



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 SAOG ("the Company"), I am pleased to present to you a report on the performance of the Company for the period ending on 30th June 2019.

Operating Environment

Despite tough prevailing market conditions your Company has been able to achieve Gross Written Contributions which is in line with the corresponding period last year. Your Company achieved Gross written contribution of RO 14.9mn during second quarter of 2019 as against RO 14.7mn during same period of 2018.

Results from Operations

The Company continues to deliver stable growth while maintaining strong reserves. This discipline has resulted in a 46% increase in underwriting surplus from Takaful operations before investment income, mudarib share and Wakala fees amounting to RO 2.3mn during the quarter ending June 2019 as against RO 1.6mn during the same period of 2018.

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 remains to be challenging with equity and real estate yields under pressure. However, the Company has been prudently managing its investments and has increased its investment income by 14% to RO 585 K as at June 2019 (June 2018: - RO 511 K). The Company continues to look at growing opportunities within the Islamic Finance space for optimizing the Investment Income in line with the Company's risk appetite.



المدينة تكافل Al Madina Takaful

Shareholders' profit

The Company has achieved growth in all operating parameters and has delivered strong performance. The Company reported a 3% higher profit attributable for the shareholders of RO 1.19mn compared to RO 1.16mn in the corresponding period of 2018.

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 in compliance with the Omanization requirements. The company continuously seeks ways to introduce new kinds of products and schemes to enhance the quality and reach of customer service as well as to improve income streams.

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

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

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 JUNE 2019

	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 30 June 2019 RO	Audited 31 December 2018 RO	General takaful		Family takaful		Total participants' fund		Unaudited 30 June 2019 RO	Audited 31 December 2018 RO
				Unaudited 30 June 2019 RO	Audited 31 December 2018 RO	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO		
ASSETS											
Cash and cash equivalents	5	451,452	535,336	1,028,143	2,634,095	13,910	26,211	1,042,053	2,660,306	1,493,505	3,195,642
Investments carried at fair value through profit or loss	7	1,530,226	1,710,928	-	-	-	-	-	-	1,530,226	1,710,928
Takaful balance receivable	8	-	-	10,022,623	9,145,445	1,068,677	994,405	11,091,300	10,139,850	11,091,300	10,139,850
Retakaful / reinsurance balance receivable	8	-	-	727,628	404,696	293,274	195,219	1,020,902	599,915	1,020,902	599,915
Receivable from participants' fund - family takaful		-	-	815,482	787,033	-	-	815,482	787,033	815,482	787,033
Receivable from shareholders' fund		-	-	78,519	-	-	-	78,519	-	78,519	-
Receivable from participants' fund	9	1,642,640	1,566,915	-	-	-	-	-	-	1,642,640	1,566,915
Due from retakaful / reinsurance companies in connection with takaful liabilities	10	-	-	28,775,073	31,804,558	1,263,665	1,113,057	30,038,738	32,917,615	30,038,738	32,917,615
Deferred policy acquisition cost	11	-	-	761,171	715,283	53,336	59,867	814,507	775,150	814,507	775,150
Other receivables and takaful assets	12	629,076	953,055	661,587	660,358	332,991	307,520	994,578	967,878	1,623,654	1,920,933
Investments at fair value through equity	13	1,907,668	2,178,384	-	-	-	-	-	-	1,907,668	2,178,384
Bank deposits	6	6,826,500	5,781,500	4,876,416	5,476,416	947,084	947,084	5,823,500	6,423,500	12,650,000	12,205,000
Investments carried at amortised cost	14	4,753,368	4,753,654	-	-	-	-	-	-	4,753,368	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	863,206	930,587	-	-	-	-	-	-	863,206	930,587
Total assets		24,720,439	24,526,662	47,746,642	51,627,884	3,972,937	3,643,363	51,719,579	55,271,247	76,440,018	79,797,909

