005</b>
End of service benefits paid		(59,407)	-
<b>Operating cash flows before working capital changes</b>		<b>373,850</b>	<b>194,005</b>
<b>Working capital changes:</b>			
Takaful and retakaful/reinsurance balance receivables		(4,680,013)	(2,447,446)
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		(2,259,278)	90,630,761
Other receivables, prepayments and other assets		134,866	(161,663)
Deferred policy acquisition cost		(29,785)	(9,474)
Outstanding claims and unearned premium reserve		2,912,344	(88,715,758)
Accounts and other payables		769,233	(667,171)
Due to retakaful / reinsurance		2,570,472	797,163
Unearned retakaful/reinsurance commission		110,300	(22,992)
<b>Net cash used in operating activities</b>		<b>(98,011)</b>	<b>(402,575)</b>
<b>Cash flows from Investing activities</b>			
Purchase of property and equipment	16	(49,246)	(48,740)
Purchase of investments carried at fair value through profit or loss	7	-	(202,659)
Purchase of investments carried at fair value through equity		-	(806,985)
Proceeds from investment in real estate		-	716,666
Proceeds from disposal of investments at fair value through profit or loss	7	49	79,521
Proceeds from redemption of investment at fair value through equity		103,885	595,288
Movement in bank deposits		1,055,000	(2,000,000)
Rent on investment in real estate received		446,245	438,339
Profit on bank deposits received		372,940	360,560
Dividends received		214,836	164,325
<b>Net cash generated from / (used in) investing activities</b>		<b>2,143,709</b>	<b>(703,686)</b>
<b>Cash flow from Financing activity</b>			
Dividends paid		(875,000)	(700,000)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,170,698</b>	<b>(1,806,261)</b>
Cash and cash equivalents at the beginning of the period	5	3,195,642	4,425,902
<b>Cash and cash equivalents at the end of period</b>	5	<b>4,366,340</b>	<b>2,619,641</b>

The notes on pages 8 to 23 form an integral part of this unaudited condensed interim financial information.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019****1 Legal status and principal activities**

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

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

**2 Summary of significant accounting policies**

(a) This unaudited condensed interim financial information for the nine month period ended 30 September 2019 has been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI, for matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards (IFRS). Accordingly, the interim condensed financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

(b) This unaudited condensed interim financial information do not contain all information and disclosures required for full financial statements prepared in accordance with FAS issued by AAOIFI and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2018.

(c) The accounting policies adopted in the preparation of this unaudited condensed interim financial information is consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2018. In addition, results for the nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial for the year ending 31 December 2019.

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

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

**3 Critical accounting estimates and judgements**

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

In preparing this unaudited condensed interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2018.

**4 Financial risk factors**

The Company’s activities expose it to a variety of financial risks: market risk (including currency exchange rate risk, profit rate risk and price risk), credit risk and liquidity risk. The unaudited condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2018. There have been no changes in the risk management policies since year end.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**5 Cash and cash equivalents**

	Shareholders	Participants		
	RO	General RO	Family RO	Total RO
<b>30 September 2019 (Unaudited)</b>				
Cash at bank in current accounts	153,544	161,361	15,780	177,141
Cash at bank in call accounts	1,006,521	1,854,627	135,303	1,989,930
Cash balances with investment managers	1,035,714	-	-	-
Cash in hand	2,666	824	-	824
	<b>2,198,445</b>	<b>2,016,812</b>	<b>151,083</b>	<b>2,167,895</b>
<b>31 December 2018 (audited)</b>				
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
	<b>535,336</b>	<b>2,634,095</b>	<b>26,211</b>	<b>2,660,306</b>

**6 Bank deposits**

	Shareholders	Participants		
	RO	General RO	Family RO	Total RO
<b>30 September 2019 (Unaudited)</b>				
Bank deposits with maturity of less than three months	-	100,000	-	100,000
Bank deposits with maturity of more than three months	5,326,500	4,776,416	947,084	5,723,500
	<b>5,326,500</b>	<b>4,776,416</b>	<b>947,084</b>	<b>5,723,500</b>
<b>31 December 2018 (audited)</b>				
Bank deposits with maturity of more than three months	5,781,500	5,476,416	947,084	6,423,500

(a) Bank deposits carry profit rates in range of 3.75% to 5% per annum (31 December 2018 – 3.5% to 4.3% per annum).

