الوطنية للتأمين على الحياة والعام
NATIONAL LIFE & GENERAL INSURANCE
Ominvest Group
مجموعة اومينفست

ANNUAL REPORT 2017

National Life & General Insurance Company SAOG
Oman | UAE | Kuwait

H.M. Qaboos bin Said al Said

Contents

Vision, Mission & Values

Our Vision

To build shareholder value by continuing the tradition of trust as the most preferred insurer in the markets we operate. To blaze the trail of excellent business practices of international standards to serve our customers and to achieve valued customer satisfaction and society benefit.

Our Mission

Our mission is to provide innovative insurance solutions with personalized service exceeding the customer's expectations. We are committed to bringing quality products to market while providing the best services to our customers.

Values

As a progressive organization, we are consistently growing with the support of our valued customers and also our unceasing commitment to them. We will continue to retain our core values, which have been the foundation of our success.

- Trust: We adopt policies and procedures to ensure highest standards of corporate governance and to create trust in our business partners and customers
- Innovate: We pursue new initiatives and challenge ourselves to create opportunities
- Integrity: We fulfill our promises and deliver on a clear set of expectations, maintaining our integrity at all times
- Excellence: We practice business efficiently and effectively to achieve high standards of excellence
- Collaborate: We encourage openness, mutual trust and teamwork throughout the organization

Board of Directors

Anwar Hilal Hamdoon Al Jabri

Chairman

Sheikh Khalid Hilal Al Maawali

Vice Chairman

Abdul Aziz Mohammed Ahmed Al Balushi

Director

Mohammed Taqi Ibrahim Al Jamalani

Director

Hussain Mohamed Redha Ali

Director

Directors Report - 2017

Dear Shareholders,

On behalf of the Board of Directors of National Life & General Insurance Co SAOG ("the Company" or "NLGIC"), I have the pleasure to present to you the 2017 Annual report including the Financial Statements of the company and Auditor's Report for the financial year ended 31st December 2017, along with the Management Discussion & Analysis Report and the Corporate Governance Report.

During 2017 NLGIC has become public joint stock company by listing itself on Muscat Securities Market on 6th December 2017.

The Company has produced another strong performance, delivering value to our customers, benefits to the stakeholders we deal with and excellent returns for our shareholders.

The Company has continued to maintain the number one rank in Oman in terms of Gross written premiums reported. The company has scaled new heights in terms of profitability with a profit after tax of RO 8.4 million in 2017 as compared to profit of RO 4.7 million in 2016 which is higher than the profit projections given as a part of the Initial Public Offering prospectus.

Enhancing Shareholder Value

The Total Shareholders equity has increased by RO 5.1 million from RO 44.4 million as at 31.12.2016 to RO 49.5 million as at 31.12.2017. This is after a dividend payout of RO 3.1 million during 2017 from the accumulated retained earnings as at 31.12.2016.

Leveraging on the core strengths of underwriting excellence, marketing and distribution, financial discipline and improved investment income has enabled the company to scale new heights in terms of profitability levels and increase shareholder value.

Oman Economy and Future Outlook*

The Omani economy is projected to achieve positive growth at %3 in the 2018 fiscal year, supported by gradually rebounding oil prices, rising economic diversification efforts on the part of the Government, increased corporate taxes and a restored investment environment. Improved controls exercised by the Government on expenditure are also resulting in reduction of deficit. Oman's crude averaged US52$ during 2017 versus US45$ per barrel in the budget for 2017. The estimated deficit for 2017 is OMR3.5b (US9.1$b), while the budget deficit for 2018 is expected to be OMR3b (US7.8$b). Budget for the fiscal year 2018 is based on an average oil price assumption of US50$ per barrel.

Standard and Poor's lowered its long-term foreign and local currency sovereign credit rating on Oman to 'BB' from 'BB+. Moody's has also downgraded Oman's long-term bond rating to Baa2 from Baa1.

UAE Economy and Future Outlook*

The UAE Cabinet approved the federal budget of AED 201.1 billion (54.7$ billion) for the years 2018-2021, of which AED 51.4 billion (13.9$ billion) is for 2018, with no deficit forecast. The Cabinet also adopted Federal Decree-Law No. 08 of 2017 on Value Added Tax to be implemented at the beginning of January 2018. The IMF forecasted that UAE's gross domestic product will expand 3.4 percent in 2018 from 1.3 percent in 2017, largely on expectations that growth in oil-rich Abu Dhabi will surge to 3.2 percent from 0.3 percent this year. While Dubai's output is expected to accelerate more moderately, to 3.5 percent from 3.3 percent in 2017. The IMF expects oil prices to average 53$ in the next two to three years.

Moody›s Investors Service rated the Aa2 long-term issuer ratings of the Government of United Arab Emirates (UAE) and assigned a Stable outlook.

Performance Highlights

Some of the key performance highlights for 2017 are:

- Gross Written Premium has grown by %13 to RO 115 million as compared to RO 101.2 million in the previous year.
- The Net Underwriting Result is RO 16.5 million which is %56 higher than RO 10.6 million in the previous year.
- Investment Income has increased to RO 2.5 million (%4.2 p.a. return over average investments) as compared to RO 2.1 million in the previous year (%4.1 p.a. return over average investments).
- This has resulted in a Net Profit after tax of RO 8.4 million from RO 4.7 million in 2016 (%79 higher).
- The company has achieved growth of %11 in its business within the Sultanate of Oman. Growth segments for the company in 2017 have been in the Motor insurance business and Group Credit Life business with Gross Written Premiums of RO 13 million and RO 4.5 million respectively in 2017.
- In its overseas operations in UAE, both Dubai and Abu Dhabi branches have contributed to achieve growth of %15 in Gross written Premiums as compared to previous year from RO 56.3 million in 2016 to RO 64.9 million in 2017.
- The company has obtained licence for branch operations in Kuwait during October 2017 which is expected to contribute to the company growth and profitability over the coming years.
- Re-affirmed “B++” rating by AM Best for financial strength with stable outlook.

Future Outlook of the Company

The Company aims to maintain its leadership position in Oman and increase its market share in UAE. Strategy of the company will be to focus on Life & Medical Insurance business and grow profitability both in Oman and UAE. The company plans to increase its motor insurance portfolio and also the retail portfolio in Oman. Newly started Kuwait branch is being considered as one of the key sources of growth and profitability for future years. The Company is also exploring opportunities for further geographic expansion in the region.

The Board remains confident for the year ahead.

Corporate Social Responsibility

The company has made contributions for social causes during the year and has spent RO 19,063 towards corporate social responsibility. The company has provided support to Rashid Center for Disabled in the UAE. In Oman the company has provided support to Ramadhan Iftar scheme and the Student care program of Dar Al Atta. It has also supported Dar Al Atta by providing free medical insurance coverage to its staff.

Acknowledgements

On behalf of the Board of Directors, I wish to express our sincere gratitude to His Majesty Sultan Qaboos Bin Said for his wise and visionary leadership that has been the key to our economic progress and for presence of a conducive business environment.

We wish to thank the Capital Market Authority, Government bodies and Ministry Departments for their guidance and support.

We also thank all our customers, business partners and reinsurers for their support and confidence in our company.

We wish to convey our appreciation to the management and staff of National Life and General Insurance Co SAOG for their contributions.

Anwar Hilal Hamdoon Al Jabri

Chairman

*Source: EY Budget alert 2018 & Bloomberg: IMF Middle East and Central Asia Department press release

EY
Building a better
working world

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PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDINGS

TO THE SHAREHOLDERS OF NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of National Life and General Insurance Company SAOG (the "Company") as at and for the year ended 31 December 2017 and its application of the corporate governance practices in accordance with amendments to CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2017. The Company's Board of Directors has identified certain areas of non-compliance with the Code, which are included in the Company's report.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of National Life and General Insurance Company SAOG to be included in its annual report for the year ended 31 December 2017 and does not extend to any financial statements of National Life and General Insurance Company SAOG, taken as a whole.

Ernst & Young LLC

28 February 2018
Muscat

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي – ١١٢ ، سلطنة عمان
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Corporate Governance Report – 2017

1. Company Philosophy:

Corporate Governance is the system by which business corporations are directed and managed. The Corporate Governance structure specifies the roles of different participants in the corporation, such as the Board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the entity's objectives are set, measured and monitored.

The Board and Management of National Life and General Insurance Co, SAOG ("the Company" or "NLGIC") believe that corporate governance is about commitment to values and ethical business conduct. It is about how an organization is managed including, but not limited to, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company is an integral part of corporate governance. This improves public understanding of the activities and policies of the company.

The Board and management of the company are committed to adopt the best practices of corporate governance that promotes values and ethical business conduct. The company was a closely held joint stock company with three (3) shareholders until 5th December 2017 and has become a public joint stock company by listing its shares on the Muscat securities Market on 6th December 2017. This report details how the company adheres to the principles and provisions of Code of Corporate Governance for Insurance Companies ("the code") as set out in the Capital Market Authority (CMA)'s circular 7/I/2005 dated August 1 2005 and amendments thereof during 2016. Having become a public company on 6th December 2017, the company is in the process of implementing framework which will adhere to the principles set out in the CMA's Code of Corporate Governance for Public Listed Companies ("the revised code" within the timeframe as agreed with the Capital Market Authority.

2. Board of Directors

At the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long term interests of all the stakeholders of the company. The Board monitors the company's strategy, company's performance against strategic and business plans, policies and the control systems to develop and incorporate best practices and maintain highest standards in governance.

Nomination of the Board

Upon becoming a public company, the company has revised it's Articles of Association wherein the number of directors for the Company has been increased from five (5) directors to seven (7) directors. Each director on the Board is required to own/represent at least two hundred thousand (200,000) shares in the Company as qualification shares. Nomination and Remuneration Committee has been created on 25th January 2018 which will assist the General Meeting in the nomination of proficient directors and the election of the most fit for the purpose. Election to the Board is subject to approval by the regulatory authorities based on nomination form filed by the candidate who meets the minimum qualification requirements as per CMA guidelines.

The Company follows the process of Nomination and Election of the Board of Directors as governed by the provisions contained in the Articles of Association, Commercial Company's Law and as per the regulations of CMA. The Board of Directors is elected by the shareholders of the Company at an Annual/Ordinary General Meeting. The Board is elected for a three year term.

Last election for the Board of Directors was held at the Annual General Meeting(AGM) held on 29th March 2015 for a term of three years. Next election of Board members is due to be held at the AGM in March 2018.

Composition of the Board

The composition and independence of the Board is in accordance with Article 3 of the revised code. The Board members had varied experience and collectively exercised independent and objective judgment.

(i) All directors including the chairman are non executive. Three out of the five directors are independent, which is in compliance with the existing regulations.

(ii) One out of the five directors represent institutional shareholders, while four directors were elected by the shareholders in their individual capacities.

Details of the Board memberships during 2017 are as follows:

Sl No	**Name**	**Date of Appointment / election**	**Membership Duration appointed for**	**Position**	**Independent**	**Membership of other committees**	**Board Meetings Attended**	**Attended last AGM (Yes/No)**	**Attended EGM dt. 16.07.2017 (Yes/No)**	**Attended EGM dt. 30.08.2017 (Yes/No)**
1.	Mr. Anwar Hilal Hamdoon Al Jabri	29.03.2015	3 years	Chairman	Refer Note 1	Executive & HR committee	6	Yes	Yes	No
2.	Sheikh Khalid Hilal Al Mawaali	29.03.2015	3 years	Deputy Chairman	Yes	Executive & HR committee	7	No	No	Yes
3.	Mr. Abdul Aziz Mohammed Ahmed Al Balushi	28.03.2016	2 years	Member	No	Audit & HR Committee	5	No	No	No
4.	Mr. Mohammed Taqi Al Jamalani	28.03.2016	2 years	Member	Yes	Audit Committee	7	Yes	No	No
5.	Mr. Hussain Mohamed Redha Ali	29.03.2015	3 years	Member	Yes	Executive & Audit Committee	7	No	No	No

** Mr. Anwar Hilal Hamdoon Al Jabri was considered as independent upto 05.12.2017 as per the Code of Corporate Governance for Insurance Companies. W.e.f. 06.12.2017, he is considered as not independent as per Code of Corporate Governance for Public Companies*

No Director is a member of the Board of more than four public joint stock companies whose principle place of business is in the Sultanate of Oman, or is a chairman of more than two such companies. Particulars of directorships of other joint stock companies and memberships of other Board Committees is set out in Appendix I of this Report. None of the directors is a member of the board of directors of a joint stock company which has similar objectives to the Company and whose principal place of business is in the Sultanate of Oman.

Independence of Board Members

In order to effectively discharge its governance responsibilities, all of the Board members are non-executive and majority of them are independent. Further the Board is supported by Board sub-committees namely Audit Committee, Executive Committee and Human Resources Committee wherein majority of the members are independent. In addition to these Board sub-committees, Investment Committee has been formed during 2016 to support the Board for investment related matters which includes members of the management and one member from the Board.

Details of Meetings

During the 12 months period ended 31 December 2017, the Board met seven times the details of which are as follows:

Month	Date of Meeting
January 2017	10-Jan-17
February 2017	23-Feb-17
March 2017	21-Mar-17
April 2017	23-Apr-17
July 2017	30-Jul-17
October 2017	10-Oct-17
October 2017	26-Oct-17

The maximum interval between any two meetings was 98 days. This is in compliance with the Code which requires meetings to be held within a maximum time gap of four months.

Board Procedure

The annual calendar of the Board Meetings is agreed upon at the beginning of the year. The Agenda is circulated well in advance to the Board to take appropriate decisions. The items in the Agenda are backed by the comprehensive background information to enable the Board to take appropriate decisions. The Board is always kept informed of major events/items and approvals taken wherever necessary. The Chief Executive Officer of the Company attends the Board Meetings and keeps the Board appraised of the overall performance of the Company.

3. Sub-Committees of the Board

Audit Committee

The Audit Committee comprises of three non-executive directors who are knowledgeable in investments, finance, industry laws and regulations for SAOC and SAOG companies. Two of the directors (including the Chairman of the Audit Committee) are independent while one director is not independent. All three members of the Audit Committee - Mr. Mohammed Taqi Al Jamalani, Mr. Abdul Aziz Mohammed Ahmed Al Balushi and Mr. Hussain Mohamed Redha Ali have finance and accounting expertise. The committee met six times during the 12 months period ended 31 December 2017 and the attendance details are as below:

Sl No	Name	Position	1 24-Jan-2017	2 23-Feb-2017	3 23-Apr-2017	4 30-Jul-2017	5 26-Oct-2017	6 24-Dec-2017
1	Mr. Mohammed Taqi Al Jamalani	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr. Abdul Aziz Mohammed Ahmed Al Balushi	Member	Yes	Yes	Yes	No	Yes	Yes
3	Mr. Hussain Mohamed Redha Ali	Member	Yes	Yes	Yes	Yes	Yes	Yes

The Committee receives reports on the findings of internal and external audits and on actions taken by the Management in response to these. The Committee reviews the scope, findings and cost effectiveness of the Company’s statutory audit and the independence and objectivity of the external auditors. It also reviews changes to the accounting policies and reviews the audited annual and unaudited quarterly financial statements, related party transactions and recommends for Board approval. It also reviews the returns and solvency margin computation required to be submitted to the CMA and UAE Insurance Authority (UAE-IA) prepared in accordance with the Insurance Companies Law and its regulations issued by CMA and the Financial Regulations for Insurance Companies issued by UAE IA. In addition, the Committee periodically reviews and reports to the Board on the effectiveness of the Company’s system of internal control, internal audit function and risk management process.

The Audit Committee has been renamed as Audit and Controls Committee during January 2018. The terms of reference for the committee has also been amended to cover all requirements of the revised code. The AC’s main function is to assist the BOD in fulfilling its oversight responsibilities in ensuring the Executive Management has in place a robust internal controls system for risk management aimed to safeguard shareholders interest and Company assets

Executive Committee

The Executive committee comprises of three directors and meets on a need basis. The committee met once during the 12 months period ended 31 December 2017. The attendance details and the membership details of the Committee are as below:

Sl No	Name	Position	1 10-Jan-2017	Remarks
1	Sheikh Khalid Hilal Al Mawaali	Chairman	Yes	
2	Mr. Anwar Hilal Hamdoon Al Jabri	Member	Yes	
3	Mr. Hussain Mohamed Redha Ali	Member	Yes	

The Executive Committee’s main function is to assist the Board of directors to discharge certain responsibilities such as review of long term business strategy, review of budget, review new products and overseeing the policy making and micro matters of business beyond the powers of the management.

Human Resources Committee

The Human Resources Committee comprises of three directors. The committee met three times during the 12 months period ended 31 December 2017. The attendance details and the membership details of the Committee are as below:

Sl No	Name	Position	1 22-Jan-2017	2 15-Feb-2017	3 17-Dec-2017
1	Mr. Anwar Hilal Hamdoon Al Jabri	Chairman	Yes	Yes	Yes
2	Sheikh Khalid Hilal Al Mawaali	Member	Yes	No	Yes
3	Mr. Abdul Aziz Mohammed Ahmed Al Balushi	Member	Yes	Yes	Yes

The Human Resources Committee's main function is to assist the Board of directors to discharge certain responsibilities such as setting HR and Remuneration Policy, Procedure & Guidelines, Succession planning policy, appointment of employees at senior management level, compensation structure for employees, Omanisation and working hours for employees.

The Human Resources Committee's has been renamed as Nomination and Remuneration Committee (NRC) during January 2018. The terms of reference for the committee has also been amended to cover all requirements of the revised code. The NRC's main function is to assist the General Meetings in the nomination of proficient Directors and the election of the Directors most fit for the purpose. Moreover, the committee aims to assist the BOD in selecting the appropriate and necessary executives for the executive management roles in the Company.

4. Additional Committee for Investments

Investment Committee

The Investment Committee comprises of one director, two members of executive management of the company and one member from executive management of the parent company. The committee met four times during the 12 months period ended 31 December 2017. The attendance details and the membership details of the Committee are as below:

Sl No	Name	Position	1 8-Feb-2017	2 13-Apr-2017	3 14-Sep-2017	4 08-Oct-2017
1	Mr. Hussain Mohamed Redha Ali	Chairman	Yes	Yes	Yes	Yes
2	Mr. S. Venkatachalam	Member	Yes	Yes	Yes	Yes
3	Mr. Ravi Iyer	Member	Yes	No	Yes	Yes
4	Mr. Shahid Rasool	Member	Yes	Yes	Yes	Yes

The Investment Committee's main function is to assist the Board of directors to discharge certain responsibilities such as establishing the investment strategy, investment policy, investment guidelines, review strategic initiatives, review of compliance with investment related regulations and the adequacy and efficiency of the investment policies, procedures, practices and controls.

5. Remuneration of Directors

The Directors were paid remuneration of RO 141,113/- for 2016 as approved by the shareholders in the AGM held on 28th March 2017.

During the year 2017, Board members were paid sitting fees of RO 300/- per Board meeting attended, RO 200/- per Board sub-committee meeting attended and RO 200/- per additional committee meeting attended totaling to RO 16,000/-.

Remuneration for 2016 paid in 2017 and the sitting fees for 2017 paid to the Board members during the 12 month period ended 31 December 2017 is detailed below:

RO

		Sitting fees for 2017					Total Sitting fees for 2017	Remuneration for 2016
Name of Director	Position	Board	Audit Committee	Executive Committee	Human Resources Committee	Investment Committee		
Mr. Anwar Hilal Hamdoon Al Jabri	Chairman	1,800		200	600		2,600	35,278
Sheikh Khalid Hilal Al Mawaali	Deputy Chairman	2,100		200	400		2,700	26,459
Mr. Hussain Mohamed Redha Ali	Member	2,100	1,200	200		800	4,300	26,459
Mr. Abdul Aziz Mohammed Ahmed Al Balushi	Member	1,500	1,000		600		3,100	26,459
Mr. Mohammed Taqi Al Jamalani	Member	2,100	1,200				3,300	26,459
Total		**9,600**	**3,400**	**600**	**1,600**	**800**	**16,000**	**141,113**

There was no other remuneration paid by the company to the Directors in their capacity as Board members.

In addition to above Director's sitting fees of RO 16,000/- paid to Board members, sitting fees of RO 2,200 was accrued to members of Investment Committee who are not members of the Board of Directors as given below:

		Sitting fees for 2017
Name of Member	Position	Investment Committee Meeting
Mr. S. Venkatachalam	Member	800
Mr. Ravi Iyer	Member	600
Mr. Shahid Rasool	Member	800
Total		**2,200**

a) In addition to the sitting fees of RO 16,000/-, director's remuneration proposed for 2017 is RO 184,000/-. This is subject to shareholders' approval at the AGM scheduled to be held on 28th March 2018. As per Royal Decree 99/2005 of 5th December 2005, the maximum permissible limit on Board remuneration, including sitting fees, is 5% of net profit (subject to specified deductions), subject to an overall limit of RO 200,000/-.

b) Actual travel and incidental expenses relating to company's business for Board members during the year was RO 866/- towards travel expenses (2016 RO 277/-) and were borne by the company.

6. Internal Control Review

The Code requires that the directors should, at least annually, review the effectiveness of the Company's system of internal controls and report to the shareholders that they have done so. The Board attach great importance to maintaining a strong control environment and confirm that its review has covered the financial statements, all controls, including financial, operational, compliance and risk management. The Board has reviewed the Parent Company's internal control policies and procedures and is satisfied that appropriate procedures are in place to implement the Code's requirement.

7. Management

Management Discussion and Analysis

A copy of the Management Discussion and Analysis is included in the annual report.

Management Remuneration

At 31 December 2017, the Company employed 348 full-time employees including the Chief Executive Officer. The Gross remuneration accrued to 9 key management personnel (salaries, incentives and allowances and other statutory payments) during 01-01-2017 to 31-12-2017 is RO 853,184/- (2016: 661,345/- to 6 key management personnel). Above remuneration is disclosed in Note No. 32 of the financial statements. No sitting fees or funds have been received by the key management personnel from the investee companies during 2017.

The performance incentive pool is approved by the Board after recommendation of the HR Committee based on company's performance and is distributed amongst employees based on their individual performances.