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 JUNE 2019

LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 30 June 2019 RO	Audited 31 December 2018 RO	General takaful		Family takaful		Total participants' fund		Unaudited 30 June 2019 RO	Audited 31 December 2018 RO
				Unaudited 30 June 2019 RO	Audited 31 December 2018 RO	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO		
LIABILITIES											
Takaful liabilities	10	-	-	40,997,705	44,970,099	1,627,194	1,464,256	42,624,899	46,434,355	42,624,899	46,434,355
Unearned retakaful commission	18	-	-	157,900	50,629	-	-	157,900	50,629	157,900	50,629
Retakaful/reinsurance payables		-	-	5,535,612	4,957,763	665,602	795,425	6,201,214	5,753,188	6,201,214	5,753,188
Accounts and other payables		615,488	717,104	2,003,706	2,068,754	1,152,165	868,056	3,155,871	2,936,810	3,771,359	3,653,914
Charity fund payable		263	18,763	-	-	-	-	-	-	263	18,763
Payable to shareholders	9	-	-	1,183,956	1,189,876	458,684	377,039	1,642,640	1,566,915	1,642,640	1,566,915
Payable to participants' fund - general takaful		78,519	-	-	-	815,482	787,033	815,482	787,033	894,001	787,033
Employees' end of service benefits		412,578	364,915	-	-	-	-	-	-	412,578	364,915
Total liabilities		1,106,848	1,100,782	49,878,879	53,237,121	4,719,127	4,291,809	54,598,006	57,528,930	55,704,854	58,629,712
PARTICIPANTS' FUND											
Deficit in participants' fund		-	-	(6,174,308)	(5,083,412)	(913,632)	(804,773)	(7,087,940)	(5,888,185)	(7,087,940)	(5,888,185)
Contingency reserve	17	-	-	4,042,071	3,474,175	167,442	156,327	4,209,513	3,630,502	4,209,513	3,630,502
Total participants' fund				(2,132,237)	(1,609,237)	(746,190)	(648,446)	(2,878,427)	(2,257,683)	(2,878,427)	(2,257,683)
SHAREHOLDERS' EQUITY											
Capital and reserves											
Share capital		17,500,000	17,500,000	-	-	-	-	-	-	17,500,000	17,500,000
Share premium		1,380,151	1,380,151	-	-	-	-	-	-	1,380,151	1,380,151
Legal reserve		1,028,154	909,244	-	-	-	-	-	-	1,028,154	909,244
Investment fair value reserve		128,505	254,891	-	-	-	-	-	-	128,505	254,891
Property fair value reserve		213,924	213,924	-	-	-	-	-	-	213,924	213,924
Retained earnings		3,362,857	3,167,670	-	-	-	-	-	-	3,362,857	3,167,670
Total shareholders' equity		23,613,591	23,425,880							23,613,591	23,425,880
Total liabilities, participants' fund and shareholders' equity		24,720,439	24,526,662	47,746,642	51,627,884	3,972,937	3,643,363	51,719,579	55,271,247	76,440,018	79,797,909

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 CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

	Note	Unaudited 30 June 2019 RO	Unaudited 30 June 2018 RO
Operating activities			
Profit before tax for the period		1,288,883	1,216,867
Deficit from takaful operations		(620,744)	(1,301,887)
Adjustments for:			
Depreciation		92,579	126,317
Dividend income		(208,980)	(164,325)
Profit on wakala deposits		(255,598)	(227,995)
Profit from investments carried out at amortised cost		(162,326)	(151,366)
Amortisation of investments carried at amortised cost		286	30,433
End of service benefits charge for the period		53,070	37,944
Rental income on investment in real estate		(224,130)	(200,405)
Fair value loss on investments carried at fair value through profit or loss		180,653	383,163
Provision for bad and doubtful debt		(60,000)	(60,000)
Realised gain on sale of investments		40,445	(33,896)
Gain on real estate		-	(216,666)
Operating cash flows before end of service benefits		124,139	(561,816)
End of service benefits paid		(5,407)	-
Operating cash flows before working capital changes		118,732	(561,816)
Working capital changes:			
Takaful and retakaful/reinsurance balance receivables		(1,312,437)	389,804
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		2,878,881	90,298,620
Other receivables, prepayments and other assets		297,279	(586,848)
Deferred policy acquisition cost		(39,357)	13,675
Outstanding claims and unearned premium reserve		(3,809,458)	(89,373,878)
Accounts and other payables		98,945	(838,367)
Due to retakaful / reinsurance		448,025	(873,339)
Unearned retakaful/reinsurance commission		107,270	55,183
Net cash used in operating activities		(1,212,120)	(1,476,966)
Cash flows from Investing activities			
Purchase of property and equipment		(25,198)	(45,471)
Purchase of investments carried at fair value through profit or loss		-	(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		49	79,521
Proceeds from redemption of investment at fair value through equity		103,885	595,288
Movement in bank deposits		(445,000)	(2,000,000)
Rent on investment in real estate received		377,950	340,288
Profit on bank deposits received		164,318	328,830
Dividends received		208,980	164,325
Net cash generated from / (used in) investing activities		384,983	(830,197)
Cash flow from Financing activity			
Dividends paid		(875,000)	(700,000)
Net change in cash and cash equivalents		(1,702,137)	(3,007,163)
Cash and cash equivalents at the beginning of the period		3,195,642	4,425,902
Cash and cash equivalents at the end of the period	5	1,493,505	1,418,739