(b) *Restrictions on transfer of assets*

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific bank deposits with carrying value of RO 11,100,000 (31 December 2018 - RO 12,155,000) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

(c) The Company has kept a deposit of RO 50,000 (31 December 2018 - RO 50,000) which is under lien with Omani Unified Bureau for Orange Card Company SAOC in the Sultanate of Oman, against settlement of claims.

**7 Investments carried at fair value through profit or loss**

	Shareholders		Shareholders	
	Unaudited		Audited	
	30 September 2019		31 December 2018	
	Fair value	Cost	Fair value	Cost
	RO	RO	RO	RO
<i>Local quoted</i>				
Service sector	560,715	659,714	659,763	790,905
Industrial sector	927,751	1,048,915	1,048,915	1,433,437
Financial sector	2,430	2,250	2,250	2,508
<b>Total investments</b>	<b>1,490,896</b>	<b>1,710,879</b>	<b>1,710,928</b>	<b>2,226,850</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

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

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

	<b>Shareholders</b>	
	<b>Unaudited 30 September 2019 RO</b>	<b>Audited 31 December 2018 RO</b>
<b>At 1 January</b>	<b>1,710,928</b>	2,098,401
Purchases during the period / year	-	202,659
Disposals during the period / year	<b>(49)</b>	(80,517)
Realised gain on disposal	-	6,306
Net change in fair value	<b>(219,983)</b>	(515,921)
<b>At 30 September / 31 December</b>	<b>1,490,896</b>	1,710,928

(b) Details of the Company's investments carried at fair value through profit or loss for which the Company's holding exceeds 10% of the fair value of investments held at fair value through profit or loss at 30 September 2019 / 31 December 2018 are:

	<b>% of Portfolio</b>	<b>Number of securities</b>	<b>Fair value RO</b>	<b>Cost RO</b>
<b>30 September 2019 (unaudited)</b>				
Oman Oil Marketing Company SAOG	<b>10</b>	<b>144,410</b>	<b>153,797</b>	<b>163,183</b>
Oman Refreshment Company SAOG	<b>10</b>	<b>99,802</b>	<b>141,719</b>	<b>169,663</b>
Al Maha Petroleum Products Marketing Company SAOG	<b>10</b>	<b>188,800</b>	<b>149,530</b>	<b>175,962</b>
<b>31 December 2018 (audited)</b>				
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

(c) Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific investments with the carrying value of RO 1,361,693 (31 December 2018 - RO 1,548,848) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

**8 Takaful and retakaful / reinsurance balance receivable**

	<b>Participants</b>		
	<b>General RO</b>	<b>Family RO</b>	<b>Total RO</b>
<b>30 September 2019 (Unaudited)</b>			
Takaful receivable including due from related parties	14,006,155	916,591	14,922,746
Less: specific and portfolio provision for impairment	(761,402)	(44,745)	(806,147)
	<b>13,244,753</b>	<b>871,846</b>	<b>14,116,599</b>
Retakaful / reinsurance balances receivable	1,221,815	292,178	1,513,993
Less: specific and portfolio provision for impairment	(279,949)	(20,865)	(300,814)
	<b>941,866</b>	<b>271,313</b>	<b>1,213,179</b>
	<b>14,186,619</b>	<b>1,143,159</b>	<b>15,329,778</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**8 Takaful and retakaful / reinsurance balance receivable (continued)**

	Participants		
	General RO	Family RO	Total RO
31 December 2018 (Audited)			
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)
	<u>9,145,445</u>	<u>994,405</u>	<u>10,139,850</u>
Retakaful / reinsurance balances receivable	684,645	216,084	900,729
Less: specific and portfolio provision for impairment	(279,949)	(20,865)	(300,814)
	<u>404,696</u>	<u>195,219</u>	<u>599,915</u>
	<u>9,550,141</u>	<u>1,189,624</u>	<u>10,739,765</u>

Normal credit period allowed to takaful debtors and retakaful / reinsurance companies is 120 days after which amounts are considered as past due. As at 30 September 2019, receivables past due above 121 days amounting to RO 5,482,982 (31 December 2018 – RO 3,570,283) are not considered impaired as these are due from government, quasi-government entities, brokers and corporate clients with which the Company deals in the normal course of business and with which there is no recent history of default.