Actual travel and incidental expenses relating to company's business for the key management personnel during the year was RO 30,056 /- (2016 RO 21,139/-) and are borne by the company.

Actual travel and incidental expenses relating to company's initial public offering for the key management personnel during the year was RO 5,922/- (2016 Nil) and are borne by the shareholders as a part of the initial public offering expenses.

S Venkatachalam, Chief Executive Officer

Joined NLGIC in July 2003 as General Manager, he is a Fellow Member of the Institute of Chartered Accountants of India. In addition he is a Cost Accountant from The Institute of Cost Accountants of India. He was promoted to the position of Chief Executive Officer in 2009.

He has experience of over 33 years and has previously held senior management positions in Oman National Investment Corporation Holding SAOG, Arab Insurance Group BSC and Alliance Insurance.

G. Gopinath, Deputy General Manager, Operations

Joined NLGIC in January 2004, he is an Associate Member of the Institute of Chartered Accountants of India and of the Insurance Institute of India. In addition he has a degree in Cost accountancy from The Institute of Cost Accountants of India and a Certified Internal Auditor degree from Institute of Internal Auditors, USA. He was. promoted as Deputy General Manager in 2017 and heads the entire insurance operations of the company including Life, Health and General Insurance

He has experience of over 20 years and he has varied industry experience with prestigious organizations such as Price Waterhouse and Oil and Natural Gas Corporation Ltd.

Ravi Iyer, Financial Controller

Joined NLGIC in January 2014 as Financial Controller, he is Associate member of The Institute of Cost Accountants of India, the Institute of Company Secretaries of India and the Chartered Institute of Management Accountants, UK.

He has 19 years in Finance of which 12 years of experience is in Insurance Industry. His insurance industry experience includes insurance organizations such as Prudential offices of UK, Singapore and India.

Badar Salim Mubarak Al Marzuqi, Asst. General Manager – Business Development

Joined NLGIC in March 2017 as Assistant General Manager – Business Development, he has a Higher National Diploma in Business Studies (Marketing) from University of Luton, UK through Majan College and an Insurance Diploma from Technical Industrial College. He heads the entire retail marketing team for all channels in Oman.

He has more than 18 years of experience in the field of insurance and banking sectors. He has held senior position in Vision Insurance and prior to that worked with NLGIC in a senior sales manager role.

Uma Venkatesan, Head of Risk and Internal Control

Joined NLGIC in January 2006, she is Associate member of The Institute of Cost Accountants of India, Associate of Insurance Institute of India and has Post Graduate Diploma in Business Administration. She is the Head of Risk and Internal Control and is in charge of the risk and internal control function of the Company since 2012.

She has over 10 years of varied industry experience with Public sector companies and software firms in ERP field and over 10 years of experience is in Insurance Industry with NLGIC.

Sameer C Nair, Assistant General Manager – Health & Life Underwriting

Joined NLGIC in November 2003, he is Bachelor of Engineering in Electronics & Communication and also holds an Associate Diploma by Insurance institute of India.. He was promoted as Assistant General Manager – Health & Life Underwriting in 2017 and heads the Underwriting function for Life and Health divisions of the Company.

He has more than 16 years of experience of which 14 years of experience is in the Insurance Industry with NLGIC. Previously he was associated with ICICI Bank, India.

Seetharaman Srinivasan, Country Head- UAE

Joined NLGIC in May 2017 as Country Head- UAE, he is Bachelor of Commerce and an Associate Member of Insurance Institute of India. He heads the UAE operations of the company which comprise of Life and Medical business through branches in Dubai and Abu Dhabi.

He has more than 25 years of experience in various multinational insurance companies and Broking firms such as India Insure Risk management & Insurance Broking Services Ltd, JLT Independent Insurance Brokers Private Limited, Aon Global Insurance Brokers Private Limited and IFFCO Tokyo General Insurance Company Limited in India.

Tariq Mahmood, Chief Internal Auditor

Joined NLGIC in October 2017 as Chief Internal Auditor, he is a Bachelor in commerce from University of Punjab in Lahore. He is a PIPFA certificate holder from Pakistan Institute of Public Finance Accountants and an ACCA from the Association of Chartered Certified Accountants, UK. Having joined the company recently, he heads the internal audit function of the company.

He has more than 15 years of experience in the field of audit and insurance with positions held in KPMG Dublin, KPMG Bermuda, KPMG Bahrain and AXA Insurance Gulf Region.

Employment Contract

Employment contracts to staff are for a period of one or two years, which is subject to renewal at the time of expiry based on terms and conditions agreed between the parties. Notice period is one month for all positions or salary in lieu thereof.

8. Details of Penalties and Non-Compliance by the Company

There have been no instances of non-compliance on any matter relating to the Commercial Companies Law No. 4/1974, CMA's Code of Corporate Governance for Insurance Companies, applicable CMA regulations, the MSM listing agreements for Oman and Federal Law 6 of 2007 & Financial Regulations for Insurance Companies for UAE. Policies and procedures required for compliance with CMA's Code of Corporate Governance for Public Companies have been approved by the Board of Directors in its meeting held on 25th January 2018.

During 2017, the company has paid penalty of AED 5,000 (approx. RO 525) to Health Authority of Abu Dhabi due to non-conformity with required format while submitting second quarter financial data. During 2016, the company has paid late payment fees of RO 2,141 to Public Authority for Social Insurance. During 2015, the company has paid penalty of RO 3,000 to Capital Market Authority for violation of term no (14) of Code of Conduct for Insurance Business and violation of term no (3) Insurance Agencies license requirements.

9. Shareholders

Distribution of shareholding

The following is the list of shareholder distribution as at 31st December 2017.

Number of Shares	% Held	Number of shareholders	Total Shares	% of Share Capital
Above 26,500,000	Above 10%	1	194,637,357	73.45%
Between 13,250,000 and 26,499,999	5% - 10%	1	13,288,367	5.01%
Between 2,650,000 and 13,249,999	1% - 5%	9	47,474,246	17.91%
Below 2,650,000	Below 1%	139	9,600,030	3.62%
GRAND TOTAL		**150**	**265,000,000**	**100%**

Means of Communication

The notice and agenda for the AGM, annual audited accounts and Chairman's report are dispatched to all the shareholders by mail. Further the company has been communicating regularly on all material matters to Capital Market Authority.Having become public company in end of 2017, additional means of communication shall be put in place during 2018 such as disclosures on the MSM website, publishing of extracts of financial statements in Arabic and English newspaper, making available financial statements in Arabic and English at the Company's offices during the Company's business hours and posting of the quarterly and annual financial statements on the Company's website - www.nlicgulf.com.

10. Statutory Auditors

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 6,700 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,500 partners and approximately 106,079 professionals. Globally, EY operates in more than 150 countries and employs 256,500 professionals in 728 offices. Please visit ey.com for more information about EY.

Audit Services:

Remuneration to statutory auditors	**Expense Borne by**	**RO**
Audit fees for 2017	the Company	32,100
IPO audit fees	the shareholders	15,500*
Total		**47,600**

**Audit fees of RO 15,500 has been paid to Statutory auditors for audit of Condensed interim financial statements for six months ended 30 June 2017 for the purpose of Initial Public Offering. This expense has been borne by the shareholders as part of the Initial Public Offering related expenses.*

Non-Audit Services:
EY has provided the company with taxation advisory services during the year for its annual tax returns filing and for assessment of tax returns for the years 2013 to 2015. The company has provided for expense of RO 8,400 towards advisory fees for these services.

11. Market Price Data

The performance of the Company's share price (total returns) in 2017 versus MSM-30 Index and details of the company's high, low and closing share prices for the period 06 December 2017 to 31 December 2017 is shown below:

	06-Dec-2017 to 31-Dec-2017	
Performance	**NLGIC**	**MSM index**
Open	0.332	5,110
High	0.332	5,111
Low	0.310	5,007
Close	0.310	5,099
%age movement	-6.63%	-0.21%

During the period 06 December 2017 to 31 December 2017 a volume of 13,385,910 shares of the company have been traded at MSM.

As at 31-Dec-2017, there are no outstanding securities or any convertible instruments which are likely to have an impact on equity. In the prospectus of the company for it's Initial Public Offering has disclosed NLGIC Board's recommendation that, as part of a long-term performance plan for the Company's key staff, and subject to obtaining necessary regulatory approvals and the approval of the shareholders by way of a resolution to be passed in general meeting, a capital increase of up to 3.5% of the paid up capital will be allocated to the Company's employees. The pricing, eligibility, terms and conditions for the allocation, trading and relinquishing of such shares, the rights of the entitled employees during the period of their service and at the time of their termination will be approved by the shareholders at such general meeting.

12. Acknowledgement

The Board of Directors acknowledges confirmation of:

- Its responsibility for the preparation of the financial statements in accordance with the applicable standards and rules.
- Review of the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations.
- There are no material matters that affect the continuation of the company and its ability to continue its operations during the next financial year.

Anwar Hilal Hamdoon Al Jabri
Chairman

Appendix I

Particulars of Directorships of other Public Joint Stock Companies and memberships of their Committees as of 31 December 2017

	OTHER DIRECTORSHIPS			
Director	**Company**	**Position**	**Committee**	**Position**
Mr. Anwar Hilal Hamdoon Al Jabri	OMINVEST SAOG Ahli Bank SAOG Taageer Finance SAOG	Director Director Director	AC ERC EC	Member Member Chairman
Sheikh Khalid Hilal Al Mawaali	Oman Orix Leasing Company SAOG	Chairman	EC	Chairman
Mr. Abdul Aziz Mohammed Ahmed Al Balushi	National Finance Company SAOG	Director	NREC	Member
Mr. Mohammed Taqi Al Jamalani	-	-	-	-
Mr. Hussain Mohamed Redha Ali	Taageer Finance SAOG	Director	EC	Member
	Oman Cement Company SAOG	Director	EC, IC, HR	Member
				EC = Executive Committee ERC = Executive Risk Committee IC = Investment Committee HR = Human Resources Committee AC = Audit Committee NREC = Nomination, Remuneration & Executive Committee

NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG
MANAGEMENT DISCUSSION & ANALYSIS REPORT

Company Overview and Business

National Life and General Insurance Company SAOG (the Company) is engaged in the business of insurance within the Sultanate of Oman, United Arab Emirates (UAE) and Kuwait. The company does life, health and general business in Oman and has 16 branches in Oman. Its operations in UAE comprise of branches in Dubai and Abu Dhabi which offer life and health insurance business.

Major events in 2017

The Company has become public joint stock company by listing itself on Muscat Securities Market on 6th December 2017. The nominal value of the Company's shares has been changed during 2017 and thereby the paid up share capital of the company now comprises of 265,000,000 shares of RO 0.100 each as at 31 December 2017 as compared to 26,500,000 shares of RO 1 each as at 31 December 2016.

In October 2017, the Group has obtained licence for branch operations for life and general business in Kuwait. The branch is being setup and insurance operations are yet to be commenced in Kuwait.

During 2017, the Company has completed acquisition of Inayah TPA LLC in UAE as a strategic investment for its future requirements of Third Party Administration services.

Financial Overview

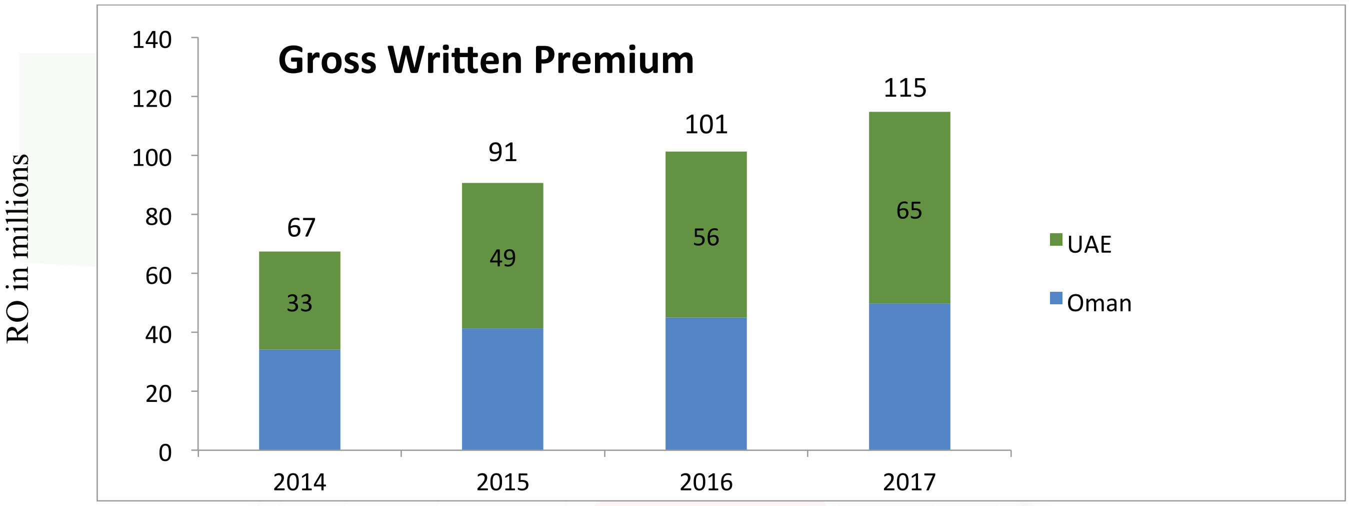
2017 has been a year of achievements for the Company. The financial highlights for the year are as follows:

RO in millions

Particulars	**2014**	**2015**	**2016**	**2017**
Gross written Premium	67.3	90.6	101.2	114.6
Net Underwriting Results (NUR)	8.9	10.6	10.6	16.5
Investment Income - Net	0.4	1.3	2.1	2.6
Profit after Tax	3.7	4.4	4.7	8.4
EPS in baizas (restated @ RO 0.100 per share)	0.036	0.042	0.037	0.032
Total Assets	84.2	101.6	135.3	142.0
Share Capital	10.5	10.5	26.5	26.5
Total Equity	22.8	26.1	44.4	49.5
Net Assets per share in baizas (restated @ RO 0.100 per share)	0.217	0.249	0.168	0.187
Return on Weighted Average Equity (%age)	18%	18%	16%	18%

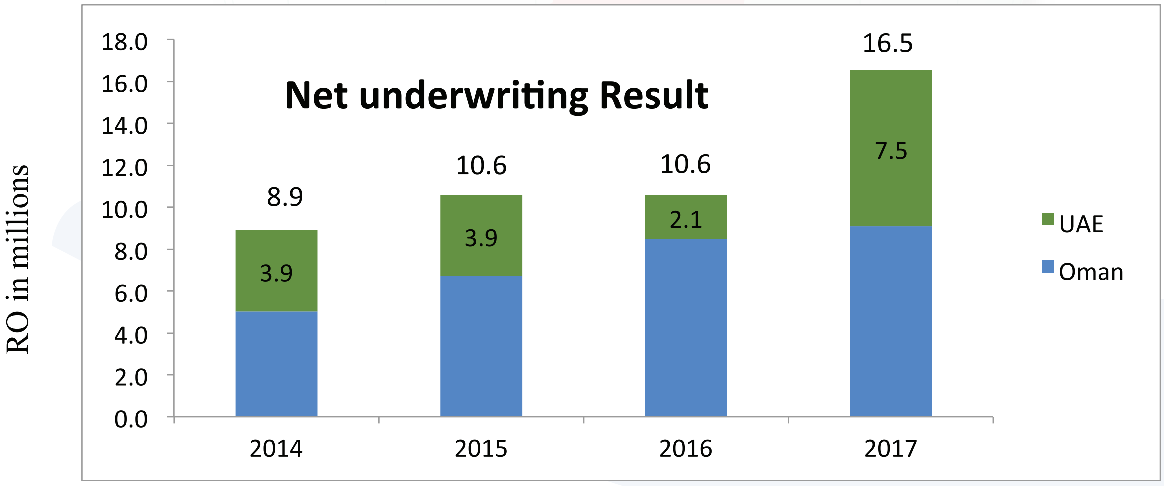
The Company has continued to maintain the number one rank in Oman in terms of Gross written premiums reported. The company has scaled new heights in terms of profitability with a profit after tax of RO 8.4 million in 2017 as compared to profit of RO 4.7 million in 2016.

Gross written premiums



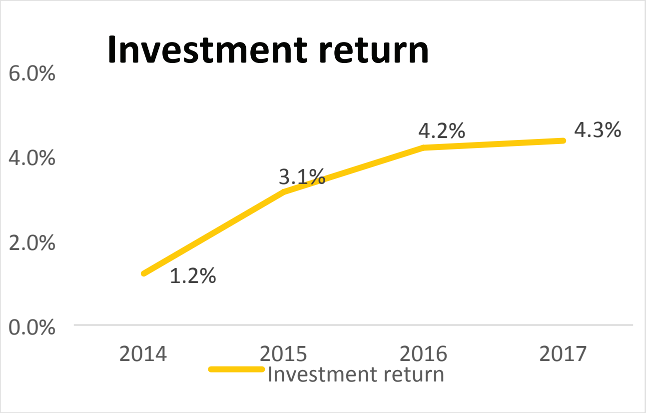
Gross Written Premium has grown by 13% to RO 115 million as compared to RO 101 million in the previous year. The growth in Oman has been contributed mainly by motor portfolio while the growth in UAE has been contributed by medical portfolio.

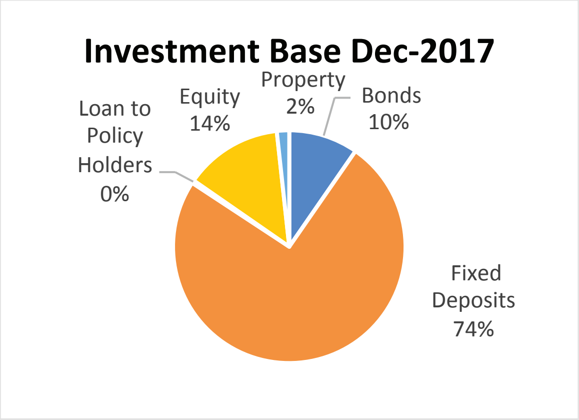
Net Underwriting results



Net underwriting results (NUR) for FY 2017 is RO 16.5 million which is 56% higher than RO 10.6 million in the previous year. The growth in Net underwriting is mainly from UAE wherein the NUR for FY 2017 of RO 7.5 million is 3.5 times the NUR of RO 2.1 in FY 2016.

Investment Income

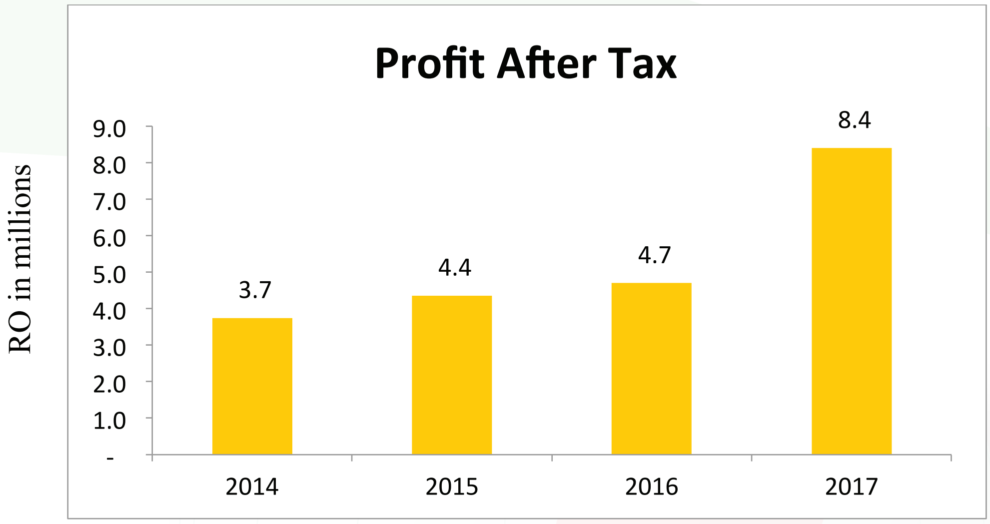




The Company has achieved investment income of RO 2.6 million for FY 2017 as compared to RO 2.1 million in FY 2016. The Investment Base of RO 66.6 million comprises mainly of fixed income bearing investments which have contributed RO 2.3 million income out of the total investment income of RO 2.6 million.

Profitability

The company has scaled new heights in terms of profitability with a profit after tax of RO 8.4 million in 2017 as compared to profit of RO 4.7 million in 2016.



The growth in profits are driven by sustained profitability in Oman and improved results in UAE. There has been a tax impact of RO 0.3 million due to the changes in tax rate in Oman from 12% for FY 2016 to 15% for FY 2017. The company has achieved Profit after Tax of RO 4.5 million in its Oman Operations and RO 3.9 million in its UAE Operations.

Internal Controls

The Board attaches significant importance to a robust internal control environment. Whilst the management is responsible for maintaining an effective system of internal controls the board reviews its effectiveness. To assist the Board in this activity, the Audit Committee reviews the company's internal controls and reports to the Board on its effectiveness on periodic basis. However, the Board recognises that any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss

The company's manuals of policies and procedures cover a wide range of functions including but not limited to, Operational & financial authority, Human resources policies & procedures, Risk management policy, Underwriting & pricing policy, Claims procedures, Reinsurance management strategy, Investment management policy, Management structure, Duties & responsibilities of executive management, Disclosure policy, Standards of customer service & fair dealings, Code of corporate governance, conduct & ethics, Related party transactions and Information technology policies and procedures.

The business performance of the Company is reported regularly to its management and the Board. Actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies fully in compliance with the IFRS which are applied consistently.

Risk Management Framework

The Company has a risk management culture which takes a comprehensive view on risk management to address risks inherent to strategy, operations, finance and compliance, and their resulting impact. This approach provides the assurance that, to the best of its capabilities, the company identifies, assesses and mitigates risks that could potentially impact the achievement of stated objectives.

The Company follows Risk Management Strategy and Plan which has been designed to primarily outline the mechanism for Identification, Assessment/ Measurement, Risk Treatment, Monitoring and Reporting.