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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

	Share capital	Share premium	Legal reserve	Investment fair value reserve	Property fair value reserve	Retained earnings	Total
	RO	RO	RO	RO	RO	RO	RO
At 1 January 2019 (audited)	17,500,000	1,380,151	909,244	254,891	213,924	3,167,670	23,425,880
Comprehensive income:							
Profit for the period	-	-	-	-	-	1,189,097	1,189,097
Other comprehensive income:							
Net change in fair value of investment at fair value through equity	-	-	-	(126,386)	-	-	(126,386)
Total comprehensive income for the period				(126,386)		1,189,097	1,062,711
Transaction with owners:							
Transfer to legal reserve	-	-	118,910	-	-	(118,910)	-
Dividend paid	-	-	-	-	-	(875,000)	(875,000)
	-	-	118,910	-	-	(993,910)	(875,000)
At 30 June 2019 (unaudited)	17,500,000	1,380,151	1,028,154	128,505	213,924	3,362,857	23,613,591
At 1 January 2018 (audited)	17,500,000	1,380,151	837,275	148,901	123,949	3,219,944	23,210,220
Comprehensive income:							
Profit for the period	-	-	-	-	-	1,159,961	1,159,961
Other comprehensive income:							
Net change in fair value of investment at fair value through equity	-	-	-	272,268	-	-	272,268
Transfer to profit or loss on sale of investment in real estate	-	-	-	-	(123,949)	-	(123,949)
	-	-	-	272,268	(123,949)	1,159,961	1,308,280
Transaction with owners:							
Transfer to legal reserve	-	-	115,995	-	-	(115,995)	-
Dividend paid	-	-	-	-	-	(700,000)	(700,000)
	-	-	115,995	-	-	(815,995)	(700,000)
At 30 June 2018 (unaudited)	17,500,000	1,380,151	953,270	421,169	-	3,563,910	23,818,500

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AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN PARTICIPANTS' FUND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

	Deficit in participants' fund		Contingency reserve		Total
	General takaful RO	Family takaful RO	General takaful RO	Family takaful RO	RO
At 1 January 2019 (audited)	(5,083,412)	(804,773)	3,474,175	156,327	(2,257,683)
Deficit for the period	(523,000)	(97,744)	-	-	(620,744)
Transfer to contingency reserve	(567,896)	(11,115)	567,896	11,115	-
At 30 June 2019 (unaudited)	(6,174,308)	(913,632)	4,042,071	167,442	(2,878,427)
At 1 January 2018 (audited)	(4,672,388)	(754,599)	2,855,555	126,544	(2,444,888)
Deficit for the period	(1,140,482)	(161,405)	-	-	(1,301,887)
Transfer to contingency reserve	(624,598)	(13,757)	624,598	13,757	-
At 30 June 2018 (unaudited)	(6,437,468)	(929,761)	3,480,153	140,301	(3,746,775)