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

	Participants		
	General RO	Family RO	Total RO
<b>30 September 2019 (Unaudited)</b>			
Neither past due nor impaired	9,226,098	620,696	9,846,794
Past due but not impaired	4,960,521	522,463	5,482,984
Past due and impaired	1,041,351	65,610	1,106,961
	<u>15,227,970</u>	<u>1,208,769</u>	<u>16,436,739</u>
31 December 2018 (Audited)			
Neither past due nor impaired	6,290,843	878,639	7,169,482
Past due but not impaired	3,259,298	310,985	3,570,283
Past due and impaired	961,351	55,610	1,016,961
Total	<u>10,511,492</u>	<u>1,245,234</u>	<u>11,756,726</u>

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

	Participants		
	General RO	Family RO	Total RO
<b>30 September 2019 (Unaudited)</b>			
<b>At 1 January 2019</b>	<b>961,351</b>	<b>55,610</b>	<b>1,016,961</b>
Charge for the period	80,000	10,000	90,000
<b>At 30 September 2019</b>	<u><b>1,041,351</b></u>	<u><b>65,610</b></u>	<u><b>1,106,961</b></u>
31 December 2018 (Audited)			
At 1 January 2018	795,351	101,610	896,961
Charge for the year	166,000	(46,000)	120,000
At 31 December 2018	<u>961,351</u>	<u>55,610</u>	<u>1,016,961</u>

(c) At 30 September 2019, 32% of the Company's takaful receivable is from 5 customers (31 December 2018- 40% from 5 customers).

(d) At 30 September 2019, 66% of the Company's due from retakaful / reinsurance companies are from 5 retakaful / reinsurance companies (31 December 2018 - 67% from 5 retakaful / reinsurance companies).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**9 Receivable from participants and payable to shareholders**

	<b>Shareholders</b>	
	<b>Unaudited 30 September 2019 RO</b>	<b>Audited 31 December 2018 RO</b>
<b>At 1 January</b>	<b>1,566,915</b>	1,638,393
Wakala fee income for the year (note 20)	<b>5,880,392</b>	4,264,714
Mudarib share for the year (note 20)	<b>111,833</b>	136,520
Amount received from policyholders	<b>(3,881,000)</b>	(4,500,000)
Net movement in policyholders' account	<b>(40,346)</b>	27,288
<b>At 30 September / 31 December</b>	<b>3,637,794</b>	1,566,915

(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:

	<b>Shareholders</b>	
	<b>Unaudited 30 September 2019 RO</b>	<b>Audited 31 December 2018 RO</b>
On account of qard hassan		
- From general takaful	<b>1,183,956</b>	1,183,956
- From family takaful	<b>22,597</b>	22,597
	<b>1,206,553</b>	1,206,553
On account of wakala fees, mudarib share and inter-fund balances		
- From general takaful	<b>1,860,060</b>	5,920
- From family takaful	<b>571,181</b>	354,442
	<b>2,431,241</b>	360,362
	<b>3,637,794</b>	1,566,915

**10 Takaful liabilities**

	<b>Unaudited 30 September 2019</b>			<b>Audited 31 December 2018</b>		
	<b>Gross RO</b>	<b>Retakaful / reinsurance RO</b>	<b>Net RO</b>	<b>Gross RO</b>	<b>Retakaful / reinsurance RO</b>	<b>Net RO</b>
<b>General takaful</b>						
Claims incurred but not settled	<b>25,179,146</b>	<b>(20,552,192)</b>	<b>4,626,954</b>	28,094,636	(23,278,479)	4,816,157
Claims incurred but not reported	<b>4,409,605</b>	<b>(2,772,945)</b>	<b>1,636,660</b>	4,120,498	(2,750,452)	1,370,046
	<b>29,588,751</b>	<b>(23,325,137)</b>	<b>6,263,614</b>	32,215,134	(26,028,931)	6,186,203
Unearned contributions reserve	<b>17,957,835</b>	<b>(10,455,210)</b>	<b>7,502,625</b>	12,754,965	(5,775,627)	6,979,338
	<b>47,546,586</b>	<b>(33,780,347)</b>	<b>13,766,239</b>	44,970,099	(31,804,558)	13,165,541

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**10 Takaful liabilities (continued)**

	Unaudited 30 September 2019			Audited 31 December 2018		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
<b>Family takaful</b>						
Claims incurred but not settled	704,928	(589,921)	115,007	338,300	(279,569)	58,731
Claims incurred but not reported	610,190	(510,614)	99,576	610,190	(510,614)	99,576
	<b>1,315,118</b>	<b>(1,100,535)</b>	<b>214,583</b>	948,490	(790,183)	158,307
Unearned contributions reserve	484,997	(296,015)	188,982	515,766	(322,874)	192,892
	<b>1,800,115</b>	<b>(1,396,550)</b>	<b>403,565</b>	1,464,256	(1,113,057)	351,199
	<b>49,346,701</b>	<b>(35,176,897)</b>	<b>14,169,804</b>	46,434,355	(32,917,615)	13,516,740