The Company manages its risks through three lines of defense which are

- (i) The Board of Directors through Audit Committee
- (ii) The Risk Officer, who is the second line of defense is responsible for coordinating and facilitating all the risk management activities in the Company.
- (iii) Business owners are the first line of defense which include heads of different lines of business functions and finance.

Risk Management covers all applicable risks and concerns to ensure coverage across all fields including strategic risks, regulatory risks, financial risks, operational risks, information technology risks, hazard risks and disaster risks. Risk Management team uses tools like risk registers to capture and monitor risks.

Acknowledgements

On behalf of the management, I wish to express our sincere gratitude to His Majesty Sultan Qaboos Bin Said for his wise and visionary leadership that has been the key to our economic progress and for presence of a conducive business environment.

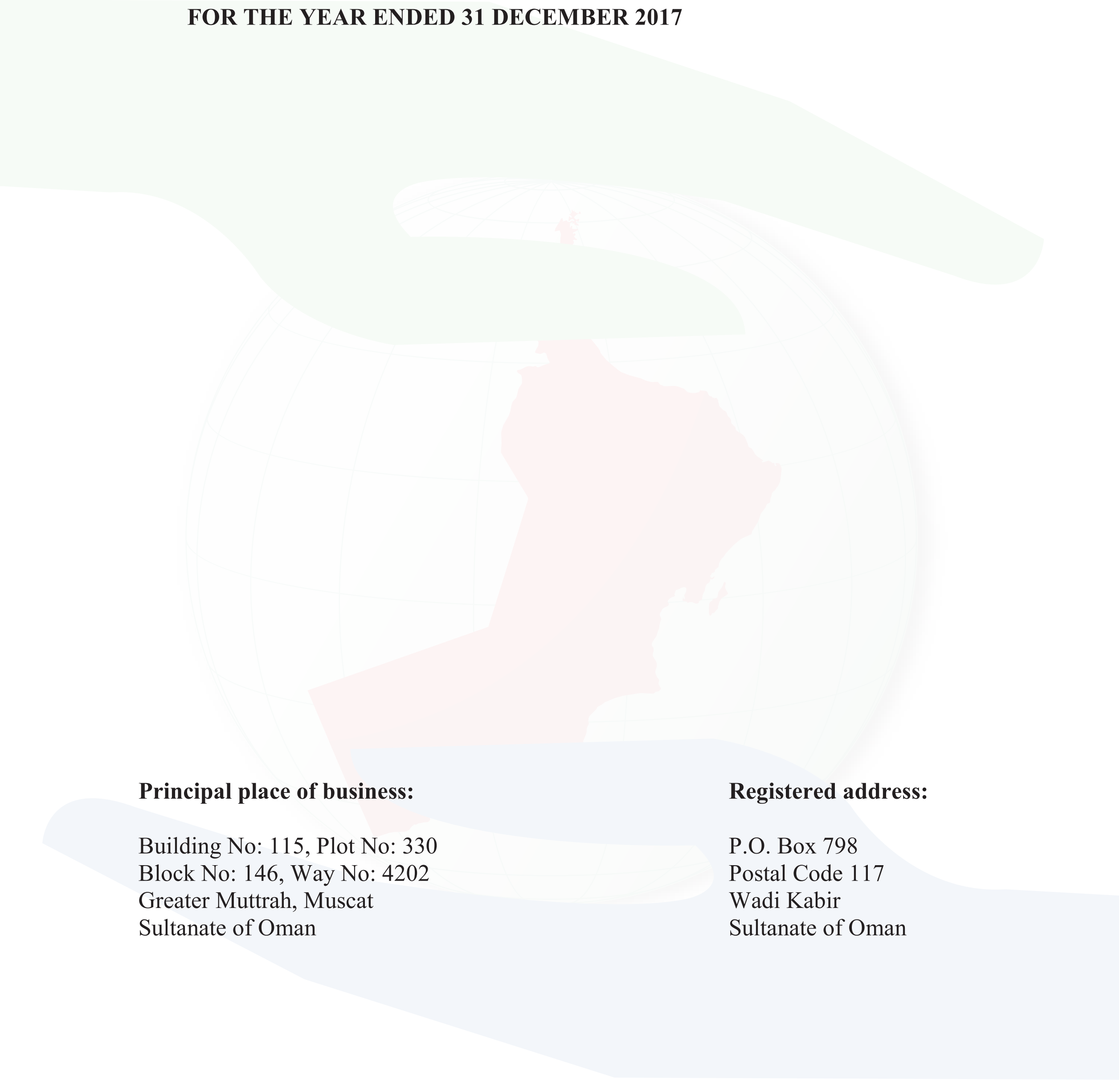
I wish to thank the Capital Market Authority, Government bodies and Ministry Departments for their guidance and support.

I also thank all our customers, business partners, reinsurers and staff of the company for their support.

S. Venkatachalam
Chief Executive Officer

NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG AND ITS SUBSIDIARIES

PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017



Principal place of business:

Building No: 115, Plot No: 330
Block No: 146, Way No: 4202
Greater Muttrah, Muscat
Sultanate of Oman

Registered address:

P.O. Box 798
Postal Code 117
Wadi Kabir
Sultanate of Oman

Building a better
working world

Ernst & Young LLC
P.O. Box 1750, Ruwi 112
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muscat@om.ey.com
ey.com/mena
C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the parent and consolidated financial statements ("the financial statements) of National Life and General Insurance Company SAOG (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2017 which comprise the statement of financial position as at 31 December 2017, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the separate and consolidated financial position of the Group as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG (CONTINUED)

Key audit matters (continued)

1. Valuation of insurance contract liabilities

Key audit matters	*How our audit addressed the key audit matters*
The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling cost. A range of methods may be used to determine these liabilities. Underlying these methods are a number of assumptions relating to the expected settlement amount and settlement patterns of claims. The basis of the Group's estimation of insurance contract liabilities is presented in the accounting policies section at note 2.6 to the financial statements. Also, attention is drawn to the critical accounting estimates and judgements, disclosures of outstanding claims and the insurance risk management set out in notes 3, 19 and 20 to the financial statements respectively.	We assessed management's calculation of insurance liabilities by performing the following procedures: • We evaluated and tested key controls around the claims handling and reserve setting processes of the Group. We examined evidence of the operation of controls over the valuation of individual claims reserves and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the financial statements is valued appropriately). • We checked a sample of claims reserves, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant, the inspection of the Group's correspondence with lawyers for claims under investigation. • We reviewed management's reconciliation of the underlying Group data recorded in the insurance policy administration systems with the data used in the actuarial reserving calculations. • We matched the insurance contract liabilities as recommended by the Group's actuary to the liabilities in the financial statements. • We assessed the experience and competency of the Group's actuary to perform the year end valuation. • We involved our actuarial specialist team members, to apply appropriate industry knowledge and experience and we compared the methodology, models and assumptions used against recognised and acceptable actuarial practices.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG (CONTINUED)

Key audit matters (continued)

2. Revenue recognition

Key audit matters	*How our audit addressed the key audit matters*
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period, and recognised on the date on which the policy commences. At the end of each period, a proportion of net retained premiums is provided for to cover portions of risk which have not expired at the reporting date. The reserves are required to be calculated based on higher of 1/365 method or the amount required by the Insurance Law of Sultanate of Oman calculated at 45% of the net retained premiums for the year for all classes of business. We determined this to be a key audit matter because it involves complex computations, which is generally performed by the system and due to the materiality of the amounts involved. The accounting policy and disclosures on revenue are set out in notes 2.19, and 25(a) to the financial statements, respectively.	We performed the following audit procedures: • We assessed whether the Group's revenue recognition policies complied with IFRS and Insurance Law of Sultanate of Oman and tested the implementation of those policies. Specifically, we considered whether the premiums on insurance policies are accounted for on the date of inception of policies by testing a sample of revenue items to insurance contracts, with a specific focus on transactions which occurred near the reporting date. • We evaluated the relevant IT systems and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period. • We compared the unearned premiums reserve account balance as reported in the financial statements to the reserve balance computed by the Group's actuary. • We recalculated the unearned premium reserve based on the remaining period of insurance contracts existing as of the reporting date. • We also tested a sample of journal entries posted to revenue accounts to identify any unusual or irregular items, and we tested the reconciliations between the policy master file and financial ledgers.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG (CONTINUED)

Other information included in the Group's 2017 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2017 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

Sanjay

Sanjay Kawatra
Muscat
28 February 2018

إرنست ويونغ ش م م
س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

		Group		Parent Company	
		2017	2016	**2017**	2016
	Notes	**RO**	RO	**RO**	RO
ASSETS					
Cash and bank balances	4	**8,119,632**	16,610,164	**7,847,069**	16,609,337
Bank deposits	5	**49,698,915**	43,407,859	**49,698,915**	43,407,859
Investments at fair value through profit or loss	6(a)	**2,571,628**	2,740,264	**2,571,628**	2,740,264
Premiums and insurance balance receivables	7	**38,464,436**	34,607,022	**38,464,436**	34,607,022
Reinsurers' share of outstanding claims	19	**8,654,676**	8,765,270	**8,654,676**	8,765,270
Reinsurers' share of actuarial / mathematical and unexpired risk reserve	20	**14,940,878**	17,919,901	**14,940,878**	17,919,901
Other receivables and prepayments	8	**3,196,049**	2,769,783	**2,828,931**	2,727,132
Investments carried at amortised cost	6(b)	**18,662**	500,935	**18,662**	500,935
Investments carried at fair value through other comprehensive income	6(c)	**12,930,004**	4,681,840	**12,930,004**	4,681,840
Investment in a subsidiaries	6(d)	**-**	-	**775,255**	35,257
Loans to policyholders	9	**259,224**	401,196	**259,224**	401,196
Investment properties	11	**1,150,000**	1,200,000	**1,150,000**	1,200,000
Property and equipment	12	**1,436,215**	1,392,790	**1,286,779**	1,392,790
Deferred tax asset	30	**190,999**	107,906	**193,212**	107,906
Goodwill	13	**336,830**	146,490	**146,490**	146,490
Total assets		**141,968,148**	135,251,420	**141,766,159**	135,243,199
EQUITY AND LIABILITIES					
EQUITY					
Capital and reserves					
Share capital	14	**26,500,000**	26,500,000	**26,500,000**	26,500,000
Legal reserve	15	**4,810,390**	3,970,038	**4,810,390**	3,970,038
Contingency reserve	16	**7,733,953**	6,366,767	**7,733,953**	6,366,767
Revaluation reserve	17	**447,420**	447,420	**447,420**	447,420
Fair value reserve		**(833,162)**	(567,896)	**(833,162)**	(567,896)
Foreign exchange fluctuation reserve		**9,532**	-	**9,532**	-
Retained earnings		**10,796,443**	7,661,653	**10,796,443**	7,661,653
Total equity		**49,464,576**	44,377,982	**49,464,576**	44,377,982
LIABILITIES					
Gross outstanding claims	19	**22,421,935**	20,580,323	**22,421,935**	20,580,323
Gross actuarial / mathematical and unexpired risk reserve	20	**45,756,791**	47,252,317	**45,756,791**	47,252,317
Due to reinsurers	21	**2,809,486**	1,492,095	**2,809,486**	1,492,095
Other liabilities	22	**20,014,272**	17,094,029	**19,812,283**	17,085,808
Short term loan	4	**-**	3,900,000	**-**	3,900,000
Income tax payable	30	**1,501,088**	554,674	**1,501,088**	554,674
Total liabilities		**92,503,572**	90,873,438	**92,301,583**	90,865,217
Total equity and liabilities		**141,968,148**	135,251,420	**141,766,159**	135,243,199
Net assets per share	24	**0.187**	0.167	**0.187**	0.167

The financial statements were authorised for issue in accordance with a resolution of the board of directors on 22 February 2018.

Director **Chief Executive Officer**

The attached notes from 1 to 37 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	Group		Parent Company	
		2017 **RO**	2016 RO	**2017** **RO**	2016 RO
Gross written premium	25(a)	**114,602,957**	101,206,430	**114,602,957**	101,206,430
Gross premium, earned	25(a)	**116,098,483**	95,953,603	**116,098,483**	95,953,603
Premium ceded to reinsurers, earned	25(a)	**(45,817,232)**	(38,566,400)	**(45,817,232)**	(38,566,400)
Net insurance premium revenue		**70,281,251**	57,387,203	**70,281,251**	57,387,203
Commission income on premium ceded to reinsurers	25(b)	**7,659,871**	8,451,751	**7,659,871**	8,451,751
Income from policy fees		**1,447,473**	1,679,880	**1,447,473**	1,679,880
Gross claims expense	19	**(89,943,229)**	(83,880,542)	**(89,943,229)**	(83,880,542)
Reinsurers' share of claims	19, 25(b)	**36,386,033**	35,414,951	**36,386,033**	35,414,951
Commission expense		**(9,286,043)**	(8,469,409)	**(9,286,043)**	(8,469,409)
Net underwriting result		**16,545,356**	10,583,834	**16,545,356**	10,583,834
Investment income – net	27	**2,557,558**	2,084,855	**2,590,237**	2,070,345
Other operating income	28	**128,382**	152,042	**128,382**	152,042
Third party administration fees		**(1,651,422)**	(1,633,940)	**(1,883,365)**	(1,633,940)
General and administrative expenses	29	**(7,612,396)**	(5,829,933)	**(7,422,843)**	(5,815,423)
Finance cost		**(76,353)**	(105,200)	**(76,353)**	(105,200)
Profit before income tax		**9,891,125**	5,251,658	**9,881,414**	5,251,658
Income tax	30	**(1,487,608)**	(551,271)	**(1,477,897)**	(551,271)
Profit for the year		**8,403,517**	4,700,387	**8,403,517**	4,700,387
Other comprehensive income / (expense)					
Items that will be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**9,532**	-	**9,532**	-
Change in value of debt investments carried at fair value through other comprehensive income		**112,896**	-	**112,896**	-
Items that will not be reclassified to profit or loss:					
Change in value of investments carried at fair value through other comprehensive income		**(384,101)**	159,405	**(384,101)**	159,405
Other comprehensive (expense)/income		**(261,673)**	159,405	**(261,673)**	159,405
Total comprehensive income		**8,141,844**	4,859,792	**8,141,844**	4,859,792
Earnings per share - basic and diluted	31	**0.032**	0.037	**0.032**	0.037

Items in the statement of other comprehensive income above are disclosed net of tax. The tax relating to each component of other comprehensive income is disclosed in note 30.

NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Group and Parent Company	**Notes**	**Share capital RO**	**Legal reserve RO**	**Contingency reserve RO**	**Revaluation reserve RO**	**Fair value reserve RO**	**Foreign exchange fluctuation reserve RO**	**Retained earnings RO**	**Total equity RO**
At 1 January 2016		10,500,000	3,500,000	5,226,542	447,420	(724,404)	-	7,184,632	26,134,190
Profit for the year		-	-	-	-	-	-	4,700,387	4,700,387
Change in value of investments carried at fair value through other comprehensive income		-	-	-	-	159,405	-	-	159,405
Total comprehensive income for the year						159,405	-	4,700,387	4,859,792
Transfer on sale of fair value through other comprehensive investments		-	-	-	-	(2,897)	-	2,897	-
Increase of share capital through rights issue	14	16,000,000	-	-	-	-	-	-	16,000,000
Transfer to legal reserve	15	-	470,038	-	-	-	-	(470,038)	-
Transfer to contingency reserve	16	-	-	1,140,225	-	-	-	(1,140,225)	-
Dividends declared and paid	18	-	-	-	-	-	-	(2,616,000)	(2,616,000)
At 31 December 2016		26,500,000	3,970,038	6,366,767	447,420	(567,896)	-	7,661,653	44,377,982
At 1 January 2017		**26,500,000**	**3,970,038**	**6,366,767**	**447,420**	**(567,896)**	-	**7,661,653**	**44,377,982**
Profit for the year		-	-	-	-	-	-	**8,403,517**	**8,403,517**
Change in value of investments carried at fair value through other comprehensive income		-	-	-	-	**(271,205)**	-	-	**(271,205)**
Change in foreign exchange fluctuation reserve		-	-	-	-	-	**9,532**	-	**9,532**
Total comprehensive income for the year		-	-	-	-	**(271,205)**	**9,532**	**8,403,517**	**8,141,844**
Transfer on sale of fair value through other comprehensive investments		-	-	-	-	**5,939**	-	**(5,939)**	-
Transfer to legal reserve	15	-	**840,352**	-	-	-	-	**(840,352)**	-
Transfer to contingency reserve	16	-	-	**1,367,186**	-	-	-	**(1,367,186)**	-
Dividends declared and paid	18	-	-	-	-	-	-	**(3,055,250)**	**(3,055,250)**
At 31 December 2017		**26,500,000**	**4,810,390**	**7,733,953**	**447,420**	**(833,162)**	**9,532**	**10,796,443**	**49,464,576**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

		Group		Parent Company	
	Note	**2017** **RO**	2016 RO	**2017** **RO**	2016 RO
Operating activities					
Profit before taxation		**9,891,125**	5,251,658	**9,881,414**	5,251,658
Adjustments for:					
Unrealised loss on investments at fair value through profit or loss (net)	27	**64,285**	37,464	**64,285**	37,464
Realised gain on investments at fair value through profit or loss (net)	27	**(13,790)**	(187,247)	**(13,790)**	(187,247)
Share of results of investment in associates		**34,688**	-	**2,009**	14,510
Amortisation of investments carried at amortised cost	6(b)	**377**	1,945	**377**	1,945
Allowance for impaired debts	29	**292,081**	134,289	**292,081**	134,289
Change in fair value of investment properties	27	**50,000**	100,000	**50,000**	100,000
Accrual for end of service benefits	29	**115,475**	99,253	**115,475**	99,253
Interest income	27	**(2,333,508)**	(1,623,529)	**(2,333,508)**	(1,623,529)
Finance cost		**76,353**	105,200	**76,353**	105,200
Dividend income	27	**(380,669)**	(370,017)	**(380,669)**	(370,017)
Expense / (income) from investment property	27	**15,541**	(64,840)	**15,541**	(64,840)
Depreciation	12	**493,629**	410,194	**468,779**	410,194
Profit on disposal of property and equipment	28	**(632)**	(31,897)	**(632)**	(31,897)
		8,304,955	3,862,473	**8,237,715**	3,876,983
Changes in working capital:					
Premium and insurance balances receivable		**(4,120,621)**	(7,496,665)	**(4,120,621)**	(7,496,665)
Other receivables and prepayments		**(148,723)**	141,219	**(159,033)**	183,870
Reinsurers' share of outstanding claims		**110,594**	(407,982)	**110,594**	(407,982)
Reinsurers' share of actuarial / mathematical and unexpired risk reserve		**2,979,023**	(4,087,579)	**2,979,023**	(4,087,579)
Gross outstanding claims		**1,841,612**	2,779,278	**1,841,612**	2,779,278
Actuarial / mathematical and unexpired risk reserve		**(1,495,526)**	5,252,827	**(1,495,526)**	5,252,827
Due to reinsurers		**1,317,391**	709,051	**1,317,391**	709,051
Other liabilities		**2,662,295**	3,214,548	**2,659,644**	3,206,327
		11,451,000	3,967,170	**11,370,799**	4,016,110
End of service benefits paid	22(a)	**(48,644)**	(12,044)	**(48,644)**	(12,044)
Income tax paid	30	**(585,054)**	(563,961)	**(577,556)**	(563,961)
Net cash generated from operating activities		**10,817,302**	3,391,165	**10,744,599**	3,440,105

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2017

		Group		Parent Company	
		2017	2016	**2017**	2016
	Note	**RO**	RO	**RO**	RO
Investing activities					
Placement in bank deposits (net)		**(6,291,056)**	(6,649,611)	**(6,291,056)**	(6,649,611)
Purchase of property and equipment	12	**(491,005)**	(1,147,972)	**(362,795)**	(1,147,972)
Purchase of investment securities		**(8,833,192)**	(6,334,614)	**(8,833,192)**	(6,334,614)
Investment in a subsidiary		**(642,242)**	-	**(732,475)**	(49,767)
Proceeds from disposal of investment securities		**874,629**	7,551,509	**874,629**	7,551,509
Proceeds from disposal of property and equipment		**659**	127,421	**659**	127,421
Interest received		**2,378,646**	1,264,266	**2,378,646**	1,264,266
Dividends received	27	**363,889**	370,017	**363,889**	370,017
Income from investment property received	27	**(15,541)**	64,840	**(15,541)**	64,840
Net movement in loans to policyholders		**141,972**	58,886	**141,972**	58,886
Net cash used in investing activities		**(12,513,241)**	(4,695,258)	**(12,475,264)**	(4,745,025)
Financing activities					
Finance cost paid		**(76,353)**	(105,200)	**(76,353)**	(105,200)
Dividend paid	18	**(3,055,250)**	(2,616,000)	**(3,055,250)**	(2,616,000)
Short term loans		**(3,900,000)**	3,400,000	**(3,900,000)**	3,400,000
Share capital issued during the year	14	**-**	16,000,000	**-**	16,000,000
Net cash (used in) / generated from financing activities		**(7,031,603)**	16,678,800	**(7,031,603)**	16,678,800
Net changes in cash and cash equivalents		**(8,727,542)**	15,374,707	**(8,762,268)**	15,373,880
Currency translation adjustment		**9,532**	-	**-**	-
Addition due to acquisition of subsidiary		**227,478**	-	**-**	-
Cash and cash equivalents at the beginning of the year	4	**16,610,164**	1,235,457	**16,609,337**	1,235,457
Cash and cash equivalents at the end of the year	4	**8,119,632**	16,610,164	**7,847,069**	16,609,337

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1 Legal status and principal activities

National Life and General Insurance Company SAOG (the Company or the Parent Company) is a public joint stock company incorporated in the Sultanate of Oman in 1995 and is engaged in the business of life and general insurance within the Sultanate of Oman, United Arab Emirates (UAE) and Kuwait. It commenced its operations with life and health business in Oman and diversified into general insurance business after obtaining general insurance license in 2006. The Group has expanded its operations in UAE with a branch in Dubai to transact life insurance business as per the license dated 13 May 2007 issued by United Arab Emirates Insurance Authority. During 2014, the Parent Company obtained a license dated 8 May 2014 to have a branch in Abu Dhabi issued by United Arab Emirates Insurance Authority and commenced operations in Abu Dhabi during 2015 onwards. During October 2017, the Group has obtained licence for branch operations in Kuwait. The branch is being setup and insurance operations are yet to be commenced in Kuwait.