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

	Note	General takaful		Family takaful		Total	
		Unaudited 30 June 2019 RO	Unaudited 30 June 2018 RO	Unaudited 30 June 2019 RO	Unaudited 30 June 2018 RO	Unaudited 30 June 2018 RO	
Takaful revenue							
Gross contributions		13,800,592	13,348,029	1,111,476	1,375,757	14,912,068	14,723,786
Retakaful/reinsurance share		(6,909,677)	(5,683,125)	(816,746)	(982,640)	(7,726,423)	(6,665,765)
Retained contributions		6,890,915	7,664,904	294,730	393,117	7,185,645	8,058,021
Movement in unearned contributions reserve		525,749	(273,930)	5,996	28,815	531,745	(245,115)
Net earned contributions		7,416,664	7,390,974	300,726	421,932	7,717,390	7,812,906
Income earned from retakaful contracts		122,233	14,999	-	-	122,233	14,999
		7,538,897	7,405,973	300,726	421,932	7,839,623	7,827,905
Takaful expenses							
Gross claims settled	10	(12,040,844)	(66,760,853)	(587,687)	(1,153,436)	(12,628,531)	(67,914,289)
Claims recovered from retakaful/reinsurance	10	7,141,965	62,368,324	483,932	958,790	7,625,897	63,327,114
Net claims settled		(4,898,879)	(4,392,529)	(103,755)	(194,646)	(5,002,634)	(4,587,175)
Net movement in outstanding claims		417,160	(686,143)	(18,326)	6,512	398,834	(679,631)
Net claims incurred	19	(4,481,719)	(5,078,672)	(122,081)	(188,134)	(4,603,800)	(5,266,806)
Commission expense		(794,839)	(824,362)	(61,739)	(110,115)	(856,578)	(934,477)
		(5,276,558)	(5,903,034)	(183,820)	(298,249)	(5,460,378)	(6,201,283)
		2,262,339	1,502,939	116,906	123,683	2,379,245	1,626,622
Takaful income		83,103	119,513	250	212	83,353	119,725
Provision for impairment of receivable		(60,000)	(57,300)	-	(2,700)	(60,000)	(60,000)
Takaful expense		(96,575)	(86,391)	(727)	(16,904)	(97,302)	(103,295)
Surplus from takaful operations		2,188,867	1,478,761	116,429	104,291	2,305,296	1,583,052
Investment income – net		107,224	106,513	18,049	21,011	125,273	127,524
Mudarib share	20	(58,973)	(58,582)	(9,927)	(11,556)	(68,900)	(70,138)
Wakala fees	20	(2,760,118)	(2,667,174)	(222,295)	(275,151)	(2,982,413)	(2,942,325)
Deficit from takaful operations		(523,000)	(1,140,482)	(97,744)	(161,405)	(620,744)	(1,301,887)

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 COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

	Note	Shareholders' fund	
		Unaudited 30 June 2019 RO	Unaudited 30 June 2018 RO
Wakala fees	20	2,982,413	2,942,325
Investment income (net)	21	459,546	383,288
Mudarib share	20	68,900	70,138
		3,510,859	3,395,751
General and administrative expenses		(2,222,040)	(2,179,036)
Other income		64	152
		(2,221,976)	(2,178,884)
Profit before tax		1,288,883	1,216,867
Taxation		(99,786)	(56,906)
Profit for the period		1,189,097	1,159,961
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of investments at fair value through equity	13	(126,386)	272,268
Total comprehensive income for the period		1,062,711	1,432,229
Earnings per share attributable to shareholders - basic and diluted	24	0.007	0.007

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 SIX MONTH PERIOD ENDED 30 JUNE 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 six month period ended 30 June 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 does 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 six month period ended 30 June 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 SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

5 Cash and cash equivalents

	Shareholders	Participants		
	RO	General RO	Family RO	Total RO
30 June 2019 (Unaudited)				
Cash at bank in current accounts	26,060	281,828	5,975	287,803
Cash at bank in call accounts	357,005	739,861	7,893	747,754
Cash balances with investment managers	65,208	-	-	-
Cash in hand	3,179	6,454	42	6,496
	451,452	1,028,143	13,910	1,042,053
31 December 2018 (audited)				
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

6 Bank deposits

	Shareholders	Participants		
	RO	General RO	Family RO	Total RO
30 June 2019 (Unaudited)				
Bank deposits with maturity of less than three months	3,000,000	-	-	-
Bank deposits with maturity of more than three months	3,826,500	4,876,416	947,084	5,823,500
	6,826,500	4,876,416	947,084	5,823,500
31 December 2018(audited)				
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 2.5 % 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 30 June 2019		Audited 31 December 2018	
	Fair value	Cost	Fair value	Cost
<i>Local quoted</i>	RO	RO	RO	RO
Service sector	565,914	659,713	659,763	790,905
Industrial sector	961,882	1,048,916	1,048,915	1,433,437
Financial sector	2,430	2,250	2,250	2,508
Total investments	1,530,226	1,710,879	1,710,928	2,226,850

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

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

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

	Shareholders	
	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO
At 1 January	1,710,928	2,098,401
Purchases during the period/year	-	202,659
Disposals during the period/year	(49)	(80,517)
Realised gain on disposal	-	6,306
Net change in fair value	(180,653)	(515,921)
At 30 June / 31 December	1,530,226	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 June 2019 / 31 December 2018 are:

	% of Portfolio	Number of Securities	Fair value RO	Cost RO
30 June 2019 (unaudited)				
Oman Oil Marketing Company SAOG	10	144,410	153,797	163,183
Oman Refreshment Company SAOG	10	99,802	146,709	169,663
Al Maha Petroleum Products Marketing Company SAOG	10	188,800	158,592	175,962
31 December 2018 (audited)				
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 1,530,226 (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