(a) Claims and loss adjustment expenses

	Unaudited 30 September 2019			Audited 31 December 2018		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
<b>General takaful</b>						
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
<b>Total at the beginning of the period / year</b>	<b>32,215,134</b>	<b>(26,028,931)</b>	<b>6,186,203</b>	116,371,314	(110,811,464)	5,559,850
Cash paid for claims settled during the period / year	(14,373,819)	7,726,346	(6,647,473)	(74,173,633)	65,561,036	(8,612,597)
Increase in liabilities arising from current and prior period claims	11,747,436	(5,022,552)	6,724,884	(9,982,547)	19,221,497	9,238,950
<b>Total at the end of the period / year</b>	<b>29,588,751</b>	<b>(23,325,137)</b>	<b>6,263,614</b>	32,215,134	(26,028,931)	6,186,203
Notified claims	25,179,146	(20,552,192)	4,626,954	28,094,636	(23,278,479)	4,816,157
Incurred but not reported	4,409,605	(2,772,945)	1,636,660	4,120,498	(2,750,452)	1,370,046
<b>Total at the end of the period / year</b>	<b>29,588,751</b>	<b>(23,325,137)</b>	<b>6,263,614</b>	32,215,134	(26,028,931)	6,186,203
<b>Family takaful</b>						
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
<b>Total at the beginning of the period / year</b>	<b>948,490</b>	<b>(790,183)</b>	<b>158,307</b>	1,039,466	(865,727)	173,739
Cash paid for claims settled during the period / year	(746,092)	617,846	(128,246)	(2,041,322)	1,705,870	(335,452)
Increase in liabilities arising from current and prior period claims	1,112,720	(928,198)	184,522	1,950,346	(1,630,326)	320,020
<b>Total at the end of the period / year</b>	<b>1,315,118</b>	<b>(1,100,535)</b>	<b>214,583</b>	948,490	(790,183)	158,307
Notified claims	704,928	(589,921)	115,007	338,300	(279,569)	58,731
Incurred but not reported	610,190	(510,614)	99,576	610,190	(510,614)	99,576
<b>Total at the end of the period / year</b>	<b>1,315,118</b>	<b>(1,100,535)</b>	<b>214,583</b>	948,490	(790,183)	158,307



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**10 Takaful liabilities (continued)**

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

	Unaudited 30 September 2019			Audited 31 December 2018		
	Gross RO	Reinsurance RO	Net RO	Gross RO	Reinsurance RO	Net RO
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
<b>Total at the beginning of the period / year</b>	<b>13,270,731</b>	<b>(6,098,501)</b>	<b>7,172,230</b>	12,578,561	(5,759,134)	6,819,427
Gross contributions during the period / year	29,401,959	(17,332,567)	12,069,392	30,474,411	(14,331,128)	16,143,283
Net release during the period / year	(24,229,858)	12,679,843	(11,550,015)	(29,782,241)	13,991,761	(15,790,480)
<b>Total at the end of the period / year</b>	<b>18,442,832</b>	<b>(10,751,225)</b>	<b>7,691,607</b>	13,270,731	(6,098,501)	7,172,230
Unearned contributions reserves	17,957,835	(10,455,210)	7,502,625	12,754,965	(5,775,627)	6,979,338
Mathematical reserves	484,997	(296,015)	188,982	515,766	(322,874)	192,892
<b>Total at the end of the period / year</b>	<b>18,442,832</b>	<b>(10,751,225)</b>	<b>7,691,607</b>	13,270,731	(6,098,501)	7,172,230

**11 Deferred policy acquisition cost**

	General takaful RO	Family takaful RO	Total RO
At 1 January 2019 (Audited)	715,283	59,867	775,150
Cost incurred during the period	1,216,387	88,015	1,304,402
Amortised during the period	(1,179,820)	(94,797)	(1,274,617)
<b>At 30 September 2019 (Unaudited)</b>	<b>751,850</b>	<b>53,085</b>	<b>804,935</b>
	General takaful RO	Family takaful RO	Total RO
At 1 January 2018 (Audited)	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)
<b>At 31 December 2018 (Audited)</b>	<b>715,283</b>	<b>59,867</b>	<b>775,150</b>