In accordance with the Royal Decree 39/2014 dated 17 August 2014 (the “RD”), all insurance companies registered under Commercial Companies Law should be a Public Joint Stock Company with a minimum paid up capital of RO 10 million within 3 years from the date of the RD. In order to comply with the RD, on 16 July 2017 the shareholders of the Company approved the transformation of the Company from a closed joint stock company (SAOC) to a Public Omani Joint Stock Company (SAOG). It was further resolved that the transformation would be part of the process of selling a portion of the shares held by the existing shareholders to the public through an Initial Public Offering “IPO” in the Muscat Securities Market (the “MSM”). Accordingly, the Company’s completed the IPO process and the Company’s shares were listed for trading on the MSM from 6 December 2017 onwards.

The Parent Company is a subsidiary of Oman International Development and Investment Company SAOG (OMINVEST), a public joint stock company incorporated in the Sultanate of Oman.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared on the historical cost convention modified by revaluation of land, investment properties, investments carried at fair value through other comprehensive income and financial assets at fair value through profit or loss. The basis of consolidation is set out in note 2.4.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Parent Company has two fully owned subsidiaries “NLGIC Support Services Private Limited’ in India and “Inayah TPA LLC” in UAE due to which consolidated financial Statements for the year ended 31 December 2017 comprise of the Parent Company and its subsidiaries (together referred to as the Group). The separate financial statements represent the financial statements of the Parent Company on a stand-alone basis. The consolidated and separate financial statements are collectively referred to as “the financial statements”.

2.2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the Commercial Companies Law of 1974, as amended, and the disclosure requirements of the Capital Market Authority.

The Group presents its statement of financial position broadly in the order of liquidity, as this presentation is more appropriate to the Group’s operations.

2 Summary of significant accounting policies (continued)
2.3 Changes in accounting policy and disclosures

(a) New and amended standards and interpretations effective after 1 January 2017
The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group during 2017 has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these amendments apply for the first time in 2017, they do not have a material impact on the financial statements of the Company.

- Annual Improvements Cycle - 2014-2016
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

(b) *New standards and interpretations but not yet effective*
The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Group but are not yet mandatory for the year ended 31 December 2017:

- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Transfers of Investment Property — Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)
    - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term
    - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
    - IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
    - IFRIC Interpretation 23 Uncertainty over Income Tax Treatment exemptions for first-time adopters

The IASB Standards and Interpretations that have been issued but are not yet mandatory are expected to have a material impact on the Group’s financial statements are explained in detailed below:

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 4 Insurance Contract’s amendments to the standard to introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning 1 January 2021 at the latest.

An entity may apply the temporary exemption from IFRS 9 if:

i. it has not previously applied any version of IFRS 9 before and
ii. its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. The temporary exemption from IFRS 9 is available from 1 January 2018 while the overlay approach applies when IFRS 9 is applied for the first time. The Group has assessed the above options available and criterion thereof and concluded to adopt IFRS 9 from 1 January 2018 as the Group has early adopted phase 1 of IFRS 9 in 2012.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

1.3 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

The Group has early adopted phase 1 of IFRS 9 in 2012 and plans to adopt other aspects of IFRS 9 on the required effective date. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

During 2017, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2017. Given insurance contracts are scoped out of IFRS 9, the Company expects the main impact of the new standard to be on the its banks deposits, bonds and certain other receivable balances.

The Group's initial estimate of IFRS 9 is expected to impact equity attributable to the equity holders of the Group by RO 350,000 as of 1 January 2018. This is preliminary, because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change accordingly.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group expects to apply IFRS 15 using the modified retrospective application. Given insurance contracts are scoped out of IFRS 15, the Group does not expect the impact to be significant.

IFRS 16 Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The Company will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a Company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date.

The Group started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Group, are not expected to have a material impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

2.4 Basis of Consolidation and accounting in separate financial statements

(a) Basis of consolidation

The consolidated financial statements comprise those of the Parent Company and each of its subsidiaries as at 31 December each year. Subsidiaries are all entities (including special purpose entities) over which the Group exercise control. Control is achieved when the Parent Company.

- has power over the investee.
- is exposed, or has rights, to variable returns from is involvement with the investee; and
- has the ability to use its power to affect the Investee's returns

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the particle ability to relevant facts and circumstance in assessing whether or not the Parent Company's voting rights in an investee are to give it power including:

- The size of the Parent Company's holding of the voting rights relative to the size and dispersion of holding of the other vote holders;
- Potential voting rights held by the parent company, other holders or other parties;
- Rights arising from other contractual arrangements;
- Any facts and circumstances that indicates that the parent company has, or does not have, the current ability to direct the relevant activities at the time the decision need to be made, including voting patterns at previous shareholders meetings.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owner of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statement of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

When necessary, adjustments are made to the financial statement of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 Summary of significant accounting policies (continued)

2.4 Basis of Consolidation and accounting in separate financial statements (continued)

(a) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amount of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interest in subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received directly is equity and attributed to the owners of the Parent Company .

Non-controlling interests in subsidiaries are identified separately from Group's equity therein. The interests of non-controlling interest's shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the esquire's identifiable net assets. The choice of measurement basis is made on an acquisition-by- acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity and impairment of intangible assets. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of consideration received and the fair value of any retained interest; and
- The carrying amount of assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to subsidiary are accounted for as if the Group has directly disposed of the assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of an investment as associate or joint venture.

(b) Accounting in separate financial statements

In the Parent Company's separate financial statements, the Company has adopted equity method of accounting for its investment in subsidiaries.

Under the equity method adopted in the separate financial statements of the Parent Company, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the share of net assets of the subsidiary since the acquisition date in the separate financial statements of the Parent Company. The statement of profit or loss in the Parent Company's separate financial statements reflects the share of the results of operations of the subsidiary. Any change in other comprehensive income of those investees is presented as part of the Parent Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the subsidiary, the Parent Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Parent Company and the subsidiary are eliminated to the extent of the interest in the subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company. After application of the equity method, the Parent Company determines whether it is necessary to recognise an impairment loss on its investment in its subsidiary in its separate financial statements. At each reporting date, the Parent Company determines whether there is objective evidence that the investment in the Subsidiary is impaired. If there is such evidence, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, then recognises the loss as 'Share of results of subsidiary' in profit or loss.

2 Summary of significant accounting policies (continued)

2.5 Foreign currency

(a) Functional and presentation currency

The financial statements are presented in Rial Omani, which is the Parent company and Group's functional and presentation currency. The functional currencies of the Company's operations are as follows:

- Sultanate of Oman: Rial Omani
- United Arab Emirates: UAE Dirham
- Kuwait : Kuwaiti Dinar
- India : Indian Rupees

(b) Transactions and balances

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

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

As at the reporting date, the assets and liabilities of the foreign subsidiary entity is translated into the functional currency of the consolidated financial statements (the Rial Omani) at the rate of exchange ruling at the reporting date and its profit or loss is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a foreign currency translation reserve in other comprehensive income. On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognized in the statement of comprehensive income.

2.6 Insurance contracts

(a) Classification

The Group issues contracts that transfer insurance risk and classifies contracts as insurance contracts when these transfer significant insurance risk. Such contracts may also transfer financial risk.

The Group classifies investment contracts as those contracts that transfer financial risk with no significant insurance risk.

The Group issues certain insurance contracts which contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on the surplus generated on a specified pool of contracts.

There are no local statutory regulations which set out the bases for the determination of the amounts on which the additional discretionary benefits are based, the amounts payable being determined by the Group's board of directors on an annual basis.

(b) Recognition and measurement

Life and medical insurance contracts are classified into five main categories which are described below. In addition, the Group writes short term individual medical and personal accident policies.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

2.6 Insurance contracts (continued)

(b) Recognition and measurement (continued)

(i) Individual life policies

These consist of the following types of policies:

a) With profits conventional policies (i.e., policies with a discretionary participation feature) which insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they are received. Provisional premiums are recognised at year end for premium receivables of policies which have not lapsed. Benefits are recorded as an expense when they are incurred. Each policy has a defined benefit amount payable which is guaranteed. Apart from this reversionary and terminal bonuses are declared by the Group from time to time based on the profitability of the individual life portfolio. Reversionary bonuses convert into guaranteed benefits once declared and a certain minimum level of bonus is guaranteed for certain policies.

The actuarial / mathematical reserve for such policies is determined on a net premium basis by determining the present value of benefits less the present value of future net premiums, a theoretical net premium being calculated using conservative assumptions for mortality and discounting and an adjustment to recognise acquisition costs. For paid up policies, a provision for expenses required to maintain policies is also made. The Group also performs a liability adequacy test to ensure that the reserve set aside is not less than the liability determined as the sum of the expected discounted value of the benefit payments, commissions payable and the future administration expenses that are directly related to the contract, less the expected discounted value of premiums that are receivable (making realistic assumptions as to mortality, persistency and maintenance expenses and using a discount rate inherent in the pricing of fixed income securities held by the Group).

b) Term assurance where the benefits are payable only in the event of death of the insured. These include policies where the insured amount is constant throughout the term of the policy and decreasing term assurance policies where the sum assured reduces at a predecided rate every year. The premium is paid either over the term of the policy or as a single premium. Premiums are recognised as revenue when they are received. Provisional premiums are recognised at year end for premiums receivables of policies which have not lapsed. These are without profit policies.

For single premium policies, the actuarial / mathematical reserve is determined as the discounted value of expected future claims as well as expenses which are expected to be incurred in administering the policies. For regular premium policies, the actuarial / mathematical reserve is determined on a net premium basis along the same lines as conventional with profits policies.

(ii) Individual credit life policies

These are life insurance contracts underwritten on single premium and on an individual basis and issued to protect financial institution for their outstanding loan from the customer. These contracts protect the financial institutions from the consequences of events (such as death or disability) that would affect on the ability of the customer to repay his outstanding loan. These are without profit policies.

These contracts are issued for the duration of loans with the insurance premium being received as a single premium. Further amounts are received if and when loans are topped up. Similarly, refunds are allowed in case of pre-closure or change in terms of the loan.

Single premiums are recognised as revenue when due. An actuarial / mathematical reserve net of reinsurance has been kept for each contract using reinsurance rate.

Claims are charged to statement of comprehensive income as incurred, based on the estimated liability for compensation owed to policy holders. Claims reported are recognised at the time when these are reported.

2 Summary of significant accounting policies (continued)

2.6 Insurance contracts (continued)

(b) Recognition and measurement (continued)

(iii) Group life policies

These are short term life insurance contracts underwritten on a group basis, the lives covered usually being employees of a common employer. These contracts protect the Group's customers (the employer) from the consequences of events (such as death or disability) that would effect on the ability of the employee or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the customer. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue when the policy or endorsement is issued, but are deemed to be earned proportionally over the period of coverage. The portion of premium written on in-force contracts that relates to unexpired risks at the reporting date is reported as the unexpired risk reserve. Premiums are disclosed before deduction of commission and excluding taxes levied on premiums.

Claims are charged to statement of comprehensive income as incurred based on the estimated liability for compensation owed to policyholders. Claims reported are recognised at the time when these are reported. A separate provision for incurred but not reported claims is made based on the Group's experience relating to claims reporting patterns in the past.

As indicated above, an unexpired risk reserve is set up at the valuation date for premiums which are deemed to be earned in future periods. The Group also tests whether the liability so set up is adequate to meet expected future claims.

(iv) Group medical policies

These are short term medical insurance contracts underwritten on a group basis, the lives covered usually being employees of a common employer. These contracts protect the Group's customers (the employer) from losses resulting from medical treatment of employees as a result of ill-health or accident, covering both hospitalisation and out-patient expenses. The bulk of hospital claims are disbursed directly by the Group to healthcare providers. There are no maturity or surrender benefits for these policies.

For all these contracts, premiums are recognised as revenue when the policy or endorsement is issued, but are deemed to be earned proportionally over the period of coverage. The portion of premium written on in-force contracts that relates to unexpired risks at the reporting date is reported as the unexpired risk reserve. Premiums are shown before deduction of commission and excluding taxes levied on premiums.

Claims are charged to statement of comprehensive income as incurred, based on the estimated liability for compensation owed to policy holders. Claims reported are recognised at the time when these are reported. A separate provision for incurred but not reported claims is made based on the Group's experience relating to claims reporting patterns in the past.

As indicated above an unexpired risk reserve is set up at the valuation date for premiums which will deem to be earned in future periods. The Group also tests whether the liability so set up is adequate to meet expected future claims.

(v) Group credit life policies

These are life insurance contracts underwritten on a group basis and issued to financial institutions to protect their outstanding loan portfolios. These contracts protect the Group's customers (financial institutions) from the consequences of events (such as death or disability) that would effect on the ability of the customer's borrowers to repay outstanding loans. These are without profit policies.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

2.6 Insurance contracts (continued)

(b) Recognition and measurement (continued)

(v) Group credit life policies (continued)

These contracts are issued on two basis:
- For the duration of loans with the insurance premium being received as a single premium. Further premiums are received if and when loans are topped up.
- Short term contracts covering the risk for a year at a time, with premiums being determined and paid monthly on outstanding balances.

Single premiums are recognised as revenue when due. An actuarial / mathematical reserve net of reinsurance has been kept for each contract using reinsurance rate.

Monthly premiums are recognised upon declaration by financial institutions of the amount payable. As such, premiums are usually recognised once they have been fully earned and no unearned premium reserve is determined to be necessary. The Group does, however, at the end of the year, evaluate the profitability of the portfolio to determine if any premium deficiency reserve is required.

Claims are charged to statement of comprehensive income as incurred based on the estimated liability for compensation owed to policy holders. Claims reported are recognised at the time when these are reported. A separate provision for incurred but not reported claims is made based on the Group's experience relating to claims reporting patterns in the past.

Liability adequacy test

The Group carries out a liability adequacy test to ensure the adequacy of contract liabilities as set out in the financial statements. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. The results of the tests indicate that the liability recognised is adequate.

General insurance contracts

For general insurance contracts, premiums are taken into income over the terms of the policies. Unexpired risk reserve represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is recognised in the statement of comprehensive income in order that revenue is recognised over the period of risk.

Unexpired risk reserve is calculated based on higher of 1/365 method or the amount calculated at 45% of the net retained premiums for the year for all classes of business as required by the Insurance Companies Law of Oman. Acquisition costs and reinsurance commissions are recognised as expenses or income over the period of the policy by deferring it using 1/365 method.

Estimates have to be made for both the expected ultimate costs of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of comprehensive income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates. In addition, a provision based on the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

2.6 Insurance contracts (continued)

(b) Recognition and measurement (continued)

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the accounting year in which the change in provision or settlement is made.

Allowances in claims liability

Some insurance contracts permit the Group to collect excess, depreciation, or sell a (usually damaged) vehicle or a property required in settling a claim (i.e. salvage). The Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of excess, depreciation, salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognised in outstanding claims when the liability is accrued. The allowance for salvage is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

Reinsurance contracts held

In order to protect itself against adverse experience, the Group has entered into contracts with reinsurers under which it is compensated for losses on one or more contracts issued by the Group. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily reinsurance premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on an annual basis.

2.7 Premiums and insurance balances receivable

Premiums and insurance balances receivable are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest method less impairment losses, if any. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2.8 Loans to policy holders

Loans to policy holders are stated at cost, less any amounts written off and allowance for impairment, if any.

2 Summary of significant accounting policies (continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories: those measured at fair value and those measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

Debt investments

(a) Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met:

- the objective of the Group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding; and
- the nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

(b) Financial assets at fair value

If either of the two criteria above are not met, the debt instrument is classified as 'fair value'.

Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Group can make an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in the statement of comprehensive income.

The Group subsequently measures all equity investments at fair value. Where the Group has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in the statement of comprehensive income as long as they represent a return on investment.

2.10 Investment property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of comprehensive income.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

The Group carries out revaluation of its investment property every year.

2 Summary of significant accounting policies (continued)

2.11 Deferred acquisition costs and commission income

(a) Deferred acquisition costs (DAC)

Direct and indirect costs incurred during the financial period arising from the writing of long term life insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums.

Subsequent to initial recognition, these costs are amortised on a straight line basis based on the term of expected future premiums, currently estimated as four years.

Direct and indirect costs incurred for writing short term life and medical insurance contracts are deferred and this is built into the 'unexpired risk reserve' shown in the statement of financial position.

Acquisition costs for writing of general insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. Subsequent to initial recognition, these costs are amortised over the period of the policy (generally one year) using 1/365 method and are built into the 'unexpired risk reserve' shown in the statement of financial position.

Amortisation is recorded in the statement of comprehensive income. Changes in the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period and is treated as a change in an accounting estimate.

(b) Deferred reinsurance commission incomes (DCI)

Commission incomes attributable to the unexpired reinsurance ceded premiums for short time life and medical are deferred and it is built into "reinsurers' share of unexpired risk reserve" in the statement of financial position.

Commission incomes attributable to the unexpired reinsurance ceded premiums for general insurance are deferred to the extent that these are recoverable out of future ceded premiums. Subsequent to initial recognition, these incomes are amortised over the period of the policy (generally one year) using 1/365 method and are built into "reinsurers' share of unexpired risk reserve" in the statement of financial position.

2.12 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated and stated at revalued amount.

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Motor vehicles	4
Furniture and equipment	4 to 5
Computer equipment	4

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in statement of comprehensive income as the expense is incurred.

Any fixed assets costing less than RO 100 are charged to statement of comprehensive income in the year of purchase.

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

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

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

2 Summary of significant accounting policies (continued)

2.13 Impairment

(i) Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of assets may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income.

Impairment is determined as follows:

- for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- for assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

(ii) Non-financial assets

At each reporting date, the Group assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Group estimates the recoverable amount of the asset and recognises an impairment loss in the statement of comprehensive income. The Group also assesses if there is any indication that an impairment loss recognised in prior years no longer exists or has reduced. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.14 Offsetting

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

2.15 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with a maturity of three months or less from the date of placement net of outstanding bank overdrafts.

2.16 Provisions

A provision is recognised in the statement of financial position when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of provision can be estimated reliably.

2.17 End of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments and U.A.E. Labour Law - Federal Law No. (8) of 1980 and its amendments and the requirements of IAS-19 ‘Employee benefits’.

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

2 Summary of significant accounting policies (continued)

2.18 Other liabilities

Other liabilities are initially measured at fair value and subsequently carried at amortised cost using the effective interest method. Liabilities are recognised for amounts to be paid for goods or services received, whether or not billed to the Group. Other liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

2.19 Income recognition

(a) Life business

Premiums are taken into income over the terms of the policies to which they relate. Unearned premiums represent the proportion of premiums written relating to periods of insurance subsequent to the reporting date. For short term policies, premiums are pro-rated by reference to the unexpired term of cover. An appropriate actuarial reserve is determined by the appointed independent actuary following their annual investigation of the life fund and is calculated initially on a statutory basis to comply with the reporting requirements under the Insurance Companies Law of 1979.

In addition, provision is made where necessary for any further loss expected to arise on unexpired risks after taking into account future investment income on related insurance funds, to cover anticipated liabilities arising from existing contracts.

(b) General business

Premiums are taken into income over the terms of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

(c) Insurance policy fees

Insurance and investment contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue at the time policies are written or at the time the fees are charged, which is generally at the time when the policies are written.

(d) Investment income

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive dividend is established. For listed securities, this is the date the security is listed as ex dividend.

2.20 Directors’ remuneration

The Directors’ remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority and are charged to as expense in statement of comprehensive income.

2.21 Taxation

Income tax is calculated as per the income tax regulations applicable in the Sultanate of Oman. The foreign operations are incorporated in a United Arab Emirates, which is a tax free jurisdiction. Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

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

2 Summary of significant accounting policies (continued)

2.22 Earnings per share

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

2.23 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.24 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The segment information is set out in note 33.

2.25 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are approved.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

3 Critical accounting judgment and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, management has made judgements that have the most significant effect on the amounts recognised in the financial statements and applied certain assumptions, and other key sources of estimation uncertainty at the reporting date as discussed below:

Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Details regarding risk management procedures. Followed by Group are set out in note 34.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is a key estimate made in measuring liabilities under insurance contracts and especially under group medical, group life and group credit life contracts. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

For individual life, Individual Credit Life and Group Credit Life incurred but not reported (IBNR) claims have been calculated as two months expected or estimated claims.

For IBNR of group life and group medical claims, the claim projection methods used are Development factor method for reported losses, Development factor method for paid losses, Initial Expected Burning Cost or Initial Expected Loss Ratio method and Bornhuetter-Ferguson methods for paid or reported losses. After reviewing calendar-year and accident-year diagnostics, actual versus expected calendar year development, qualitative information and the general characteristics of each class of business, actuarial methods have been selected to project ultimate loss by accident or report year. Loss development factors have been selected using historical loss and claim development experience which form the basis for loss payment and reporting and claims development patterns used to project future emergence of losses for the development projection methods. Initial and ultimate sected losses are based on the results of the projection methods by claim cohort month, and are based on judgement reflecting the range of estimates produced by the methods and the strengths and weaknesses of each method. The projections are applied to losses evaluated as of 31 December 2017. Gross unpaid amounts are obtained by reducing the selected ultimate losses by the gross amounts paid as at 31 December 2017. Net unpaid claims estimates and after deducting the ceded IBNR estimates which are derived based on a review of ceded case ratios and paid claims ratios.

For general insurance claims, IBNR has been arrived at by using a combination of the chain ladder method, Expected Loss Ratio Method and the Bornhuetter-Ferguson Method. These methods have been used to determine the pattern of reporting claims which has then been modified to determine IBNR reserves.