	Participants		
	General RO	Family RO	Total RO
30 June 2019 (Unaudited)			
Takaful receivable including due from related parties	10,764,025	1,103,422	11,867,447
Less: specific and portfolio provision for impairment	(741,402)	(34,745)	(776,147)
	10,022,623	1,068,677	11,091,300
Retakaful / reinsurance balances receivable	1,007,577	314,139	1,321,716
Less: specific and portfolio provision for impairment	(279,949)	(20,865)	(300,814)
	727,628	293,274	1,020,902
	10,750,251	1,361,951	12,112,202

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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 June 2019, receivables past due above 121 days amounting to RO 5,477,635 (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
30 June 2019 (Unaudited)			
Neither past due nor impaired	5,915,919	718,648	6,634,567
Past due but not impaired	4,834,332	643,303	5,477,635
Past due and impaired	1,021,351	55,610	1,076,961
	<u>11,771,602</u>	<u>1,417,561</u>	<u>13,189,163</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
	<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
30 June 2019 (Unaudited)			
At 1 January 2019	961,351	55,610	1,016,961
Charge for the period	60,000	-	60,000
At 30 June 2019	<u>1,021,351</u>	<u>55,610</u>	<u>1,076,961</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 June 2019, 28% of the Company's takaful receivable is from 5 customers (31 December 2018- 40% from 5 customers).

(d) At 30 June 2019, 68 % of the Company's due from retakaful / reinsurance companies are from 5 retakaful / reinsurance companies (31 December 2018 – 67% from 5 retakaful / reinsurance companies).

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

9 Receivable from participants and payable to shareholders

	Shareholders	
	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO
At 1 January	1,566,915	1,638,393
Wakala fee income for the period/year (note 25)	2,982,413	4,264,714
Mudarib share for the period/year (note 25)	68,900	136,520
Amount received from policyholders	(2,981,000)	(4,500,000)
Net movement in policyholders' account	5,412	27,288
At 30 June / 31 December	1,642,640	1,566,915

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

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

	Shareholders	
	Unaudited 30 June 2019 RO	Audited 31 December 2018 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	436,087	354,442
	436,087	360,362
	1,642,640	1,566,915

10 Takaful liabilities

	Unaudited 30 June 2019			Audited 31 December 2018		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
General takaful						
Claims incurred but not settled	24,165,868	(19,916,869)	4,248,999	28,094,636	(23,278,479)	4,816,157
Claims incurred but not reported	4,270,498	(2,750,454)	1,520,044	4,120,498	(2,750,452)	1,370,046
	28,436,366	(22,667,323)	5,769,043	32,215,134	(26,028,931)	6,186,203
Unearned contributions reserve	12,561,339	(6,107,750)	6,453,589	12,754,965	(5,775,627)	6,979,338
	40,997,705	(28,775,073)	12,222,632	44,970,099	(31,804,558)	13,165,541

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

10 Takaful liabilities (continued)

	Unaudited 30 June 2019			Audited 31 December 2018		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
Family takaful						
Claims incurred but not settled	532,745	(455,688)	77,057	338,300	(279,569)	58,731
Claims incurred but not reported	610,190	(510,614)	99,576	610,190	(510,614)	99,576
	1,142,935	(966,302)	176,633	948,490	(790,183)	158,307
Unearned contributions reserve	484,259	(297,363)	186,896	515,766	(322,874)	192,892
	1,627,194	(1,263,665)	363,529	1,464,256	(1,113,057)	351,199
	42,624,899	(30,038,738)	12,586,161	46,434,355	(32,917,615)	13,516,740