**12 Other receivables and takaful assets**

Unaudited 30 September 2019	Shareholders	Participants		Total RO
	RO	General takaful RO	Family takaful RO	
Rent receivable	83,791	-	-	-
Accrued profit on bank deposits	409,580	-	-	-
Advances	63,304	-	-	-
Prepayments	161,094	14,862	-	14,862
Others	13,319	647,712	392,405	1,040,117
	<b>731,088</b>	<b>662,574</b>	<b>392,405</b>	<b>1,054,979</b>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)

12 Other receivables and takaful assets (continued)

	Shareholders		Participants	
	RO	General takaful RO	Family takaful RO	Total RO
Audited 31 December 2018				
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
	<u>953,055</u>	<u>660,358</u>	<u>307,520</u>	<u>967,878</u>

13 Investments at fair value through equity

	Shareholders			
	Unaudited 30 September 2019 Fair value RO	Unaudited 30 September 2019 Cost RO	Audited 31 December 2018 Fair value RO	Audited 31 December 2018 Cost RO
<i>Local quoted</i>				
Service sector	213,330	305,010	244,140	305,010
Industrial sector	21,968	35,554	14,998	35,554
	<u>235,298</u>	<u>340,564</u>	<u>259,138</u>	<u>340,564</u>
<i>Local unquoted</i>				
Service sector	306,926	71,428	306,926	71,428
Industrial sector	155,850	157,500	155,850	157,500
	<u>462,776</u>	<u>228,928</u>	<u>462,776</u>	<u>228,928</u>
<b>Total local</b>	<b>698,074</b>	<b>569,492</b>	<b>721,914</b>	<b>569,492</b>
<i>Foreign quoted</i>				
Financial sector	219,870	233,713	209,400	233,713
Service sector	1,048,308	689,548	928,504	689,549
Real estate development	147,228	221,893	266,216	366,222
Food and beverages	37,692	46,346	52,350	46,346
<b>Total foreign</b>	<b>1,453,098</b>	<b>1,191,500</b>	<b>1,456,470</b>	<b>1,335,830</b>
<b>Total investments</b>	<b>2,151,172</b>	<b>1,760,992</b>	<b>2,178,384</b>	<b>1,905,322</b>

(a) Movement in investments at fair value through equity

	Shareholders	
	Unaudited 30 September 2019 RO	Audited 31 December 2018 RO
<b>At the beginning of the period / year</b>	<b>2,178,384</b>	1,820,153
Purchases	-	806,985
Disposals	(103,885)	(595,288)
Realised (loss) / gain on disposal	(40,445)	22,373
Net change in fair value	<u>117,118</u>	124,161
<b>At the end of the period / year</b>	<b>2,151,172</b>	<u>2,178,384</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**13 Investments at fair value through equity (continued)**

(b) At the reporting date, details of the Company's investments at fair value through equity for which the Company's holding exceeds 10% of investments held at fair value through equity at 30 September 2019 / 31 December 2018 are:

	% of portfolio	Basis of valuation	Number of securities	Fair Value RO
<b>Unaudited</b>				
<b>30 September 2019</b>				
<b>Investment from shareholders' fund</b>				
National Takaful Company (Watania) – listed	49	Fair value	14,303,596	1,048,311
Omani Unified Bureau Orange Card SAOC	14	Fair value	71,428	306,926
Dubai Islamic Bank	10	Fair value	400,000	219,870
<b>Audited</b>				
<b>31 December 2018</b>				
<b>Investment from shareholders' fund</b>				
National Takaful Company (Watania) – listed	43	Fair value	14,303,596	928,504
Omani Unified Bureau Orange Card SAOC	14	Fair value	71,428	306,926

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

	Shareholders	
	Unaudited 30 September 2019 RO	Audited 31 December 2018 RO
<b>At the beginning of the period / year</b>	254,891	148,901
Net change in fair value of investment during the period / year - net of tax	117,118	124,161
Impact of deferred tax	-	(18,171)
	<u>117,118</u>	<u>105,990</u>
<b>At the end of the period / year</b>	<u>372,009</u>	<u>254,891</u>

(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 78,098 (31 December 2018 -RO 88,738) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

**14 Investments carried at amortised cost**

The Company has invested in sukuks listed in the local and international markets. The Company has a positive intention and ability to hold sukuks until their maturity ranging from June 2021 to November 2023, respectively.