Unallocated Loss Adjustment Expenses has been added to the IBNR reserves for Group Life, Group Medical and General Insurance business. For UAE group life and group medical portfolio, an assumption of 0.25% has been applied for the ULAE reserve while for Oman group life and group medical porfolio, an assumption of 0.5% has been applied. For ULAE reserve of General insurance business, an assumption of 5% of Gross IBNR Claims has been applied.

Additional unexpired risk reserve (AURR) calculation is based on projected ultimate loss ratio estimate of the current year which is projected onto the next year. The required reserve for the unexpired business is estimated by multiplying this loss ratio by the premium that is expected to be earned in that next year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 Critical accounting judgment and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts, and related deferred acquisition costs and other intangible assets

The determination of the liabilities under long-term insurance contracts (which basically consist of individual life policies and credit life policies issued for the whole loan period on a single premium basis) is dependent on a number of estimates made by the Group with respect to:

- Mortality and disability
- Investment returns / discount rate
- Expenses
- Surrender

Mortality and disability

The mortality rates are derived from mortality table Permanent Assurances, combined – AMC00 and AMF00 ltimate table for males and females respectively. 146% of the AMC00 & AMF00 table has been used as best estimate mortality for the insured population in Oman. A margin of prudence of 25% over the best estimate derived has been applied based on a mortality experience study of the portfolio on an amount and life basis.

For long term group and individual credit life contracts, reinsurance risk premium rates are used for both mortality and disability.

Were the numbers of deaths in future years to differ by 10% from management's estimate, the liability would increase by RO 122,454 (1.3%) or decrease by RO 112,693 (1.2%) [2016 – increase by RO 74,892 (0.9%) or decrease by RO 74,779 (0.9%)].

Investment returns / discount rate

Under the net premium valuation method used by the Group for valuing most policies in the individual life portfolio, the valuation rate of interest serves as both the estimate of investment income and the discount rate. The valuation interest rate used for conventional guaranteed business should reflect a conservative long-term interest rate. This rate is used to discount the future benefits and future premiums to arrive at the liability figure. A valuation interest rate of 4.5% per annum for non-profit polices and 4% per annum for with-profit polices was used for the purpose of the valuation of the basic reserves for individual life portfolio. The same valuation discount rate has been used for valuing bonuses as well.

The Group's running yield or actual income for the year for the individual life portfolio is around 4.9% p.a. However, valuation rate of interest has been considered based on returns on the assets held at the valuation date plus the assumed reinvestment returns on reinvested free cash less default allowance, investment expenses, tax, prudence margins and discretionary regular bonus loadings where appropriate.

An earning in excess of the interest rate are usually a source of surplus for with profits policyholders.

Uncertainty relating to interest rate assumptions lies in the investment of net future cash flows; reinvestment risk of coupon payments received on fixed income contracts; and the uncertainty surrounding both returns from and the value of equity investments.

Were the interest rate assumptions to vary by 50 basis point from management's estimate for 2017, the gross liability would increase by RO 96,149 (1.6%) or decrease by RO 102,279 (1.7%) [2016 – increase by RO 119,968 (1.9%) or decrease by RO 115,360 (1.8%)].

Expenses

An implicit assumption relating to expenses is made for the statutory valuation in that there is a margin between the net premiums determined as a part of the net premium valuation and the gross premiums charged by the Group. As a part of the process the margin is kept at a minimum of 10% of the gross premium. A separate provision for RO 30 per policy per annum is made for single premium (excluding NBO Housing) and paid up policies for which no future premiums are expected, for NBO Housing portfolio an implicit expense margin of RO 10 is assumed.

For short term life products indirect expenses have been deferred at 4 to 5% of the gross premiums. For group medical product, indirect expenses have been deferred at 6% (for group medical-Oman) and 6.5% (for group medical-UAE) of the gross premiums for costs relating to the unexpired risk period by the management based on expense analysis done for the year 2017.

3 Critical accounting judgment and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts, and related deferred acquisition costs and other intangible assets (continued)

Surrender
The mathematical reserve for the single premium loan protection contracts in the individual credit life portfolio and the group credit life portfolio is calculated as the 85% of the unexpired risk reserve and 15% of the current surrender value. This assumes that 15% of the business lapses and increases the reserves to allow for refunds exceeding the unexpired risk. The reinsurance asset is calculated as 85% the unexpired risk reserve plus 15% of the current reinsurance surrender value.

(c) Impairment of premiums and insurance balances receivable

An estimate of the collectible amount of premiums and insurance balances receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

4 Cash and bank balances

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Deposits with banks for less than 90 days	**2,592,840**	-	**2,592,840**	-
Balances with banks	**5,518,565**	16,599,022	**5,246,199**	16,598,293
Cash in hand	**8,227**	11,142	**8,030**	11,044
Cash and cash equivalents	**8,119,632**	16,610,164	**7,847,069**	16,609,337
Short term loan	**-**	(3,900,000)	**-**	(3,900,000)

Deposits with banks for less than 90 days include deposits with commercial banks in UAE amounting to RO 2,592,840 which are denominated in UAE Dirhams and carry interest @ 1.57% (2016-Nil).

Included in balances with banks are balances of RO 3,588,111 (2016 - RO 13,727,836) with commercial banks in Oman, India and GCC Countries, which are denominated in US Dollars, Indian Rupees and various GCC currencies, and do not carry interest.

Short term loan:

During the year, the Group availed short term loans from commercial banks in Oman. As at 31 December 2017, there were no outstanding short term loans (2016 – RO 3,900,000). The finance cost for availing short term loans was at floating market rate of interest.

5 Bank deposits

	Group & Parent Company	
	2017	2016
	RO	RO
Deposits (i)	**44,698,915**	32,407,859
Subordinated deposits (ii)	**5,000,000**	11,000,000
	49,698,915	43,407,859

(i) Deposits are held with leasing companies and commercial banks in the Sultanate of Oman, Kuwait and United Arab Emirates, denominated in Rial Omani of RO 29,730,508 (2016 – RO 27,729,357), Kuwaiti dinar of RO 1,274,000 (2016 – NIL) and denominated in UAE Dirhams of RO 13,694,407 (2016 – RO 4,678,502) and carry effective annual interest rates ranging between 1.85% to 5% per annum (2016 - 1.25% to 5% per annum).

(ii) Subordinated deposits are held with commercial banks in the Sultanate of Oman, denominated in Rial Omani of RO 5,000,000 (2016 –RO 11,000,000) and carry annual interest rates ranging between 4.5% to 5.76% per annum (2016 - 4.5% to 5.76% per annum).

(iii) The maturities of deposits and subordinated deposits at the reporting date are as follows:

	Group & Parent Company Deposits		Group & Parent Company Subordinated deposits	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Over three months but less than or equal to one year from the date of placement	**5,800,000**	-	**-**	-
Over one year from the date of placement	**38,898,915**	32,407,859	**5,000,000**	11,000,000
	44,698,915	32,407,859	**5,000,000**	11,000,000

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6 Investment securities

		Group		Parent Company	
		2017	2016	**2017**	2016
		RO	RO	**RO**	RO
Investments at fair value through profit or loss	6(a)	**2,571,628**	2,740,264	**2,571,628**	2,740,264
Investments carried at amortised cost	6(b)	**18,662**	500,935	**18,662**	500,935
Investment carried at fair value through other comprehensive income	6(c)	**12,930,004**	4,681,840	**12,930,004**	4,681,840
Investment in subsidiaries	6(d)	**-**	-	**775,255**	35,257
		15,520,294	7,923,039	**16,295,549**	7,958,296

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

	Group & Parent Company			
	2017		2016	
	Market value	**Cost**	Market value	Cost
	RO	**RO**	RO	RO
Quoted local				
Banking and investment	**1,263,956**	**1,245,644**	1,327,845	1,346,869
Services	**1,307,672**	**1,118,018**	1,412,419	1,118,018
	2,571,628	**2,363,662**	2,740,264	2,464,887

(i) Movement in investments at fair value through profit or loss:

	Group & Parent Company	
	2017	2016
	RO	RO
At 1 January	**2,740,264**	6,795,178
Additions during the year	**77,521**	3,146,270
Disposals during the year at cost	**(194,808)**	(7,350,967)
Realised gain on disposal (note 27)	**12,936**	187,247
Fair value changes (note 27)	**(64,285)**	(37,464)
At 31 December	**2,571,628**	2,740,264

6 (b) Investments carried at amortised cost

		Group & Parent Company	
	Interest rate	**2017**	2016
		RO	RO
Bonds - over one year from the date of inception	**(2017 - 4% p.a.)** (2016 - 4% p.a. to 8% p.a.)	**18,662**	500,935

(i) Movement in investments carried at amortised cost:

	Group & Parent Company	
	2017	2016
	RO	RO
At 1 January	**500,935**	646,110
Additions during the year	**-**	7,364
Matured during the year	**(482,750)**	(150,594)
Amortisation during the year	**(377)**	(1,945)
Realised gain on maturity (note 27)	**854**	-
At 31 December	**18,662**	500,935

6 Investment securities (continue)

6 (c) Investments carried at fair value through other comprehensive income

	Group & Parent Company			
	2017		2016	
	Market value RO	**Cost RO**	Market value RO	Cost RO
Local				
Unquoted	**1,060,465**	**1,050,000**	50,000	50,000
Quoted	**3,629,663**	**3,700,117**	1,763,544	1,632,115
	4,690,128	**4,750,117**	1,813,544	1,682,115
Foreign				
Unquoted	**138,260**	**917,650**	325,976	1,120,661
Quoted	**8,101,616**	**8,229,990**	2,542,320	2,542,320
	12,930,004	**13,897,757**	4,681,840	5,345,096

(i) Movement in investments carried at fair value through other comprehensive income:

	Group & Parent Company	
	2017 RO	2016 RO
At 1 January	**4,681,840**	3,930,303
Additions during the year	**8,755,671**	638,660
Disposals during the year	**(197,071)**	(49,948)
Realised gain on disposal	**9,355**	2,897
Fair value change	**(319,791)**	159,928
At 31 December	**12,930,004**	4,681,840

(ii) The Group does not hold any investment in which its holdings exceed 10% of the market value of its investment portfolio at 31 December 2017 (2016 – nil).

6 (d) Investments in subsidiaries

	Country of Incorporation	**2017**		2016	
		Holding %	**Carrying value RO**	Holding %	Carrying value RO
NLGIC support services Pvt. Ltd. (NSSPL) (ii)	**India**	**100.00**	**167,701**	100.00	35,257
Inayah TPA LLC (iii)	**UAE**	**100.00**	**607,554**	-	-
At 31 December			**775,255**		35,257

(i) Movement in investments in subsidiaries:

	Parent Company	
	2017 RO	2016 RO
At 1 January	**35,257**	-
Additions during the year	**732,475**	49,767
Share of losses	**(2,009)**	(14,510)
Exchange differences on translation of foreign operations	**9,532**	
At 31 December	**775,255**	35,257

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

6 Investment securities (continue)

(ii) The Parent Company has a fully owned subsidiary in India since 2016. NSSPL is engaged in the business of services and undertake activities relating to back office and support services for transaction processing for the Group.

(iii) On 6 September 2017 the Parent Company has acquired 49% shareholding in Inayah TPA LLC, a third party administration company in UAE and accounted it as an associate. On 28 December 2017 the parent company acquired control over Inayah TPA LLC by entering into an arrangement to gain beneficial ownership of the balance 51% shareholding of the company.

Management have concluded that the Parent Company controls Inayah TPA LLC even though it holds less than half of the voting rights of the subsidiary based on beneficial ownership arrangement entered.

The acquisition was provisionally accounted as follows:

	2017 *RO*
Cash and bank balances	227,478
Property, plant and equipment	46,076
Trade and other receivables	382,540
Trade and other payables	(182,092)
Amount due from related party	(46,922)
Other noncurrent liabilities	(9,866)
Net identifiable assets acquired	**417,214**
Less: Consideration transferred in cash	(268,770)
Less: Acquisition date fair value of the previously held equity interest	(339,784)
Provisional goodwill arising on acquisition	**190,340**

Purchase consideration-Cash outflow

	2017 *RO*
Cash paid for acquiring 49% of the shareholding	374,472
Cash paid for beneficial ownership	268,770
Total	**642,242**
Less: Cash and cash equivalents acquired	(227,478)
Net outflow of cash-Investing activities	**414,761**

At the time the financial statements were authorised for issue the Group had not completed the accounting for the acquisition of Inayah TPA LLC. The initial accounting for the business combination is provisional and will be adjusted retrospectively when the final purchase price allocation is completed during the one year measurement period from the acquisition date.

Goodwill arising on acquisition is attributable to Inayah TPA LLC the synergies expected to arise for the Parent Company in third party administration of the medical claims.

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For the year ended 31 December 2017

7 Premiums and insurance balance receivables

	Group & Parent Company					
	2017			2016		
	Life RO	**General RO**	**Total RO**	Life RO	General RO	Total RO
Premium receivable	**25,550,164**	**3,026,646**	**28,576,810**	27,834,060	2,124,155	29,958,215
Reinsurance balances receivable	**10,058,959**	**732,437**	**10,791,396**	4,827,769	507,762	5,335,531
	35,609,123	**3,759,083**	**39,368,206**	32,661,829	2,631,917	35,293,746
Allowance for impaired debts	**(697,075)**	**(206,695)**	**(903,770)**	(537,672)	(149,052)	(686,724)
	34,912,048	**3,552,388**	**38,464,436**	32,124,157	2,482,865	34,607,022
Movement in allowance for impaired debts						
At 1 January	**537,672**	**149,052**	**686,724**	440,408	197,155	637,563
Provided during the year (note 29)	**199,122**	**64,085**	**263,207**	97,264	7,831	105,095
Written off during the year	**(39,719)**	**(6,442)**	**(46,161)**	-	(55,934)	(55,934)
At 31 December	**697,075**	**206,695**	**903,770**	537,672	149,052	686,724

8 Other receivables and prepayments

	Group		**Parent Company**	
	2017 RO	2016 RO	**2017 RO**	2016 RO
Receivable from other insurance companies and individuals	**979,859**	1,001,894	**979,859**	1,001,894
Other receivables	**1,757,879**	1,222,213	**1,390,761**	1,179,562
Accrued interest	**687,893**	743,847	**687,893**	743,847
Deferred acquisition costs (note a)	**20,679**	23,216	**20,679**	23,216
	3,446,310	2,991,170	**3,079,192**	2,948,519
Provision for doubtful debts (note b)	**(250,261)**	(221,387)	**(250,261)**	(221,387)
	3,196,049	2,769,783	**2,828,931**	2,727,132

(a) Movement in deferred acquisition costs

	Group		**Parent Company**	
	2017 RO	2016 RO	**2017 RO**	2016 RO
At 1 January	**23,216**	30,018	**23,216**	30,018
Costs incurred during the year	**12,707**	21,524	**12,707**	21,524
Amortised during the year	**(15,244)**	(28,326)	**(15,244)**	(28,326)
At 31 December	**20,679**	23,216	**20,679**	23,216

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

8 Other receivables and prepayments (continued)

(b) Movement in provision for doubtful debts

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
At 1 January	**221,387**	192,193	**221,387**	192,193
Provided during the year (note 29)	**28,874**	29,194	**28,874**	29,194
At 31 December	**250,261**	221,387	**250,261**	221,387

9 Loans to policyholders

Loans to policyholders are generally advanced at 90% (2016 - 90%) of the cash value of their respective policies and carry an annual effective rate of interest of 9.5% per annum (2016 - 9.5% per annum). The loans are secured against the cash values of the respective policies, and do not have specific repayment terms.

10 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Group has identified to the Capital Market Authority certain specific bank deposits, investments and loans to policyholders included in the statement of financial position at a total value of RO 28,730,476 (2016 - RO 31,367,841). Under the terms of the legislation, the Group can transfer these assets only with the prior approval of the Capital Market Authority.

In accordance with the law governing the operation of insurance companies within the United Arab Emirates, and Kuwait the Group has identified to the Insurance Authority, Abu Dhabi – UAE and The Ministry of Commerce and Industry, Kuwait certain specific fixed deposits of RO 441,405 (2016 - RO 441,405) and RO 1,274,000 (2016-NIL) respectively which are included in the statement of financial position. Under the terms of the legislation, the Group can transfer these assets only with the prior approval of the respective authorities.

The Group has provided bank guarantee of RO 50,000 (2016 - RO 50,000) to the Oman Unified Bureau for the Orange Card which is secured by a fixed deposit.

The Group has an overdraft facility of RO 1,900,000 with Ahli Bank SAOG for which the Group has provided negative pledge confirmation over its current assets and an undertaking not to create any encumbrance on its assets to any other lenders.

11 Investment properties

Investment properties are stated at fair value (level 2), which has been determined based on the valuations performed by Hamptons International as at 31 December 2017. Hamptons International is an industry specialist in valuing these types of investment properties. Valuations are performed once in a year and the fair value gains and losses are recorded within the statement of comprehensive income. The properties are under lien with Capital Market Authority (CMA).

Movement in value of investment property

	Group & Parent Company	
	2017	2016
	RO	RO
At 1 January	**1,200,000**	1,300,000
Fair value change	**(50,000)**	(100,000)
At 31 December	**1,150,000**	1,200,000

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12 Property and equipment

	Group **Motor vehicles** **RO**	**Furniture and equipment** **RO**	**Computer equipment** **RO**	**Total** **RO**
Cost				
At 1 January 2017	**238,871**	**736,451**	**1,260,011**	**2,235,333**
Additions	**8,750**	**95,326**	**386,929**	**491,005**
Addition of assets on acquisition of a subsidiary	**-**	**22,965**	**76,891**	**99,856**
Disposals	**(4,848)**	**(577)**	**-**	**(5,425)**
At 31 December 2017	**242,773**	**854,165**	**1,723,831**	**2,820,769**
Accumulated depreciation				
At 1 January 2017	**139,373**	**232,174**	**470,996**	**842,543**
Charge for the year	**47,407**	**146,771**	**299,451**	**493,629**
Addition of assets on acquisition of Subsidiary	**-**	**3,445**	**50,335**	**53,780**
Disposals	**(4,847)**	**(551)**	**-**	**(5,398)**
At 31 December 2017	**181,933**	**381,839**	**820,782**	**1,384,554**
Carrying value				
At 31 December 2017	**60,840**	**472,326**	**903,049**	**1,436,215**

	Group Motor Vehicles RO	Furniture and equipment RO	Computer equipment RO	Total RO
Cost				
At 1 January 2016	231,064	395,062	737,435	1,363,561
Additions	46,038	454,948	646,986	1,147,972
Disposals	(38,231)	(113,559)	(124,410)	(276,200)
At 31 December 2016	238,871	736,451	1,260,011	2,235,333
Accumulated depreciation				
At 1 January 2016	132,152	188,893	291,980	613,025
Charge for the year	45,445	144,860	219,889	410,194
Disposals	(38,224)	(101,579)	(40,873)	(180,676)
At 31 December 2016	139,373	232,174	470,996	842,543
Carrying value				
At 31 December 2016	99,498	504,277	789,015	1,392,790

12 Property and equipment (continued)

	Parent Company			
	Motor vehicles RO	**Furniture and equipment RO**	**Computer equipment RO**	**Total RO**
Cost				
At 1 January 2017	**238,871**	**736,451**	**1,260,011**	**2,235,333**
Additions	**8,750**	**59,205**	**294,840**	**362,795**
Disposals	**(4,848)**	**(577)**	**-**	**(5,425)**
At 31 December 2017	**242,773**	**795,079**	**1,554,851**	**2,592,703**
Accumulated depreciation				
At 1 January 2017	**139,373**	**232,174**	**470,996**	**842,543**
Charge for the year	**47,407**	**139,099**	**282,273**	**468,779**
Disposals	**(4,847)**	**(551)**	**-**	**(5,398)**
At 31 December 2017	**181,933**	**370,722**	**753,269**	**1,305,924**
Carrying value				
At 31 December 2017	**60,840**	**424,357**	**801,582**	**1,286,779**

	Parent Company			
	Motor Vehicles RO	Furniture and equipment RO	Computer equipment RO	Total RO
Cost				
At 1 January 2016	231,064	395,062	737,435	1,363,561
Additions	46,038	454,948	646,986	1,147,972
Disposals	(38,231)	(113,559)	(124,410)	(276,200)
At 31 December 2016	238,871	736,451	1,260,011	2,235,333
Accumulated depreciation				
At 1 January 2016	132,152	188,893	291,980	613,025
Charge for the year	45,445	144,860	219,889	410,194
Disposals	(38,224)	(101,579)	(40,873)	(180,676)
At 31 December 2016	139,373	232,174	470,996	842,543
Carrying value				
At 31 December 2016	99,498	504,277	789,015	1,392,790

13 Goodwill

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
At 1 January	**146,490**	146,490	**146,490**	146,490
Goodwill on acquisition of subsidiary	**190,340**	-	-	-
At 31 December	**336,830**	146,490	**146,490**	146,490

The Group performs goodwill impairment testing at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment loss on goodwill is recognised immediately as an expense and is not subsequently reversed.

Goodwill was recorded on life businesses obtained from Al Ahlia Insurance Company SAOC of RO 146,490 and further provisional goodwill of RO 190,340 has arisen on account of the acquisition of Inayah TPA LLC.

At the end of the reporting period, the Company assessed the recoverable amount of goodwill, on business obtained from Al Ahlia Insurance Company SAOC and determined that goodwill was not impaired. The impairment test, amongst others, is significantly dependent on the cost of capital and achievement of projected results.

At the time the financial statements were authorised for issue the Group had not completed the accounting for the acquisition of Inayah TPA LLC. The initial accounting for the business combination and goodwill is provisional and will be adjusted retrospectively when the final purchase price allocation is completed during the one year measurement period from the acquisition date. The acquisition was recently completed by the Parent Company and is was assessed that there are no indicators of an impairment on the provisional goodwill accounted.