(a) Claims and loss adjustment expenses

	Unaudited 30 June 2019			Audited 31 December 2018		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
General takaful						
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 beginning of the period / year	32,215,134	(26,028,931)	6,186,203	116,371,314	(110,811,464)	5,559,850
Cash paid for claims settled during the period / year	(12,040,844)	7,141,965	(4,898,879)	(74,173,633)	65,561,036	(8,612,597)
Increase in liabilities arising from current and prior period claims	8,262,076	(3,780,357)	4,481,719	(9,982,547)	19,221,497	9,238,950
Total at the end of the period / year	28,436,366	(22,667,323)	5,769,043	32,215,134	(26,028,931)	6,186,203
Notified claims	24,165,868	(19,916,869)	4,248,999	28,094,636	(23,278,479)	4,816,157
Incurred but not reported	4,270,498	(2,750,454)	1,520,044	4,120,498	(2,750,452)	1,370,046
Total at the end of the period / year	28,436,366	(22,667,323)	5,769,043	32,215,134	(26,028,931)	6,186,203
Family takaful						
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 beginning of the period / year	948,490	(790,183)	158,307	1,039,466	(865,727)	173,739
Cash paid for claims settled during the period / year	(587,687)	483,932	(103,755)	(2,041,322)	1,705,870	(335,452)
Increase in liabilities arising from current and prior period claims	782,132	(660,051)	122,081	1,950,346	(1,630,326)	320,020
Total at the end of the period / year	1,142,935	(966,302)	176,633	948,490	(790,183)	158,307
Notified claims	532,745	(455,688)	77,057	338,300	(279,569)	58,731
Incurred but not reported	610,190	(510,614)	99,576	610,190	(510,614)	99,576
Total at the end of the period / year	1,142,935	(966,302)	176,633	948,490	(790,183)	158,307

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

10 Takaful liabilities (continued)

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

	Unaudited 30 June 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
Total at the beginning of the period / year	13,270,731	(6,098,501)	7,172,230	12,578,561	(5,759,134)	6,819,427
Gross contributions during the period / year	14,912,068	(7,726,423)	7,185,645	30,474,411	(14,331,128)	16,143,283
Net release during the period / year	(15,137,201)	7,419,811	(7,717,390)	(29,782,241)	13,991,761	(15,790,480)
Total at the end of the period / year	13,045,598	(6,405,113)	6,640,485	13,270,731	(6,098,501)	7,172,230
Unearned contributions reserves	12,561,339	(6,107,750)	6,453,589	12,754,965	(5,775,627)	6,979,338
Mathematical reserves	484,259	(297,363)	186,896	515,766	(322,874)	192,892
Total at the end of the period / year	13,045,598	(6,405,113)	6,640,485	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	840,727	55,208	895,935
Amortised during the period	(794,839)	(61,739)	(856,578)
At 30 June 2019 (Unaudited)	761,171	53,336	814,507

	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)
At 31 December 2018 (Audited)	715,283	59,867	775,150

12 Other receivables and takaful assets

	Shareholders	Participants		Total RO
	RO	General takaful RO	Family takaful RO	
30 June 2019 (Unaudited)				
Rent receivable	37,596	-	-	-
Accrued income	418,752	-	-	-
Advances	71,487	14,861	27,100	41,961
Prepayments	90,092	43,434	-	43,434
Others	11,149	603,292	305,891	909,183
	629,076	661,587	332,991	994,578

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

12 Other receivables and takaful assets (continued)

	Shareholders		Participants	
	RO	General Takaful RO	Family takaful RO	Total RO
31 December 2018 (Audited)	RO	RO	RO	RO
Rent receivable	191,416	-	-	-
Accrued profit on bank deposits	547,284	-	-	-
Advances	62,452	-	307,520	307,520
Prepayments	151,687	42,435	-	42,435
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 June 2019 Fair value RO	Unaudited 30 June 2019 Cost RO	Audited 31 December 2018 Fair value RO	Audited 31 December 2018 Cost RO
<i>Local quoted</i>				
Service sector	195,450	305,010	244,140	305,010
Industrial sector	21,546	35,554	14,998	35,554
	<u>216,996</u>	<u>340,564</u>	259,138	340,564
<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>	462,776	228,928
Total local	<u>679,772</u>	<u>569,492</u>	721,914	569,492
<i>Foreign quoted</i>				
Financial sector	214,007	233,713	209,400	233,713
Service sector	823,670	689,548	928,504	689,549
Real estate development	151,480	221,893	266,216	366,222
Food and beverages	38,739	46,346	52,350	46,346
Total foreign	<u>1,227,896</u>	<u>1,191,500</u>	1,456,470	1,335,830
Total investments	<u>1,907,668</u>	<u>1,760,992</u>	2,178,384	1,905,322

(a) Movement in investments at fair value through equity

	Shareholders	
	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO
At the beginning of the period / year	2,178,384	1,820,153
Purchases during the period / year	-	806,985
Disposals during the period / year	(103,885)	(595,288)
Realised (loss) / gain on disposal	(40,445)	22,373
Net change in fair value	<u>(126,386)</u>	124,161
At the end of the period / year	<u>1,907,668</u>	2,178,384

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13 Investments at fair value through equity (continued)

(b) 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 June 2019 / 31 December 2018 are:

	% of portfolio	Basis of valuation	Number of securities	Fair value RO
30 June 2019 (Unaudited)				
Investment from shareholders' fund				
National Takaful Company (Watania) – listed	43	Fair value	14,303,596	823,673
Omani Unified Bureau Orange Card SAOC	16	Fair value	71,428	306,926
31 December 2018 (Audited)				
Investment from shareholders' fund				
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 June 2019 RO	Audited 31 December 2018 RO
At the beginning of the period / year	254,891	148,901
Net change in fair value of investment during the period / year - net of tax	(126,386)	124,161
Impact of deferred tax	-	(18,171)
	(126,386)	105,990
At the end of the period / year	128,505	254,891

(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 372,846 (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 June 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 period / year	-	(2,730,865)
Amortised during the period / year	(286)	(7,581)
At the end of the period / year	4,753,368	4,753,654

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

14 Investments carried at amortised cost (continued)

(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 (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:

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

As of 30 June 2019, the Company has investment in investment real estate of RO 5,997,586 (31 December 2018 - RO 5,997,586) which is 21% of overall investments of the Company, which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by CMA. As per the Regulation, investments in real estate should not exceed 20% of the total investments of the insurer. The Company has obtained the approval from CMA for this investment.

16 Property and equipment

	Shareholders	
	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO
Net book value		
At beginning of the period / year	930,587	2,599,646
Additions during the period / year	25,198	83,496
Depreciation for the period / year	(92,579)	233,549
At the end of the period / year	<u>863,206</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 579,011 (30 June 2018 - RO 638,355) to the contingency reserve, with respect to the general and family takaful business. This amount has been charged to the participants' fund.

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

18 Unearned retakaful commission

Movement in unearned retakaful commission is shown below:

	Participants		
	General takaful RO	Family takaful RO	Total RO
At 1 January 2019 – Audited	50,629	-	50,629
Income from retakaful contracts accrued during the year	229,504	-	229,504
Amortised during the period	(122,233)	-	(122,233)
At 30 June 2019 – Unaudited	157,900	-	157,900
	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	(156,853)	-	(156,853)
At 31 December 2018- Audited	50,629	-	50,629

19 Net claims incurred

	Unaudited 30 June 2019 Retakaful / Reinsurances ⁷			Unaudited 30 June 2018 Retakaful / reinsurances ⁷		
	Gross RO	share RO	Net RO	Gross RO	share RO	Net RO
Claims notified and not settled	24,698,613	(20,372,557)	4,326,056	23,927,653	(19,390,031)	4,537,622
Claims incurred but not reported	4,880,688	(3,261,068)	1,619,620	3,805,665	(1,930,071)	1,875,594
Outstanding at end of the period	29,579,301	(23,633,625)	5,945,676	27,733,318	(21,320,102)	6,413,216
Takaful claims paid	12,628,531	(7,625,897)	5,002,634	67,914,289	(63,327,114)	4,587,175
Claims notified and not settled	28,432,936	(23,558,048)	4,874,888	114,108,282	(109,800,233)	4,308,049
Claims incurred but not reported	4,730,688	(3,261,066)	1,469,622	3,302,498	(1,876,962)	1,425,536
Outstanding at beginning of the period	33,163,624	(26,819,114)	6,344,510	117,410,780	(111,677,195)	5,733,585
Claims incurred	9,044,208	(4,440,408)	4,603,800	(21,763,173)	27,029,979	5,266,806

(a) *Takaful / insurance revenue analysis*

	Unaudited 30 June 2019 Contributions revenue before retakaful / reinsurance		Unaudited 30 June 2018 Contributions revenue before retakaful / reinsurance	
	Net contributions RO	RO	Net contributions RO	RO
Motor	1,743,666	(141,548)	3,811,649	1,324,654
Fire, accidents, engineering and others	3,532,303	(2,739,027)	1,292,233	34,079,608
Marine cargo and hull	(223,352)	143,338	112,703	61,977
Medical	(128,786)	62,273	2,174,389	(303,916)
Life	298,635	(182,206)	421,932	14,454
	5,222,466	(2,857,170)	7,812,906	35,176,777

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

19 Net claims incurred (continued)

(a) Takaful / insurance revenue analysis (continued)

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

20 Wakala fees and Mudarib 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 mudarib 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 mudarib 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 June 2019 RO	Unaudited 30 June 2018 RO
Realised gain on sale of investment in real estate	-	70,844
Transfer of gain from property fair value reserve	-	145,822
Rental income on investment in real estate	224,130	200,405
Dividend income	208,980	164,325
Profit from investment carried at amortised cost	162,326	151,366
Profit on wakala deposits	130,325	100,471
Realised (loss) / gain on sale of investments	(40,445)	33,896
Investment management costs	(45,117)	(100,678)
Fair value loss on investments held at fair value through profit or loss	(180,653)	(383,163)
	459,546	383,288