(a) *Movement in investments carried at amortised cost*

	Shareholders	
	Unaudited 30 September 2019 RO	Audited 31 December 2018 RO
At the beginning of the period / year	4,753,654	4,989,600
Purchased during the period / year	-	2,502,500
Matured during the year	-	(2,730,865)
Amortised during the period / year	(435)	(7,581)
At the end of the period / year	<u>4,753,219</u>	<u>4,753,654</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**14 Investments carried at amortised cost (continued)**

(a) *Restrictions on transfer of assets*

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified 2,275,000 units (31 December 2018 – 2,275,000 units) with the carrying value of RO 4,750,000 (31 December 2018 - RO 4,750,000) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the CMA.

**15 Investment in real estate**

Movement of carrying amounts of investment in real estate:

	<b>Shareholders</b>	
	<b>Unaudited 30 September 2019 RO</b>	<b>Audited 31 December 2018 RO</b>
At the beginning of the period / year	5,997,586	6,391,733
Realised gain during the year	-	(645,822)
Disposal during the year	-	251,675
At the end of the period / year	<u>5,997,586</u>	<u>5,997,586</u>

As of 30 September 2019, the Company has investment in investment real estate of RO 5,997,586 (31 December 2018 – RO 5,997,586) which is 20.05% of overall investments of the Company, which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by CMA. As per the Regulation, investments in real estate should not exceed 20% of the total investments of the insurer. The Company has obtained the approval from CMA for this investment.

**16 Property and equipment**

	<b>Shareholders</b>	
	<b>Unaudited 30 September 2019 RO</b>	<b>Audited 31 December 2018 RO</b>
<b>Net book value</b>		
At beginning of the period / year	930,587	1,080,640
Additions during the period / year	49,246	83,496
Depreciation for the period / year	<u>137,925</u>	<u>233,549</u>
At the end of the period / year	<u>841,908</u>	<u>930,587</u>

**17 Contingency reserve**

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

CMA has issued the Takaful Insurance Law, however, the detailed rules and regulations are not available for the calculation of the contingency reserve for takaful business operations. During the current period, the Company has added an amount of RO 628,585 (30 September 2018 - RO 715,463) to the contingency reserve, with respect to the general and family takaful business. This amount has been charged to the participants' fund.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**18 Unearned retakaful commission**

Movement in unearned retakaful commission is shown below:

	<b>Participants</b>		
	<b>General takaful RO</b>	<b>Family takaful RO</b>	<b>Total RO</b>
<b>At 1 January 2019 – Audited</b>	<b>50,629</b>	-	<b>50,629</b>
Income from retakaful contracts accrued during the year	<b>315,475</b>	-	<b>315,475</b>
Amortised during the period	<b>(205,174)</b>	-	<b>(205,174)</b>
<b>At 30 September 2019 - Unaudited</b>	<b>160,930</b>	-	<b>160,930</b>
	General takaful RO	Family takaful RO	Total RO
At 1 January 2018 – Audited	51,486	-	51,486
Income from retakaful contracts accrued during the year	155,996	-	155,996
Amortised during the year	<b>(156,853)</b>	-	<b>(156,853)</b>
At 31 December 2018- Audited	<b>50,629</b>	-	<b>50,629</b>

**19 Net claims incurred**

	<b>Unaudited 30 September 2019 Retakaful / Reinsurances</b>			<b>Unaudited 30 September 2018 Retakaful / reinsurances<sup>7</sup></b>		
	<b>Gross RO</b>	<b>' share RO</b>	<b>Net RO</b>	<b>Gross RO</b>	<b>share RO</b>	<b>Net RO</b>
Claims notified and not settled outstanding	<b>25,884,074</b>	<b>(21,142,113)</b>	<b>4,741,961</b>	22,802,119	(18,109,469)	4,692,650
Claims incurred but not reported	<b>5,019,795</b>	<b>(3,283,559)</b>	<b>1,736,236</b>	4,395,170	(1,965,744)	2,429,426
Outstanding at end of the period	<b>30,903,869</b>	<b>(24,425,672)</b>	<b>6,478,197</b>	27,197,289	(20,075,213)	7,122,076
Add: Takaful claims paid during the period	<b>15,119,911</b>	<b>(8,344,192)</b>	<b>6,775,719</b>	71,215,500	(64,504,775)	6,710,725
Claims notified and not settled outstanding	<b>28,432,936</b>	<b>(23,558,048)</b>	<b>4,874,888</b>	114,108,284	(109,800,231)	4,308,053
Claims incurred but not reported	<b>4,730,688</b>	<b>(3,261,066)</b>	<b>1,469,622</b>	3,302,496	(1,876,962)	1,425,534
Outstanding at beginning of the period	<b>33,163,624</b>	<b>(26,819,114)</b>	<b>6,344,510</b>	117,410,780	(111,677,191)	5,733,587
Claims incurred	<b>12,860,156</b>	<b>(5,950,750)</b>	<b>6,909,406</b>	(18,997,991)	27,097,205	8,099,214