14 Share capital

	2017 Number of shares	2016 Number of shares	**2017 RO**	2016 RO
Authorised - shares of RO 0.100 each (2016 – RO 1 each)	**500,000,000**	50,000,000	**50,000,000**	50,000,000
Issued and fully paid - shares of RO 0.100 each (2016 – RO 1 each)	**265,000,000**	26,500,000	**26,500,000**	26,500,000

Shareholders in the extraordinary general meeting held on 16 July 2017 have changed the nominal value of the Company's shares from one (1) Omani Rial per share to one hundred (100) Baizas per share thereby increasing the number of authorized shares from 50,000,000 shares to 500,000,000 shares and issued and fully paid shares from 26,500,000 shares to 265,000,000 shares. Shareholders in the extraordinary general meeting held on 28 July 2016 revised authorised share capital of the Parent Company to increase from RO 10,500,000 to RO 50,000,000. Issued and Paid up Share Capital is increased through rights issue of 16,000,000 shares from 10,500,000 shares to 26,500,000 shares at nominal value of RO 1 per share during 2016.

Major shareholders

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

	2017	2016
Oman International Development and Investment Company SAOG (73.448%)	**194,637,357**	-
Oman International Development and Investment Company SAOG (97.931%)	**-**	25,951,628

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15 Legal reserve

As required by article 106 of the Commercial Companies Law of Oman, 10% of the profit for the year is transferred to a legal reserve until such legal reserve amounts to, at least, one third of the company's share capital. The reserve is not available for distribution.

16 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 amounting to RO 365,116 (2016 - RO 220,637) and 1% of the life assurance premiums for the year in case of life insurance business amounting to RO 1,002,070 (2016 – RO 919,588) at the reporting date is transferred from retained earnings to a contingency reserve.

The Parent Company may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

17 Revaluation reserve

The revaluation reserve relates to revaluation of the building reclassified under investment property.

18 Dividends paid and proposed

Shareholders in annual general meeting dated 28 March 2017 (2016 - annual general meeting dated 28 March 2016) approved cash dividend of RO 3,055,250 (2016 – cash dividend of RO 2,616,000) which was paid in 2017 and 2016 respectively.

The Board of Directors propose a cash dividend of 15.86% of share capital of RO 26.5 million amounting to RO 4,202,900 (RO 0.01586 per share) in meeting held on 22 February 2018 to be approved at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year of approval.

NOTES TO THE FINANCIAL STATEMENTS
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19 Claims

The provision for outstanding claims, and the related reinsurers' share is as follows:

Life business		**Group & Parent Company**				
		2017			2016	
	Gross outstanding claims RO	**Reinsurers' share of outstanding claims RO**	**Net outstanding claims RO**	Gross outstanding claims RO	Reinsurers' share of outstanding claims RO	Net outstanding claims RO
At 1 January						
- Claims incurred	**9,232,898**	**(4,344,731)**	**4,888,167**	8,358,340	(4,043,645)	4,314,695
- Incurred but not reported	**8,031,794**	**(3,311,276)**	**4,720,518**	5,969,953	(2,553,393)	3,416,560
	17,264,692	**(7,656,007)**	**9,608,685**	14,328,293	(6,597,038)	7,731,255
Add: Claims provided during the year	**80,737,842**	**(35,595,971)**	**45,141,871**	80,102,219	(35,228,501)	44,873,718
Less: Insurance claims paid during the year	**(80,211,633)**	**35,577,177**	**(44,634,456)**	(77,165,820)	34,169,532	(42,996,288)
At 31 December	**17,790,901**	**(7,674,801)**	**10,116,100**	17,264,692	(7,656,007)	9,608,685
Analysis of outstanding claims at 31 December						
- Claims incurred	**10,878,835**	**(4,696,881)**	**6,181,954**	9,232,898	(4,344,731)	4,888,167
- Incurred but not reported	**6,912,066**	**(2,977,920)**	**3,934,146**	8,031,794	(3,311,276)	4,720,518
	17,790,901	**(7,674,801)**	**10,116,100**	17,264,692	(7,656,007)	9,608,685

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19 Claims (continued)

General business	**Group & Parent Company**					
	2017			2016		
	Gross outstanding claims RO	**Reinsurers' share of outstanding claims RO**	**Net outstanding claims RO**	Gross outstanding claims RO	Reinsurers' share of outstanding claims RO	Net outstanding claims RO
At 1 January						
- Claims incurred	**2,971,642**	**(1,021,944)**	**1,949,698**	3,163,187	(1,658,066)	1,505,121
- Incurred but not reported	**343,989**	**(87,319)**	**256,670**	309,565	(102,184)	207,381
	3,315,631	**(1,109,263)**	**2,206,368**	3,472,752	(1,760,250)	1,712,502
Add: Claims provided during the year	**9,205,387**	**(790,062)**	**8,415,325**	3,778,323	(186,450)	3,591,873
Less: Insurance claims paid during the year	**(7,889,984)**	**919,450**	**(6,970,534)**	(3,935,444)	837,437	(3,098,007)
At 31 December	**4,631,034**	**(979,875)**	**3,651,159**	3,315,631	(1,109,263)	2,206,368
Analysis of outstanding claims at 31 December						
- Claims incurred	**4,043,519**	**(867,450)**	**3,176,069**	2,971,642	(1,021,944)	1,949,698
- Incurred but not reported	**587,515**	**(112,425)**	**475,090**	343,989	(87,319)	256,670
	4,631,034	**(979,875)**	**3,651,159**	3,315,631	(1,109,263)	2,206,368

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For the year ended 31 December 2017

19 Claims (continued)

Life and General	Group & Parent Company					
	2017			2016		
	Gross outstanding claims RO	**Reinsurers' share of outstanding claims RO**	**Net outstanding claims RO**	Gross outstanding claims RO	Reinsurers' share of outstanding claims RO	Net outstanding claims RO
At 1 January						
- Claims incurred	**12,204,540**	**(5,366,675)**	**6,837,865**	11,521,527	(5,701,711)	5,819,816
- Incurred but not reported	**8,375,783**	**(3,398,595)**	**4,977,188**	6,279,518	(2,655,577)	3,623,941
	20,580,323	**(8,765,270)**	**11,815,053**	17,801,045	(8,357,288)	9,443,757
Add: Claims provided during year	**89,943,229**	**(36,386,033)**	**53,557,196**	83,880,542	(35,414,951)	48,465,591
Less: Insurance claims paid during the year	**(88,101,617)**	**36,496,627**	**(51,604,990)**	(81,101,264)	35,006,969	(46,094,295)
At 31 December	**22,421,935**	**(8,654,676)**	**13,767,259**	20,580,323	(8,765,270)	11,815,053
Analysis of outstanding claims at 31 December						
- Claims incurred	**14,922,354**	**(5,564,331)**	**9,358,023**	12,204,540	(5,366,675)	6,837,865
- Incurred but not reported	**7,499,581**	**(3,090,345)**	**4,409,236**	8,375,783	(3,398,595)	4,977,188
	22,421,935	**(8,654,676)**	**13,767,259**	20,580,323	(8,765,270)	11,815,053

Substantially all of the claims are expected to be paid within twelve months of the reporting date. The amounts due from reinsurers are contractually due within three months from the date of submission of accounts to the reinsurer.

The Group estimates its insurance liabilities and reinsurance assets principally based on previous experience. Incurred but not reported (IBNR) estimates for the life business are based on an independent actuary's report. Claims requiring Court or arbitration decisions are estimated individually.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

20 Gross actuarial / mathematical and unexpired risk reserve

	Group & Parent Company	
	2017	2016
	RO	RO
Actuarial / mathematical and unexpired risk reserve - life assurance		
Gross	**39,392,479**	42,929,303
Reinsurers' share	**(14,539,777)**	(17,408,917)
	24,852,702	25,520,386
Unexpired risk reserve – general insurance		
Gross	**6,364,312**	4,323,014
Reinsurers' share	**(401,101)**	(510,984)
	5,963,211	3,812,030
Actuarial / mathematical and unexpired risk reserve – total		
Gross	**45,756,791**	47,252,317
Reinsurers' share	**(14,940,878)**	(17,919,901)
	30,815,913	29,332,416
Movement during the year:		
Actuarial / mathematical and unexpired risk reserve – life assurance		
At 1 January	**25,520,386**	25,648,902
Net movement in the statement of comprehensive income	**(667,684)**	(128,516)
At 31 December	**24,852,702**	25,520,386
Unexpired risk reserve – general insurance		
At 1 January	**3,812,030**	2,518,266
Net movement in the statement of comprehensive income	**2,151,181**	1,293,764
At 31 December	**5,963,211**	3,812,030

21 Due to reinsurers

	Group & Parent Company	
	2017	2016
	RO	RO
Reinsurance balances payable – life insurance	**2,324,287**	964,818
Reinsurance balances payable – general insurance	**485,199**	527,277
	2,809,486	1,492,095

Reinsurance balance relates to premium ceded to reinsurers net of commission and claim recovery.

22 Other liabilities

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Accounts payable	**14,258,429**	12,408,018	**14,303,209**	12,408,018
Accrued expenses	**2,837,495**	2,247,139	**2,651,995**	2,240,888
Other payables	**2,362,867**	1,960,087	**2,311,464**	1,958,117
End of service benefits (note a)	**555,481**	478,785	**545,615**	478,785
	20,014,272	17,094,029	**19,812,283**	17,085,808

22 Other liabilities (continued)

(a) Movement in the liability for end of service benefits is as follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
At 1 January	**478,785**	391,576	**478,785**	391,576
Charge for the year (note 29)	**115,475**	99,253	**115,475**	99,253
Addition on acquisition of a subsidiary	**9,865**	-	**-**	-
Paid during the year	**(48,644)**	(12,044)	**(48,644)**	(12,044)
At 31 December	**555,481**	478,785	**545,615**	478,785

23 Contingent liabilities

(a) Contingencies

At 31 December 2017, there were contingent liabilities in respect of guarantees issued by commercial banks on behalf of the Group amounting to RO 337,106 (2016 – RO 475,457) given in the normal course of business from which it is anticipated that no material liabilities will arise.

(b) Legal claims

The Group, consistent with the majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of the court cases will have a material impact on its income or financial position.

24 Net assets per share

Net assets per share are calculated by dividing the net assets attributable to equity holders of the Parent Company at the year-end by the number of shares outstanding at the year end as follows:

	Group & Parent Company	
	2017	2016
Net assets (RO)	**49,464,576**	44,377,982
Number of shares outstanding at 31 December	**265,000,000**	265,000,000
Net assets per share (RO)	**0.187**	0.167

For the purpose of net assets per share, the Company has restated the previous year number of shares at the reporting date to include the effect of share split.

The Group has invested in fully owned subsidiaries. Since the subsidiaries are fully owned by the Group, thus, there is no non-controlling interest and net assets of the Group are equivalent to net assets attributable to equity holders of the Parent Company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

25 Insurance premiums earned and reinsurance impact

25(a) Insurance premiums earned

	Group & Parent Company					
		2017			2016	
		RO			RO	
	Life	**General**	**Total**	Life	General	Total
Gross written premium	**100,206,998**	**14,395,959**	**114,602,957**	91,958,833	9,247,597	101,206,430
Movement in unearned premiums	**3,536,824**	**(2,041,298)**	**1,495,526**	(3,923,923)	(1,328,904)	(5,252,827)
Gross premium, earned	**103,743,822**	**12,354,661**	**116,098,483**	88,034,910	7,918,693	95,953,603
Reinsurance premiums ceded	**(41,699,896)**	**(1,138,313)**	**(42,838,209)**	(41,422,279)	(1,231,701)	(42,653,980)
Movement in unearned premiums	**(2,869,140)**	**(109,883)**	**(2,979,023)**	4,052,440	35,140	4,087,580
Premium ceded to Reinsurers	**(44,569,036)**	**(1,248,196)**	**(45,817,232)**	(37,369,839)	(1,196,561)	(38,566,400)
Net insurance premium revenue	**59,174,786**	**11,106,465**	**70,281,251**	50,665,071	6,722,132	57,387,203

25(b) Reinsurance impact

	Group & Parent Company					
		2017			2016	
		RO			RO	
	Life	**General**	**Total**	Life	General	Total
Premium ceded to reinsurers, - (i)	**(44,569,036)**	**(1,248,196)**	**(45,817,232)**	(37,369,839)	(1,196,561)	(38,566,400)
Commission income on premium ceded to reinsurers - (ii)	**7,436,047**	**223,824**	**7,659,871**	8,204,773	246,978	8,451,751
Reinsurances' share of claims - (iii)	**35,595,971**	**790,062**	**36,386,033**	35,228,501	186,450	35,414,951
Net reinsurance impact (i)+(ii)+(iii)	**(1,537,018)**	**(234,310)**	**(1,771,328)**	6,063,435	(763,133)	5,300,302

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

26 Underwriting results

Net premium and the underwriting results before reinsurance recoveries are analysed as follows:

	Group & Parent Company			
	2017		2016	
	Net premium RO	**Underwriting results before reinsurance recoveries RO**	Net premium RO	Underwriting results before reinsurance recoveries RO
Life				
Bank borrowers' business	**3,527,623**	**2,377,584**	827,420	512,232
Group life business	**1,875,906**	**1,110,540**	2,333,512	794,265
Individual business	**913,835**	**58,542**	1,214,159	793,010
Group medical business	**52,189,738**	**12,836,712**	46,161,464	(225,988)
	58,507,102	**16,383,378**	50,536,555	1,873,519
General				
Motor business	**12,885,388**	**3,215,254**	7,767,886	2,718,716
Non motor business	**372,258**	**(1,281,948)**	248,010	691,297
	13,257,646	**1,933,306**	8,015,896	3,410,013

Net premium is calculated as gross written premiums less reinsurance premiums ceded while underwriting results before reinsurance recoveries are calculated as gross premium earned, including policy fees less gross claims provided during the year and acquisition costs.

The net claims ratios are as follows:

	Group & Parent Company	
	2017	2016
Group life business	**39%**	61%
Group medical business	**80%**	92%
Individual business	**11%**	4%
Motor business	**63%**	53%
Non motor business	**468%**	59%

The net claims ratio is calculated by dividing the net claims (gross claims less reinsurance and other recoveries) by the net premiums (gross premiums less premiums ceded).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

27 Investment income - net

	Group		Parent Company	
	2017 **RO**	2016 RO	**2017** **RO**	2016 RO
Interest income on bank deposits and other investments	**2,057,314**	1,531,258	**2,057,314**	1,531,258
Interest income on bonds, net of amortisation charge	**237,585**	43,193	**237,585**	43,193
Interest income on loans to policy holders	**38,609**	49,078	**38,609**	49,078
Dividend income	**380,669**	370,017	**380,669**	370,017
(Expense) / income from investment property	**(15,541)**	64,840	**(15,541)**	64,840
Change in fair value of investment property	**(50,000)**	(100,000)	**(50,000)**	(100,000)
Net unrealised loss on investments carried at fair value through profit or loss [note 6(a)(i)]	**(64,285)**	(37,464)	**(64,285)**	(37,464)
Net realised gain on investment carried at fair value through profit or loss and amortised cost [note 6(a)(i) and 6(a)(ii)]	**13,790**	187,247	**13,790**	187,247
Share in results from an associate	**(34,688)**	-	**(34,688)**	-
Share in results from a subsidiary	**-**	-	**32,679**	(14,510)
	2,563,453	2,108,169	**2,596,132**	2,093,659
Investment acquisition cost and portfolio management fees	**(5,895)**	(23,314)	**(5,895)**	(23,314)
	2,557,558	2,084,855	**2,590,237**	2,070,345

28 Other operating income / (loss)

	Group & Parent Company	
	2017 **RO**	2016 RO
Miscellaneous income	**119,256**	79,821
Profit on disposal of property and equipment	**632**	31,897
Exchange loss	**8,494**	40,324
	128,382	152,042

29 General and administrative expenses

	Group		Parent Company	
	2017 **RO**	2016 RO	**2017** **RO**	2016 RO
Wages, salaries and other benefits	**4,548,536**	3,573,720	**4,458,285**	3,573,050
Rent and utility expenses	**613,256**	503,702	**579,316**	499,568
Depreciation (note 12)	**493,629**	410,194	**468,779**	410,194
Director's remuneration and sitting fees [note 32(a)]	**200,000**	152,913	**200,000**	152,913
Allowance for impaired debts (note 7 and 8)	**292,081**	134,289	**292,081**	134,289
Professional and consultants fees	**214,568**	182,547	**199,226**	179,722
Social security benefits	**140,432**	112,516	**140,432**	112,516
End of service benefits [note 22(a)]	**115,475**	99,253	**115,475**	99,253
Advertisement and publicity	**109,755**	36,432	**109,755**	36,432
Recruitment and training expenses	**37,296**	34,990	**37,296**	34,990
Other expenses and fees	**847,368**	589,377	**822,198**	582,496
	7,612,396	5,829,933	**7,422,843**	5,815,423

30 Income tax

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Statement of comprehensive income:				
Current tax				
- For the year	**1,508,586**	583,436	**1,501,088**	583,436
- For prior years	**22,882**	(31,393)	**22,882**	(31,393)
Deferred tax	**(43,860)**	(772)	**(46,073)**	(772)
	1,487,608	551,271	**1,477,897**	551,271

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Current liability				
Income tax payable	**1,501,088**	554,674	**1,501,088**	554,674
Non-current asset				
Deferred tax asset	**190,999**	107,906	**193,212**	107,906

Movement for income tax payable is as follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
At 1 January	**554,674**	566,592	**554,674**	566,592
Charge for the year	**1,531,468**	552,043	**1,523,970**	552,043
Paid during the year	**(585,054)**	(563,961)	**(577,556)**	(563,961)
At 31 December	**1,501,088**	554,674	**1,501,088**	554,674

Reconciliation of income tax expenses

The tax rate applicable to the Parent Company is 15% (2016 - 12%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The subsidiary of the group was incorporated during the year in India and the tax impact on its operations is not material for the Group.

The following is the reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses after basic exemption of RO NIL (2016 - 30,000):

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Profit before income tax	**9,891,125**	5,251,658	**9,881,414**	5,251,658
Income tax as per rates mentioned above	**1,489,710**	626,599	**1,482,212**	626,599
Non-deductible expenses	**4,907**	1,566	**4,907**	1,566
Tax exempt (loss) / income	**(27,504)**	(46,611)	**(27,504)**	(46,611)
Provision relating to prior years	**22,882**	(31,393)	**22,882**	(31,393)
Others	**(2,387)**	1,110	**(4,600)**	1,110
Tax expense for the year	**1,487,608**	551,271	**1,477,897**	551,271

30 Income tax (continued)

Status of tax assessment

The Parent Company's tax assessments up to tax year 2015 have been completed by the tax authorities. The management believes that tax assessed, if any, in respect of the unassessed tax years would not be material to the financial position of the Group as at 31 December 2017.

Deferred tax

	Group			**Parent Company**		
	At 1 January 2017 RO	**Movement during the year RO**	**At 31 December 2017 RO**	**At 1 January 2017 RO**	**Movement during the year RO**	**At 31 December 2017 RO**
Amortisation of goodwill	**(17,579)**	**(4,395)**	**(21,974)**	**(17,579)**	**(4,395)**	**(21,974)**
Provision for doubtful debts	**108,782**	**64,323**	**173,105**	**108,782**	**64,323**	**173,105**
Depreciation of property and equipment	**(36,969)**	**(13,145)**	**(50,114)**	**(36,969)**	**(10,932)**	**(47,901)**
Revaluation of investments in real estate	**12,000**	**10,500**	**22,500**	**12,000**	**10,500**	**22,500**
Revaluation reserve	**(53,690)**	**(13,423)**	**(67,113)**	**(53,690)**	**(13,423)**	**(67,113)**
	12,544	**43,860**	**56,404**	**12,544**	**46,073**	**58,617**
Fair value through other comprehensive income reserve	**95,362**	**39,233**	**134,595**	**95,362**	**39,233**	**134,595**
Net deferred tax asset	**107,906**	**83,093**	**190,999**	**107,906**	**85,306**	**193,212**

	Group			Parent Company		
	At 1 January 2016 RO	Movement during the year RO	At 31 December 2016 RO	At 1 January 2016 RO	Movement during the year RO	At 31 December 2016 RO
Amortisation of goodwill	(17,579)	-	(17,579)	(17,579)	-	(17,579)
Provision for doubtful debts	99,570	9,212	108,782	99,570	9,212	108,782
Depreciation of property and equipment	(16,529)	(20,440)	(36,969)	(16,529)	(20,440)	(36,969)
Revaluation of investments in real estate	-	12,000	12,000	-	12,000	12,000
Revaluation reserve	(53,690)	-	(53,690)	(53,690)	-	(53,690)
	11,772	772	12,544	11,772	772	12,544
Fair value through other comprehensive income reserve	98,782	(3,420)	95,362	98,782	(3,420)	95,362
Net deferred tax asset	110,554	(2,648)	107,906	110,554	(2,648)	107,906

Deferred tax asset / liability has been computed at the tax rate of 15% (2016 - 12%).

31 Earnings per share - basic and diluted

Earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Group & Parent Company	
	2017	2016
Profit for the year (RO)	**8,403,517**	4,700,387
Weighted average number of shares outstanding during the year	**265,000,000**	126,666,666
Basic earnings per share (RO)	**0.032**	0.037

Weighted average number of shares has been arrived at as given below

	2017	2016
265,000,000 shares for twelve month period of January to December 2017	**265,000,000**	
105,000,000 shares for nine months period from January to September 2016		78,750,000
155,000,000 shares for two months period from October to November 2016		25,833,333
265,000,000 shares for one month period of December 2016		22,083,333
Weighted average number of shares outstanding during the year 2016		126,666,666

The number of shares outstanding have been taken at nominal value of RO 0.100 each for 2016 and 2017 to factor the change in nominal value of shares done in the extraordinary general meeting held on 16 July 2017 from one (1) Omani Rial per share to one hundred (100) Baizas per share.

No figure for diluted earnings per share has been presented as the company has not issued any instruments which would have an impact on earnings per share when exercised.

32 Related party transactions

These represent transactions with related parties defined in IAS 24- ‘Related Party Disclosures’.