22 Sharia Supervisory Committee

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

23 Takaful reserve

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

24 Earnings per share

	Unaudited 30 June 2019	Unaudited 30 June 2018
Profit for the period - RO	1,189,097	1,159,961
Weighted average number of shares outstanding - number	175,000,000	175,000,000
Earnings per share attributable to shareholders – basic and diluted - RO	0.007	0.007

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

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

25 Related parties

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

(a) Transactions with related parties

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

	Unaudited 30 June 2019 RO	Unaudited 30 June 2018 RO
Gross contributions	<u>2,469,657</u>	2,847,015
Retakaful/reinsurance contribution ceded	<u>47,524</u>	59,264
Claims - net	<u>923,914</u>	323,396
Board sitting fees	<u>30,556</u>	34,800
Sharia supervisory committee fee	<u>17,750</u>	14,250
Dividend paid to shareholders	<u>875,000</u>	700,000

(b) Balances with related parties

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

	Unaudited 30 June 2019 RO	Audited 31 December 2018 RO
Takaful and retakaful / reinsurance contract receivables		
Contribution balances receivables from other related parties	<u>2,720,016</u>	2,548,062
Investment receivables		
Rental income receivable	<u>33,626</u>	33,626
Accrued interest on investment in Modern Sukuk Company SAOC	<u>13,370</u>	62,637
Investment in Modern Sukuk Company SAOC	<u>2,501,868</u>	2,502,500
Investment in Mohammed Al Barwani Sukuk Issue SAOC	<u>1,500,000</u>	1,500,000
Investments at fair value through equity	<u>1,286,449</u>	1,391,280

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

25 Related parties (continued)

(c) Compensation of key management personnel of the Company

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

	Unaudited 30 June 2019 RO	Unaudited 30 June 2018 RO
Short-term benefits	368,127	332,488
Employee end of service benefits	145,310	118,841
	<u>513,437</u>	<u>451,329</u>

26 Contingencies

Contingent liabilities

At 30 June 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 62,158 (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 a regular basis.

Operating segments

The Company has the following operating segments:

General takaful

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

Family takaful

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

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

27 Segment information (continued)

Operating segments (continued)

30 June 2019 – unaudited	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	7,538,897	300,726	7,839,623
Takaful expenses (net of retakaful / reinsurance)	(5,276,558)	(183,820)	(5,460,378)
Segment results	2,262,339	116,906	2,379,245
Takaful income	83,103	250	83,353
Provision for impairment of receivables	(60,000)	-	(60,000)
Takaful expense	(96,575)	(727)	(97,302)
Investment income	107,224	18,049	125,273
Mudarib share	(58,973)	(9,927)	(68,900)
Wakala fees	(2,760,118)	(222,295)	(2,982,413)
Deficit for the period	(523,000)	(97,744)	(620,744)
Segment assets	47,746,642	3,972,937	51,719,579
Assets allocated to shareholders			24,720,439
Total assets			76,440,018
Segment liabilities	49,878,879	4,719,127	54,598,006
Liabilities allocated to shareholders			1,106,848
Total liabilities			55,704,854

30 June 2018 – unaudited	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	7,405,973	421,932	7,827,905
Takaful expenses (net of retakaful / reinsurance)	(5,903,034)	(298,249)	(6,201,283)
Segment results	1,502,939	123,683	1,626,622
Takaful income	119,513	212	119,725
Provision for impairment of receivables	(57,300)	(2,700)	(60,000)
Takaful expense	(86,391)	(16,904)	(103,295)
Investment income	106,513	21,011	127,524
Mudarib share	(58,582)	(11,556)	(70,138)
Wakala fees	(2,667,174)	(275,151)	(2,942,325)
Deficit for the period	(1,140,482)	(161,405)	(1,301,887)
Segment assets	44,298,732	3,753,132	48,051,864
Assets allocated to shareholders			24,748,296
Total assets			72,800,160
Segment liabilities	44,298,732	3,753,132	48,051,864
Liabilities allocated to shareholders			24,748,296
Total liabilities			72,800,160

The activities of the Company are restricted to carrying out takaful, on the principles of Sharia 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 within the Sultanate of Oman.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)****28 Earnings prohibited under Sharia**

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