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**19 Net claims incurred (continued)**

(a) *Takaful / insurance revenue analysis*

	Unaudited 30 September 2019		Unaudited 30 September 2018	
	Net contributions RO	Contributions revenue before retakaful / reinsurance RO	Net contributions RO	Contributions revenue before retakaful / Reinsurance RO
Motor	2,391,601	(263,062)	5,595,835	1,810,318
Fire, accidents, engineering and others	7,235,446	(5,957,061)	1,657,733	37,447,929
Marine cargo and hull	(97,306)	42,872	134,176	240,734
Medical	(43,288)	49,098	4,599,169	645,565
Life	575,622	(395,763)	636,594	308,228
	<b>10,062,075</b>	<b>(6,523,916)</b>	<b>12,623,507</b>	<b>40,452,774</b>

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

**20 Wakala fees and mudharaba share**

The shareholders manage the general and family takaful operations for the participants and charge 20% (31 December 2018 - 14%) and 20% (31 December 2018 - 14%) respectively of gross contributions as a wakala fee except for business from a specific customer for which the wakala fee is charged at 5% (31 December 2018 - 5%) as approved by the Board of Directors. The shareholders also manage the participants fund as a mudharab and charge 55% (31 December 2018 – 55%) and 55% (31 December 2018 - 55%) of the general takaful and family takaful investment income earned by the participants' investment funds, respectively. The maximum chargeable wakala fee and mudharaba share as approved by the Sharia Supervisory Committee, are 20% and 55% (31 December 2018 – 14% and - 55%) respectively.

**21 Investment income - net**

	Unaudited 30 September 2019 RO	Unaudited 30 September 2018 RO
Investment property rental income	338,620	316,870
Dividend income	214,836	164,325
Profit on wakala deposits	192,743	150,647
Profit from investment carried at amortised cost	244,881	228,342
Realised (loss) / gain on sale of investments	(40,445)	27,680
Realised gain on sale of investments property	-	216,666
Fair value loss on investments carried at fair value through profit or loss	(219,983)	(481,533)
Investment management costs	(76,113)	(136,815)
	<b>654,539</b>	<b>486,182</b>

**22 Sharia Supervisory Committee**

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**23 Takaful reserve**

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

**24 Earnings per share**

	<b>Unaudited 30 September 2019</b>	<b>Unaudited 30 September 2018</b>
Profit for the period – RO	<u>3,251,697</u>	2,226,196
Weighted average number of shares outstanding - number	<u>175,000,000</u>	175,000,000
Earnings per share attributable to shareholders – basic and diluted – RO	<u>0.019</u>	0.013

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

**25 Related parties**

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

(a) Transactions with related parties

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

	<b>Unaudited 30 September 2019 RO</b>	<b>Unaudited 30 September 2018 RO</b>
Premium	<u>3,464,170</u>	4,083,741
Retakaful/reinsurance contribution ceded	<u>47,755</u>	60,008
Claims	<u>1,589,128</u>	4,356,604
Commission paid	<u>251,305</u>	437,990
Board sitting fees	<u>40,200</u>	48,800
Sharia committee fee	<u>17,750</u>	20,500
Dividend paid to shareholders	<u>875,000</u>	700,000

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
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**25 Related parties (continued)**

*(b)* Balances with related parties

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

	<b>Unaudited 30 September 2019 RO</b>	<b>Audited 31 December 2018 RO</b>
<b>Takaful and retakaful / reinsurance contract receivables</b>		
Contribution balances receivables from other related parties	<b>2,795,183</b>	2,548,062
<b>Investment receivables</b>		
Rental income receivable	<b>33,626</b>	33,626
Accrued income on investment in Modern Sukuk Company SAOC	<b>53,479</b>	62,637
Accrued income on investment in Mohammed Al Barwani Sukuk Issue SAOC	<b>31,525</b>	-
Investment in Modern Sukuk Company SAOC	<b>2,501,719</b>	2,502,500
Investment in Mohammed Al Barwani Sukuk Issue SAOC	<b>1,500,000</b>	1,500,000
Investments at fair value through equity	<b>1,511,087</b>	1,391,280

*(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:

	<b>Unaudited 30 September 2019 RO</b>	<b>Unaudited 30 September 2018 RO</b>
Short-term benefits	<b>480,501</b>	332,503
Employee end of service benefits	<b>149,541</b>	122,738
	<b>630,042</b>	455,241

**26 Contingencies**

**Contingent liabilities**

At 30 September 2019, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business amounts to RO 13,100 (31 December 2018 - RO 22,658).