The company is controlled by Oman International Development and Investment Company SAOG (OMINVEST), which owns 73.448% (2016 - 97.931%) of the company’s shares.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

32 Related party transactions (continued)

(a) Transactions with related parties of the Parent Company or holders of 10% or more of the Parent company's shares or their family members included in the statements of comprehensive income and statement of financial position are as follows:

	Total	Major shareholders	Directors	Subsidiaries & associates of major shareholder	Top Senior Executives	Key management personnel of major shareholder	Other related parties
2017	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
Statement of comprehensive income							
Gross premium income	**5,823,719**	**107,526**	**7,418**	**5,303,626**	**330**	**500**	**404,319**
Claims expense	**2,845,521**	**52,489**	**-**	**2,502,339**	**-**	**-**	**290,693**
Reinsurers' share of claims paid	**36,968**	**-**	**-**	**36,968**	**-**	**-**	**-**
Interest income on deposits	**205,356**	**-**	**-**	**205,356**	**-**	**-**	**-**
Rent expenses	**132,046**	**132,046**	**-**	**-**	**-**	**-**	**-**
Commission expense	**492,181**	**-**	**-**	**121,123**	**-**	**-**	**371,058**
Other expenses	**486,819**	**12,000**	**-**	**266,699**	**1,400**	**800**	**205,920**
Director sitting fees	**16,000**	**-**	**16,000**	**-**	**-**	**-**	**-**
Directors' remuneration	**184,000**	**-**	**184,000**	**-**	**-**	**-**	**-**
Statement of financial position							
Payable to Directors	**184,000**	**-**	**184,000**	**-**		**-**	**-**
Claims payable to related parties	**398,229**	**10,283**	**-**	**370,190**		**-**	**17,754**
Commission payable	**380,551**	**-**	**-**	**8,333**		**-**	**372,218**
Payable to related parties	**42,707**	**-**	**-**	**-**	**-**	**-**	**42,707**
Receivable from related parties	**92,846**	**77,181**	**-**		**15,665**	**-**	**-**
Bank balances	**454,940**	**-**	**-**	**454,940**		**-**	**-**
Fixed deposits balances	**5,250,000**	**-**	**-**	**5,250,000**		**-**	**-**
Premium receivable from related parties	**1,211,512**	**-**	**7,150**	**1,038,072**		**-**	**166,290**
Reinsurance balance receivable	**65,264**	**-**	**-**	**65,264**		**-**	**-**
Accrued interest receivable	**34,157**	**-**	**-**	**34,157**		**-**	**-**

During 2017, subsidiary in India (NSSPL) has charged the parent company service fees of RO 231,943. The Parent Company infused capital of RO 90,233 in its subsidiary in India (NSSPL) and accounted share of profit from subsidiary of RO 32,679. Carrying value of investment as on 31.12.2017 is RO 167,701 and due to NSSPL as at 31.12.2017 is RO 2,983.

During the period September 2017 to December 2017, the parent company has acquired a third party administration company (Inayah TPA LLC (UAE)). The company is accounted as an associate for the period 06 September 2017 to 27 December 2017 and accounted share of loss during the period of RO 34,688. From 28th December it has become fully owned subsidiary of the company. Investment in the subsidiary amounted to RO 642,242. Carrying value of investment as on 31.12.2017 is RO 607,554 and due to to Inayah TPA LLC (UAE) as at 31.12.2017 is RO 44,780.

NOTES TO THE FINANCIAL STATEMENTS

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32 Related party transactions (continued)

	Group & Parent Company					
	Total	Major shareholders	Directors	Subsidiaries & associates of major shareholder	Key management personnel of major shareholder	Other related parties
2016	RO	RO	RO	RO	RO	RO
Statement of comprehensive income						
Gross premium income	852,766	100,938	650	243,891	3,080	504,207
Claims expense	494,753	54,310	-	134,945	-	305,498
Reinsurer's share of claims paid	66,142	-	-	66,142	-	-
Interest income on deposits	200,113	-	-	200,113	-	-
Rent expenses	132,046	132,046	-	-	-	-
Commission expense	600,983	-	-	219,583	-	381,400
Other expenses	35,342	18,105	-	17,237	-	-
Director sitting fees	11,800	-	11,800	-	-	-
Director's remuneration	141,113	-	141,113	-	-	-
Other transactions						
Movement in bank balances	215,121	-	-	215,121	-	-
Fixed deposit placed with related party	1,000,000	-	-	1,000,000	-	-
Statement of financial position						
Provision for director's remuneration & sitting fees	141,713	-	141,713	-	-	-
Claims payable to related parties	78,898	5,120	-	39,557	-	34,221
Commission payable	399,522	-	-	140,000	-	259,522
Payable to related parties	12,557	12,557	-		-	-
Bank balances	271,677	-	-	271,677	-	-
Fixed deposits balances	5,250,000	-	-	5,250,000	-	-
Premium receivable from related parties (under accounts receivable)	99,409	-	1,650	19,829	-	77,930
Reinsurance balance receivable	140,383	-	-	140,383	-	-
Accrued interest receivable	41,800	-	-	41,800	-	-

During the year 2016, the Parent Company set up a fully owned subsidiary in India. Investment in subsidiary amounted to RO 49,767 and share of loss during the year amounted to RO 14,510 resulting in carrying value of RO 35,257 as of reporting date.

32 Related party transactions (continued)

(b) Compensation of key management personnel

The remuneration of members of key management during the year (salaries, incentives, fees, allowances and other statutory payments) was as follows:

	Group & Parent Company	
	2017	2016
	RO	RO
Short-term benefits	**765,080**	599,115
Employees' end of service benefits & leave salary accrual	**88,104**	62,230
	853,184	661,345
Number of key management personnel	**9**	6

Outstanding balances at the year end arise in the normal course of business.

No provision has been required during years 2017 and 2016 in respect of amounts due from related parties.

33 Segmental information

33.1 Primary reporting format - business segments

The Group's operating businesses are organised and managed separately according to the nature of the activities and services provided, with each segment representing a strategic business unit that offers different services.

The following table presents premium and profit information and asset and liability information regarding business segments for the year ended 31 December 2017 and 2016.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that have been allocated on a reasonable basis.

2017	**Life RO**	**General RO**	**Adjustments and eliminations RO**	**Total RO**
Gross premium written	**100,206,998**	**14,395,959**	**-**	**114,602,957**
Movement in unearned premiums	**3,536,824**	**(2,041,298)**	**-**	**1,495,526**
Gross premiums earned	**103,743,822**	**12,354,661**	**-**	**116,098,483**
Insurance premium ceded to reinsurers	**(41,699,896)**	**(1,138,313)**	**-**	**(42,838,209)**
Movement in unearned premiums	**(2,869,140)**	**(109,883)**	**-**	**(2,979,023)**
Premium ceded to reinsurers, earned	**(44,569,036)**	**(1,248,196)**	**-**	**(45,817,232)**
Net premiums	**59,174,786**	**11,106,465**	**-**	**70,281,251**
Claims	**(80,737,842)**	**(9,205,387)**	**-**	**(89,943,229)**
Reinsurers' share of claims	**35,595,971**	**790,062**	**-**	**36,386,033**
Net claims	**(45,141,871)**	**(8,415,325)**	**-**	**(53,557,196)**
Income from policy fees	**1,343,878**	**103,595**	**-**	**1,447,473**
Commission income on premium ceded to reinsurers	**7,436,047**	**223,824**	**-**	**7,659,871**
Commission expense	**(7,966,480)**	**(1,319,563)**	**-**	**(9,286,043)**
Net underwriting results	**14,846,360**	**1,698,996**	**-**	**16,545,356**
Investment income – net	**1,965,067**	**625,170**	**(32,679)**	**2,557,558**
Other operating income	**127,415**	**967**	**-**	**128,382**
Third party administration fees	**(1,651,422)**	**-**	**-**	**(1,651,422)**
General and administrative expenses	**(5,551,163)**	**(2,061,233)**	**-**	**(7,612,396)**
Finance cost	**(76,353)**	**-**	**-**	**(76,353)**
Income tax	**(1,448,138)**	**(39,470)**	**-**	**(1,487,608)**
Profit for the year	**8,211,766**	**224,430**	**(32,679)**	**8,403,517**
Segment assets	**119,866,495**	**22,734,331**	**(632,678)**	**141,968,148**
Segment liabilities	**69,806,548**	**22,744,788**	**(47,763)**	**92,503,573**

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For the year ended 31 December 2017

33 Segmental information (continued)

33.1 Primary reporting format - business segments (continued)

2016	Life RO	General RO	Adjustments and eliminations RO	Total RO
Gross premium written	91,958,833	9,247,597	-	101,206,430
Movement in unearned premiums	(3,923,923)	(1,328,904)	-	(5,252,827)
Gross premiums earned	88,034,910	7,918,693	-	95,953,603
Insurance premium ceded to reinsurers	(41,422,279)	(1,231,701)	-	(42,653,980)
Movement in unearned premiums	4,052,440	35,140	-	4,087,580
Premium ceded to reinsurers, earned	(37,369,839)	(1,196,561)	-	(38,566,400)
Net premiums	50,665,071	6,722,132	-	57,387,203
Claims	(80,102,219)	(3,778,323)	-	(83,880,542)
Reinsurers' share of claims	35,228,501	186,450	-	35,414,951
Net claims	(44,873,718)	(3,591,873)	-	(48,465,591)
Income from policy fees	1,475,373	204,507	-	1,679,880
Commission income on premium ceded to reinsurers	8,204,773	246,978	-	8,451,751
Commission expense	(7,534,546)	(934,863)	-	(8,469,409)
Net underwriting results	7,936,953	2,646,881	-	10,583,834
Investment income – net	1,557,819	512,526	14,510	2,084,855
Other operating (loss) / income	148,095	3,947	-	152,042
Third party administration fees	(1,633,940)	-	-	(1,633,940)
General and administrative expenses	(4,224,841)	(1,605,092)	-	(5,829,933)
Finance cost	(105,200)	-	-	(105,200)
Income tax	(387,699)	(163,572)	-	(551,271)
Profit for the year	3,291,187	1,394,690	14,510	4,700,387
Segment assets	116,112,558	19,174,119	(35,257)	135,251,420
Segment liabilities	71,128,499	19,744,939		90,873,438

33 Segmental information (continued)

33.1 Primary reporting format - business segments (continued)

Geographic Information

The Group has operations in four geographic locations in Middle East - Oman, UAE and Kuwait and has fully owned subsidiaries to provide support services and third party administration services. The businesses are organised and managed separately, with each segment representing a strategic business unit.

The following table presents premium and profit information and asset and liability information regarding business segments for the year ended 31 December 2017 and 2016.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that have been allocated on a reasonable basis.

	Oman	UAE	Kuwait	Adjustments and eliminations	Total
	RO	RO	RO	RO	RO
2017					
Gross premium written	49,700,948	64,902,009	-	-	114,602,957
Movement in unearned premiums	(1,641,974)	3,137,500	-	-	1,495,526
Gross premiums earned	48,058,974	68,039,509	-	-	116,098,483
Insurance premium ceded to reinsurers	(16,670,119)	(26,168,090)	-	-	(42,838,209)
Movement in unearned premiums	605,644	(3,584,667)	-	-	(2,979,023)
Premium ceded to reinsurers, earned	(16,064,475)	(29,752,757)	-	-	(45,817,232)
Net premiums	31,994,499	38,286,752	-	-	70,281,251
Claims	(35,617,700)	(54,325,529)	-	-	(89,943,229)
Reinsurers' share of claims	13,095,075	23,290,958	-	-	36,386,033
Net claims	(22,522,625)	(31,034,571)	-	-	(53,557,196)
Income from policy fees	451,618	995,855	-	-	1,447,473
Commission income on premium ceded to reinsurers	2,404,859	5,255,012	-	-	7,659,871
Commission expense	(3,251,429)	(6,034,614)	-	-	(9,286,043)
Net underwriting results	9,076,922	7,468,434	-	-	16,545,356
Investment income – net	2,054,419	521,072	14,746	(32,679)	2,557,558
Other operating (loss) / income	99,907	29,023	(548)	-	128,382
Third party administration fees	7,990	(1,659,412)	-	-	(1,651,422)
General and administrative expenses	(5,093,145)	(2,453,093)	(66,158)	-	(7,612,396)
Finance cost	(64,375)	(11,978)	-	-	(76,353)
Income tax	(1,487,608)	-	-	-	(1,487,608)
Profit for the year	4,594,110	3,894,046	(51,960)	(32,679)	8,403,517
Segment assets	79,116,278	62,032,448	1,452,100	(632,678)	141,968,148
Segment liabilities	48,493,108	44,034,558	23,670	(47,763)	92,503,573

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For the year ended 31 December 2017

33 Segmental information (continued)

33.1 Primary reporting format - business segments (continued)

Geographic Information (continued)

2016	Oman RO	UAE RO	Kuwait RO	Adjustments and eliminations RO	Total RO
Gross premium written	44,932,147	56,274,283	-	-	101,206,430
Movement in unearned premiums	(369,488)	(4,883,339)	-	-	(5,252,827)
Gross premiums earned	44,562,659	51,390,944	-	-	95,953,603
Insurance premium ceded to reinsurers	(15,467,085)	(27,186,894)	-	-	(42,653,979)
Movement in unearned premiums	537,371	3,550,208	-	-	4,087,579
Premium ceded to reinsurers, earned	(14,929,714)	(23,636,686)	-	-	(38,566,400)
Net premiums	29,632,945	27,754,258	-	-	57,387,203
Claims	(33,001,420)	(50,879,122)	-	-	(83,880,542)
Reinsurers’ share of claims	11,702,017	23,712,934	-	-	35,414,951
Net claims	(21,299,403)	(27,166,188)	-	-	(48,465,591)
Income from policy fees	743,669	936,211	-	-	1,679,880
Commission income on premium ceded to reinsurers	2,475,782	5,975,969	-	-	8,451,751
Commission expense	(3,086,648)	(5,382,761)	-	-	(8,469,409)
Net underwriting results	8,466,345	2,117,489	-	-	10,583,834
Investment income – net	1,828,169	242,176	-	14,510	2,084,855
Other operating income/(loss)	127,586	24,456	-	-	152,042
Third party administration fees	(79,814)	(1,554,126)	-	-	(1,633,940)
General and administrative expenses	(4,077,893)	(1,752,040)	-	-	(5,829,933)
Finance cost	(82,597)	(22,603)	-	-	(105,200)
Income tax	(551,271)	-	-	-	(551,271)
Profit for the year	5,630,525	(944,648)	-	14,510	4,700,387
Segment assets	78,790,669	56,496,008	-	(35,257)	135,251,420
Segment liabilities	48,985,697	41,887,741	-	-	90,873,438

34 Risk management

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Further, a company policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The board of directors approves the Group risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

The Group manages its capital structure and may make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Capital management framework

Regulatory framework

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

The operations of the Group within the Sultanate of Oman are subject to regulatory requirements of the Sultanate of Oman. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions such as solvency requirements and assignment of deposits to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

In accordance with the Insurance Companies Law of the Sultanate of Oman, the Group is required to maintain a minimum solvency margin at the reporting date in compliance with the solvency requirements. The Group's policy is to deal only with reputed and highly rated reinsurers. The Group has met all these requirements for the financial year 2017.

Insurance Authority for United Arab Emirates has also issued new financial regulations during 2015 which prescribe requirements for accounting, reporting, investments and solvency requirements. These regulations are to be implemented over a time frame of one to three years. The Group has met all these requirements for the financial year 2017.

Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics.

34 Risk management (continued)

(b) Capital risk management (continued)

Approach to capital management (continued)

The primary source of capital used by the Group is equity shareholders' funds. The Group also utilises, where efficient to do so, sources of funds such as reinsurance.

The capital requirements are routinely forecast on a periodic basis, and assessed against both the forecast available capital and the expected internal rate of return including risk and sensitivity analyses.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, other than those relating to reinsurance contracts as described in reinsurance risk, the maximum credit risk exposure to the Group is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties.
- The Group's investments carried at amortised cost portfolio is managed by the investment officer in accordance with the investment policy established by the board of directors.
- The Group's loan to policy holders is secured against the cash values of the respective policies.
- The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Premium and insurance balances receivable comprise a large number of customers in Oman and UAE. Three customers (2016 – three customers) account for 23% of the receivables as of 31 December 2017 (2016 - 18%).
- The Group's bank balances are maintained with a range of international and local banks which are approved by the board of directors.

The table below provides information regarding the credit risk exposure of the Group by classifying various assets.

Exposure to credit risk

	Group and Parent Company			
2017	**Not past due and considered good RO**	**Past due but not impaired RO**	**Impaired RO**	**Total RO**
Bank balances	**8,111,602**	**-**	**-**	**8,111,602**
Bank deposits	**49,698,915**	**-**	**-**	**49,698,915**
Premiums and insurance balance receivables	**25,537,097**	**12,927,339**	**903,770**	**39,368,206**
Reinsurers' share of actuarial / mathematical reserve and unexpired risk reserve	**14,940,878**	**-**	**-**	**14,940,878**
Reinsurers' share of outstanding claims	**8,654,676**	**-**	**-**	**8,654,676**
Other receivables (excluding prepayments)	**1,808,357**	**839,028**	**250,261**	**2,897,646**
Investments carried at amortised cost	**18,662**	**-**	**-**	**18,662**
Debt instruments carried at FVOCI	**6,337,039**	**-**	**-**	**6,337,039**
Loans to policyholders	**259,224**	**-**	**-**	**259,224**
Total	**115,366,450**	**13,766,367**	**1,154,031**	**130,286,848**

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For the year ended 31 December 2017

34 Risk management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

	Group and Parent Company			
2016	Not past due and considered good RO	Past due but not impaired RO	Impaired RO	Total RO
Bank balances	16,599,120	-	-	16,599,120
Bank deposits	43,407,859	-	-	43,407,859
Premiums and insurance balance receivables	25,818,027	8,788,995	686,724	35,293,746
Reinsurers' share of actuarial / mathematical reserve and unexpired risk reserve	17,919,901	-	-	17,919,901
Reinsurers' share of outstanding claims	8,765,270	-	-	8,765,270
Other receivables (excluding prepayments)	1,603,585	889,937	221,387	2,714,909
Investments carried at amortised cost	500,935	-	-	500,935
Debt instruments carried at FVOCI	2,542,320	-	-	2,542,320
Loans to policyholders	401,196	-	-	401,196
Total	117,588,213	9,678,932	908,111	128,145,256

The Group has made adequate provision towards its impaired receivable balances.

The following table provides an age analysis of receivables arising from insurance and reinsurance contracts past due but not impaired:

	Past due but not impaired						
	Less than 1 month RO	**1 to 4 months RO**	**4 to 7 months RO**	**7 to 9 months RO**	**9 to 13 months RO**	**> 13 months RO**	**Total RO**
2017	**1,624,621**	**5,738,941**	**3,593,103**	**586,244**	**772,327**	**612,103**	**12,927,339**
2016	1,661,461	4,594,874	1,590,916	818,237	-	123,507	8,788,995

Assets classified as 'past due and impaired' are contractual payments which are invoiced for more than 365 days and an impairment adjustment is recorded in the statement of comprehensive income. When the credit exposure is adequately secured, arrears more than 365 days might still be classified as "past due but not impaired", with no impairment adjustment recorded.

Reinsurance risk

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

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group only deals with reinsurers as mandated under the board approved Reinsurance Management strategy manual.

The Group places business only with reinsurers having a minimum rating of "BBB" from Standard & Poor's or "B+" from A. M. Best except regional reinsurers.

34 Risk management (continued)

Reinsurance risk (continued)

The Group reviews the rating of its major reinsurers on an annual basis and their financial strength ratings as per the latest review done in December 2017 / January 2018 are tabled below:

Reinsurer	Rating	Date	Outlook	Rating Agency
Swiss Re	A+ (Superior)	7-Dec-17	Stable	A.M.Best
SCOR	A+ Outlook	9-Jan-17	Stable	A.M.Best
CCR	A (Excellent)	9-Jan-17	Stable	A.M.Best
Partner Re	A (Excellent)	25-May-17	Stable	A.M.Best
Hannover Re	A+ (Superior)	13-Oct-17	Stable	A.M.Best
Arig	A - (Excellent)	22-Nov-17	Stable	A.M.Best
GIC Re	A - (Excellent)	24-Feb-17	Stable	A.M.Best
Gen Re	A++ (Superior)	1-Jan-18	Stable	A.M.Best
Asia Capital Re	A - (Excellent)	7-Dec-17	Negative	A.M.Best
Trust Re	A- (Excellent)	25-Aug-17	Stable	A.M.Best
Kenya Re	BB+	28-Jul-17	Negative	GCR
Reinsurance Group of America – RGA	A+ (Superior)	2-Aug-17	Stable	A.M.Best
Kuwait Re	A- (Excellent)	2-Aug-17	Stable	A.M.Best
Korean Re	A (Excellent)	7-Dec-17	Stable	A.M.Best
Milli Re	B+ (Good)	14-Jul-17	Negative	A.M.Best
Malaysian Re (MNRB Holdings Berhad)	A- (Excellent)	30-Nov-17	Stable	A.M.Best
Arab Re	B+ (Good)	18-Dec-17	Stable	A.M.Best
Barents Re	A (Excellent)	20-Dec-17	Stable	A.M.Best
Emirates Insurance Co	A - (Excellent)	20-Jul-17	Stable	A.M.Best
Lloyd's	A (Excellent)	20-Jul-17	Stable	A.M.Best
Saudi Re	BBB+	30-Apr-17	Stable	S & P

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The Group's maximum theoretical exposure in this connection is RO 23,595,554 (2016 – RO 26,685,171).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The Group considers their liquidity position to be satisfactory and also has committed overdraft and short term loan facilities of RO 5,900,000 which is unutilized as at 31 December 2017 (2016 –fully utilized overdraft and short term loan facilities of RO 3,900,000) as well as the Group is in a position to generate cash by way of selling quoted investments or liquidating bank deposits in case of urgent cash requirements.

The Group maintains sufficient cash and cash equivalents to cater its day to day working capital needs.

34 Risk management (continued)

Liquidity risk (continued)

The table below summarises the maturities of the principal position of the Group's financial assets and financial liabilities at the reporting date, based on contractual payment dates.