**Legal claims**

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

**27 Segment information**

**Business segments – primary reporting segment**

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



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

**27 Segment information (continued)**

**Operating segments**

The Company has the following operating segments:

*General takaful*

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

*Family takaful*

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

<b>30 September 2019 – unaudited</b>	<b>General Takaful RO</b>	<b>Family takaful RO</b>	<b>Total RO</b>
Takaful revenue (net of retakaful / reinsurance)	<b>11,295,510</b>	<b>459,678</b>	<b>11,755,188</b>
Takaful expenses (net of retakaful / reinsurance)	<b>(7,904,704)</b>	<b>(279,319)</b>	<b>(8,184,023)</b>
<b>Segment results</b>	<b>3,390,806</b>	<b>180,359</b>	<b>3,571,165</b>
Takaful income	<b>145,621</b>	<b>381</b>	<b>146,002</b>
Provision for impairment of receivables	<b>(80,000)</b>	<b>(10,000)</b>	<b>(90,000)</b>
Takaful expense	<b>(178,177)</b>	<b>(831)</b>	<b>(179,008)</b>
Investment income	<b>172,890</b>	<b>30,442</b>	<b>203,332</b>
Mudarib share	<b>(95,090)</b>	<b>(16,743)</b>	<b>(111,833)</b>
Wakala fees	<b>(5,529,818)</b>	<b>(350,574)</b>	<b>(5,880,392)</b>
<b>Deficit for the period</b>	<b>(2,173,768)</b>	<b>(166,966)</b>	<b>(2,340,734)</b>
<b>Segment assets</b>	<b>57,094,079</b>	<b>4,083,366</b>	<b>61,177,445</b>
Assets allocated to shareholders			<b>27,247,325</b>
<b>Total assets</b>			<b>88,424,770</b>
<b>Segment liabilities</b>	<b>60,877,084</b>	<b>4,898,778</b>	<b>65,775,862</b>
Liabilities allocated to shareholders			<b>1,327,630</b>
<b>Total liabilities</b>			<b>67,103,492</b>

<b>30 September 2018 - Unaudited</b>	<b>General Takaful RO</b>	<b>Family takaful RO</b>	<b>Total RO</b>
Takaful revenue (net of retakaful / reinsurance)	12,119,097	636,594	12,755,691
Takaful expenses (net of retakaful / reinsurance)	(9,085,791)	(411,069)	(9,496,860)
<b>Segment results</b>	<b>3,033,306</b>	<b>225,525</b>	<b>3,258,831</b>
Takaful income	129,033	290	129,323
Provision for impairment of receivables	(87,300)	(2,700)	(90,000)
Takaful expense	(152,499)	(17,279)	(169,778)
Investment income	173,936	22,079	196,015
Mudarib share	(95,665)	(12,143)	(107,808)
Wakala fees	(4,422,346)	(428,349)	(4,850,695)
<b>Deficit for the period</b>	<b>(1,421,535)</b>	<b>(212,577)</b>	<b>(1,634,112)</b>
<b>Segment assets</b>	<b>47,129,237</b>	<b>3,850,431</b>	<b>50,979,668</b>
Assets allocated to shareholders			25,629,196
<b>Total assets</b>			<b>76,608,864</b>
<b>Segment liabilities</b>	<b>50,367,605</b>	<b>4,691,063</b>	<b>55,058,668</b>
Liabilities allocated to shareholders			1,019,734
<b>Total liabilities</b>			<b>56,078,402</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)****27 Segment information (continued)****Operating segments (continued)**

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

**Geographical segments – secondary reporting segment**

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

**28 Earnings prohibited under Sharia'a**

Earnings retained during the previous year from transactions which are not permitted under Sharia'a are recorded as charity fund payable amounted to RO 263 (31 December 2018 – RO 18,763). As there is no earning prohibited under Sharia'a during the current period, 'statement of sources and uses of funds in the charity fund' is not presented in this interim financial information.