	Group			
2017	**Less than one year RO**	**More than one year RO**	**No fixed term RO**	**Total RO**
Financial liabilities				
Gross outstanding claims	22,421,935	-	-	22,421,935
Actuarial / mathematical reserve	30,160,127	-	9,232,352	39,392,479
Unexpired risk reserve	6,364,312	-	-	6,364,312
Due to reinsurers	2,809,486	-	-	2,809,486
Other liabilities (excluding contractual staff benefits)	18,098,966	851,378	-	18,950,344
Total financial liabilities	**79,854,826**	**851,378**	**9,232,352**	**89,938,556**

	Less than one year RO	**More than one year RO**	**No fixed term RO**	**Total RO**
Financial assets				
Cash and bank balances	8,119,632	-	-	8,119,632
Bank deposits	49,698,915*	-	-	49,698,915
Premiums and insurance balance receivables	38,464,436	-	-	38,464,436
Reinsurers' share of outstanding claims	8,654,676	-	-	8,654,676
Reinsurer's share of actuarial / mathematical reserve	12,341,600	-	2,198,177	14,539,777
Reinsurer's share of unexpired risk reserve	401,101	-	-	401,101
Other receivables (excluding prepayments)	2,632,086	15,299	-	2,647,385
Investments at fair value through profit or loss	2,571,628	-	-	2,571,628
Investments carried at amortised cost	-	18,662	-	18,662
Investment carried at FVOCI	-	-	12,930,004	12,930,004
Loans to policyholders	-	-	259,224	259,224
Total financial assets	**122,884,074**	**33,961**	**15,387,405**	**138,305,440**

34 Risk management (continued)

Liquidity risk (continued)

		Group		
2016	Less than one year RO	More than one year RO	No fixed term RO	Total RO
Financial liabilities				
Gross outstanding claims	20,580,323	-	-	20,580,323
Actuarial / mathematical reserve	33,191,406	-	9,737,897	42,929,303
Unexpired risk reserve	4,323,014	-	-	4,323,014
Due to reinsurers	1,492,095	-	-	1,492,095
Short term loan	3,900,000	-	-	3,900,000
Other liabilities (excluding contractual staff benefits)	15,452,543	728,209	-	16,180,752
Total financial liabilities	78,939,381	728,209	9,737,897	89,405,487

	Less than one year RO	More than one year RO	No fixed term RO	Total RO
Financial assets				
Cash and bank balances	16,610,164	-	-	16,610,164
Bank deposits	33,407,859*	10,000,000	-	43,407,859
Premiums and insurance balance receivables	34,607,022	-	-	34,607,022
Reinsurers' share of outstanding claims	8,765,270	-	-	8,765,270
Reinsurer's share of actuarial / mathematical reserve	14,097,179	-	3,311,738	17,408,917
Reinsurer's share of unexpired risk reserve	510,984	-	-	510,984
Other receivables (excluding prepayments)	2,474,106	19,416	-	2,493,522
Investments at fair value through profit or loss	2,740,264	-	-	2,740,264
Investments carried at amortised cost	470,359	30,576	-	500,935
Investment carried at FVOCI	-	-	4,681,840	4,681,840
Loans to policyholders	-	-	401,196	401,196
Total financial assets	113,683,207	10,049,992	8,394,774	132,127,973

* Bank deposits of RO 49,698,915 (2016 – RO 33,407,859) also include bank deposits which have maturity date of more than one year amounting to RO 33,464,346 (2016 – RO 28,558,516) as these are highly liquid in nature and can liquidated on demand whenever required.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group is exposed to market risk with respect to its investments. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees. Market risk comprises three types of risk: market interest rates (interest rate risk), market prices (equity price risk) and foreign exchange rates (currency risk).

Interest rate risk

The Group invests in securities and has deposits that are subject to interest rate risk. The Group's bank deposits carry fixed rate of interest and therefore, are not exposed to interest rate risk. Of these, subordinated interest bearing investments with face value of RO 2,542,320 are subject to interest rate reset in 2020. The Group avails short term loans which are on floating interest risk and is thereby exposed to interest rate risk. Change of interest rate on loans availed is not expected to have a material impact on the Group's results.

34 Risk management (continued)

Market risk (continued)

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market.

The Group is exposed to market risk with respect to its investments. The Group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition, the Group monitors actively the key factors that affect stock market movements.

47% (2016 - 64%) of the Group's investments at the reporting date are within the Sultanate of Oman.

The following table demonstrates the sensitivity of the investment income to reasonably possible changes in equity prices, with all other variables held constant. The effect of 20% decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Effect on equity		**Effect on profit**	
	2017 RO	2016 RO	**2017 RO**	2016 RO
Investments at fair value through profit or loss		-	**514,326**	548,053
Investments at fair value through other comprehensive income	**2,586,001**	936,368		-

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group enters into major agreements in Rial Omani, UAE Dirhams, Kuwaiti Dinars and US Dollars. As the Rial Omani is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

37% (2016 - 31%) of the Group's deposits and cash and bank balances are denominated in foreign currencies, mainly US Dollars, Kuwaiti Dinars and UAE Dirhams. The Group's investments carried at fair value through profit or loss and fair value through other comprehensive income (FVOCI) amounting to RO 8,239,876 (2016 - RO 2,868,296) are denominated in currencies other than Rial Omani.

35 Insurance risk and financial risk

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

35 Insurance risk and financial risk (continued)

Insurance risk (continued)

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. In addition the Group has entered into reinsurance contracts in order to mitigate the impact that large individual claims may have on its net results.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Long-term insurance contracts (individual life and group credit life written on a single premium basis)

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS, SARS or a human form of avian flu) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. Given that the Group's portfolio is small, large individual claims may also significantly impact the gross loss ratio.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with Discretionary Participation Features (DPF), the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The Group also manages mortality and disability risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group currently has a retention limit of RO 10,000 on any single life insured, the excess over this amount being reinsured. Medically impaired lives are reinsured at lower levels.

The Group's exposure to mortality risk in terms of total gross of reinsurance sums at risk are as follows as at 31 December 2017 for the long term individual business.

		Total sum at risk at reporting date	
2017	**Number of lives**	**Before reinsurance RO**	**After reinsurance RO**
Individual life - long term	**17,036**	**107,992,774**	**59,287,531**
Individual and group credit life - long term	**21,640**	**263,609,593**	**82,417,764**

The Group's exposure to mortality risk in terms of total sums at risk are as follows as at 31 December 2016:

		Total sum at risk at reporting date	
2016	Number of lives	Before reinsurance RO	After reinsurance RO
Individual life - long term	11,943	98,256,529	54,092,497
Individual and group credit life - long term	9,810	128,324,188	42,031,098

35 Insurance risk and financial risk (continued)

Insurance risk (continued)

Long-term insurance contracts (individual life and group credit life written on a single premium basis) (continued)

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior especially with respect to continued payment of premiums. The Group uses international mortality tables or reinsurance risk premium rates as estimates of mortality, given the absence of any published tables for insured lives in Oman.

In carrying out the liability adequacy test the Group uses estimates of the pattern of discontinuance of policies based on its experience in the past. The Group regularly measures and monitors the pattern of lapses and persistency.

(c) Process used to decide on assumptions

Assumptions are generally reviewed once a year at the time of the actuarial valuation. Estimates of expenses are based on an expense study done for the year 2017.

(d) Change in assumptions

There is following change in assumptions for valuation during the year as compared to the 31 December 2016

- In the Individual and Group Credit life business, the mathematical reserve as at 31 December 2017 for the single premium loan protection contracts is calculated as the 85% of the unexpired risk reserve and 15% of the current surrender value. These assumptions were respectively 75% and 25% as at 31 December 2016. The impact of the change has been to reduce the net of reinsurance reserves by OMR 198,464.

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to below mentioned movement in the assumptions used in the estimation of insurance liabilities.

	Change in variable	**Change in liability 2017 RO**	Change in liability 2016 RO
Worsening of mortality and / or morbidity rates for risk policies	10% increase in mortality	**112,693**	74,779
	10% decrease in mortality	**(122,454)**	(74,892)
Decrease in investment returns	50 basis point increase in investment	**(102,279)**	(115,360)
	50 basis point decrease in investment	**96,149**	119,968

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values; and change in lapses and future mortality.

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35 Insurance risk and financial risk (continued)

Insurance risk (continued)

Short-duration life insurance contracts

(a) Frequency and severity of claims

These contracts are mainly issued to:

- Employers, providing cover against death, disability or (in the case of group medical policies) health of their employees.
- Financial institutions, providing cover against death of their borrowers.

In the case of group life contracts issued to employers, the risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

For short term group life and group credit life contracts the Group guarantees the premium rate for a period of one year and has a right to change these rates thereafter. In such contracts it therefore minimises its exposure to mortality risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. Historical data indicates that recession and unemployment in an industry will increase the number of claims for disability benefits as well as reducing the rate of recovery from disability.

The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy.

The Group also mitigates the risk by entering into reinsurance contracts under which the Group cedes risks such as death, accidental death benefit and permanent total disability above RO 10,000.

For its group medical business the risk is mitigated by entering into reinsurance contracts under which the Group reinsures 50% of Oman its medical portfolio and 40% of its UAE medical portfolio on quota share treaty (in 2016 it was reinsured 50% of its Oman and UAE medical portfolio on quota share).

The following table reports the year-end aggregated insured benefits for the in-force short-duration group life insurance contracts

	Total sum at risk at reporting date	
	Before reinsurance	**After reinsurance**
2017	**RO**	**RO**
Group life – short term	**2,142,373,726**	**753,920,273**
Group medical – short term	**8,397,750,656**	**5,126,567,930**

	Total sum at risk at reporting date	
	Before reinsurance	After reinsurance
2016	RO	RO
Group life – short term	2,080,963,322	675,428,771
Group medical – short term	7,077,519,851	3,927,518,680

(b) Sources of uncertainty in the estimation of future claim payments

Other than for the testing of the adequacy of the liability representing the unexpired risk at the reporting date, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

35 Insurance risk and financial risk (continued)

Insurance risk (continued)

Short-duration life insurance contracts (continued)

(c) Process used to decide on assumptions

Assumptions are generally reviewed once a year at the time of the actuarial valuation. Estimates of expenses are based on an expense study done for the year 2017.

(d) Changes in assumptions

The Group did not change its assumptions in the current year.

Short-duration general insurance contracts
For its general insurance business, the Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy.

The Group mitigates risks by entering into reinsurance treaty arrangements. Retention for entire casualty business is reinsured on excess of loss arrangements with retention of RO 50,000 per event (in 2016 it was RO 30,000 per event). For other lines of general business the retention is limited to 10% to 20% (2016 - 10% to 20%), which is further protected by excess of loss arrangements with retention of RO 25,000 (2016 - RO 25,000) per event.

There have been changes in methods for valuation of reserves. However these did not have a significant impact on the profitability of the company. The key changes in methods and assumptions are summarised below:

- The unearned premium reserves for general insurance are computed at 1/365 or 45% method whichever is higher for 31 December 2017 as compared to 1/24 method or 45% method whichever is higher as at 31 December 2016
- The Chain Ladder method was being followed for computing IBNR for general insurance in 2016 which has been changed to using a combination of chain ladder method, Expected Loss Ratio Method and the Bornhuetter-Ferguson Method.

Claims development history

The following tables show the comparison of actual and estimates of incurred claims, including both claims notified and adjustments for claims notified in the previous years for each successive event year at each reporting year.

Claims development history of past five years for life business

Reported during	**2013**	**2014**	**2015**	**2016**	**2017**
Event year					
2006 & prior	**15,468**	**37,639**	**14,744**	**-**	**38,587**
2007	**(172)**	**18,608**	**(12,477)**	**(21,226)**	**29,283**
2008	**(166)**	**9,155**	**(56,357)**	**-**	**53,691**
2009	**(996)**	**(28,933)**	**39,973**	**(21,758)**	**11,016**
2010	**(27,928)**	**(22,791)**	**12,639**	**3,096**	**4,818**
2011	**(120,723)**	**8,847**	**12,459**	**(5,130)**	**(2,636)**
2012	**3,201,054**	**(207,894)**	**766**	**(10,429)**	**22,873**
2013	**31,368,851**	**2,802,079**	**(134,067)**	**(73,302)**	**3,506**
2014	**-**	**39,511,888**	**3,882,330**	**(1,683,071)**	**(22,800)**
2015	**-**	**-**	**56,242,435**	**7,714,661**	**(286,087)**
2016	**-**	**-**	**-**	**72,142,865**	**5,553,935**
2017	**-**	**-**	**-**	**-**	**76,484,787**
	34,435,388	**42,128,598**	**60,002,445**	**78,045,706**	**81,890,973**

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35 Insurance risk and financial risk (continued)

Insurance risk (continued)

Comparison between actual and estimated claims for life business

Reported during	**2013**	**2014**	**2015**	**2016**	**2017**
Actual claims notified and adjustments for claims notified in the previous years	**3,066,537**	**2,616,710**	**3,760,010**	**5,902,840**	**5,406,186**
Estimate of claims maintained as IBNR in previous year	**3,635,429**	**4,113,857**	**5,041,847**	**5,788,559**	**8,031,794**
Surplus / (Deficit)	**568,892**	**1,497,147**	**1,281,837**	**(114,281)**	**2,625,608**

Claims development history of past five years for general business

Reported during	**2013**	**2014**	**2015**	**2016**	**2017**
Event year					
2007	**117**	**(19,359)**	**-**	**(452)**	**-**
2008	**(13,759)**	**1,015**	**800**	**(3,048)**	**(2,236)**
2009	**60,794**	**(602)**	**3,700**	**(36,768)**	**(5,175)**
2010	**54,948**	**(4,985)**	**(8,373)**	**(52,564)**	**4,815**
2011	**365,457**	**(22,704)**	**(30,922)**	**(41,904)**	**(62,418)**
2012	**224,057**	**213,633**	**(60,011)**	**8,661**	**(74,605)**
2013	**3,417,029**	**(111,951)**	**(91,533)**	**(38,569)**	**(71,467)**
2014	**-**	**3,898,455**	**(124,954)**	**(41,301)**	**(90,990)**
2015	**-**	**-**	**4,096,232**	**(277,456)**	**39,897**
2016	**-**	**-**	**-**	**4,227,287**	**(53,949)**
2016	**-**	**-**	**-**	**-**	**9,277,989**
	4,108,643	**3,953,502**	**3,784,939**	**3,743,886**	**8,961,861**

Comparison between actual and estimated claims for general business

Reported during	**2013**	**2014**	**2015**	**2016**	**2017**
Actual claims notified and adjustments for claims notified in the previous years	**691,614**	**55,047**	**(311,292)**	**(483,401)**	**(316,128)**
Estimate of claims maintained as IBNR in previous year	**402,350**	**484,571**	**319,931**	**309,565**	**343,989**
Surplus / (Deficit)	**(289,264)**	**429,524**	**631,223**	**792,966**	**660,117**

The movement between the claims development table and incurred claim and gross claims expense in the statement of comprehensive income is as follows:

		2017			2016	
		RO			RO	
	Life	**General**	**Total**	Life	General	Total
Incurred claim as per claims development table	**81,890,973**	**8,961,861**	**90,852,834**	78,045,706	3,743,886	81,789,592
Movement in IBNR	**(1,119,729)**	**243,526**	**(876,203)**	2,061,841	34,437	2,096,278
Miscellaneous differences	**(33,402)**	**-**	**(33,402)**	(5,328)	-	(5,328)
Gross claims expense (note 19)	**80,737,842**	**9,205,387**	**89,943,229**	80,102,219	3,778,323	83,880,542

35 Insurance risk and financial risk (continued)

Financial risk

The Group is exposed to a range of financial risks through its financial assets, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The framework essentially consists of an investment strategy which provides for investment of funds representing a particular category of insurance liabilities in line with the nature of those liabilities.

The Group periodically produces reports showing the extent of compliance with the investment strategy which is reviewed by management and corrective action taken where necessary to rebalance the portfolio.

The following tables reconcile the statement of financial position to the classes and portfolios used in the Group's ALM framework (the table including assets and liabilities relating to non-life contracts as well):

The Group's current investment strategy is as follows:

	Asset allocation to different line of business								
	Individual life			Group credit life			Group life, medical and general		
Investment asset	Min	Max	Average	Min	Max	Average	Min	Max	Average
Policy loan	5%	15%	10%	0%	0%	0%	0%	0%	0%
Bonds and notes	0%	15%	5%	0%	15%	5%	0%	15%	5%
Long term fixed deposits	15%	40%	25%	20%	40%	30%	10%	30%	20%
Short term or liquid fixed deposit and money market	25%	60%	30%	30%	60%	45%	55%	75%	65%
Real estate	0%	15%	15%	0%	10%	5%	0%	5%	0%
Equity local / foreign	10%	20%	15%	5%	25%	15%	5%	25%	10%

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35 Insurance risk and financial risk (continued)

Financial risk (continued)

2017	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
Long term contracts (reinsurance)						
- Individual life without profits	613,695	541,454	-	72,241	-	-
- Individual life with profits	15,495	-	15,495	-	-	-
- Group credit life without profits	1,641,232	1,641,232	-	-	-	-
	2,270,422	2,182,686	15,495	72,241	-	-
Short term contracts (reinsurance)						
- Group life	465,133	-	-	465,133	-	-
- Medical	11,804,223	-	-	11,804,223	-	-
- Non-life	401,101	-	-	401,101	-	-
	12,670,457	-	-	12,670,457	-	-
Debt securities:	-	-	-	-	-	-
Held to maturity:	-	-	-	-	-	-
- Listed securities	18,662	-	18,662	-	-	-
Equity securities:	-	-	-	-	-	-
At fair value through profit or loss:	-	-	-	-	-	-
- Listed securities	2,571,628	-	-	-	2,571,628	-
- Unlisted securities	-	-	-	-	-	-
Investment in Subsidiary	-	-	-	-	-	-
At fair value through	-	-	-	-	-	-
Other comprehensive income:	-	-	-	-	-	-
- Listed securities	11,731,278	-	-	-	11,731,278	-
-Unlisted securities	1,198,725	-	-	-	1,198,725	-
Loans and receivables:	-	-	-	-	-	-
- Insurance receivables	38,464,436	-	-	38,464,436	-	-
Reinsurance assets	8,654,676	-	-	8,654,676	-	-
Fixed deposits	49,698,915	2,100,271	4,656,020	1,894,044	41,048,580	-
Loans to policyholders	259,224	-	259,224	-	-	-
Cash and bank balances	8,119,632	-	-	-	8,119,632	-
Other assets	6,310,093	-	-	-	2,657,657	3,652,436
Total assets	141,968,148	4,282,957	4,949,401	61,755,854	67,327,500	3,652,436

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35 Insurance risk and financial risk (continued)

Financial risk (continued)

2016	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
Long term contracts (reinsurance)						
- Individual life without profits	730,354	668,134	-	62,220	-	-
- Individual life with profits	12,728		12,728	-	-	-
- Group credit life without profits	907,158	907,158	-	-	-	-
	1,650,240	1,575,292	12,728	62,220	-	-
Short term contracts (reinsurance)						
- Group life	432,985	-	-	432,985	-	-
- Medical	15,325,692	-	-	15,325,692	-	-
- Non-life	510,984	-	-	510,984	-	-
	16,269,661	-	-	16,269,661	-	-
Debt securities:	-	-	-	-	-	-
Held to maturity:	-	-	-	-	-	-
- Listed securities	500,935	-	500,935	-	-	-
Equity securities:	-	-	-	-	-	-
At fair value through profit or loss:	-	-	-	-	-	-
- Listed securities	-	-	-	-	-	-
- Unlisted securities	2,740,264	-	-	-	2,740,264	-
Investment in subsidiaries	-	-	-	-	-	-
At fair value through	-	-	-	-	-	-
Other comprehensive income:	-	-	-	-	-	-
- Listed securities	4,305,864	-	-	-	4,305,864	-
-Unlisted securities	375,976	-	-	-	375,976	-
Loans and receivables:	-	-	-	-	-	-
- Insurance receivables	34,607,022	-	-	34,607,022	-	-
Reinsurance assets	8,765,270	-	-	8,765,270	-	-
Fixed deposits	43,407,859	1,110,846	4,413,183	1,606,381	36,277,449	-
Loans to policyholders	401,196	-	401,196	-	-	-
Cash and bank balances	16,610,164	-	-	-	16,610,164	-
Other assets	5,616,969	-	-	-	2,493,522	3,123,447
Total assets	135,251,420	2,686,138	5,328,042	61,310,554	62,803,239	3,123,447

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

35 Insurance risk and financial risk (continued)

Financial risk (continued)

2017	**Total**	**Fixed and guaranteed insurance contracts**	**Insurance contracts with DPF**	**Short-term insurance contracts**	**Other financial assets and liabilities (Corporate)**	**Other assets and liabilities (Corporate)**
Long term contracts						
- Individual life without profits	**1,217,235**	**1,008,274**	**-**	**208,961**	**-**	**-**
- Individual life with profits	**4,949,401**	**-**	**4,949,401**	**-**	**-**	**-**
- Group credit life without profits	**3,274,683**	**3,274,683**	**-**	**-**	**-**	**-**
	9,441,319	**4,282,957**	**4,949,401**	**208,961**		
Short term contracts						
- Group life	**981,397**	**-**	**-**	**981,397**	**-**	**-**
- Medical	**28,969,763**	**-**	**-**	**28,969,763**	**-**	**-**
- Non-life	**6,364,312**	**-**	**-**	**6,364,312**	**-**	**-**
	36,315,472			**36,315,472**		
Outstanding claims						
- Life and medical	**17,790,901**	**-**	**-**	**17,790,901**	**-**	**-**
- Non-life	**4,631,034**	**-**	**-**	**4,631,034**	**-**	**-**
Reinsurance liability	**2,809,486**	**-**	**-**	**2,809,486**	**-**	**-**
Short term loan	**-**	**-**	**-**	**-**	**-**	**-**
Other liabilities and equity	**70,979,936**	**-**	**-**	**-**	**18,950,344**	**52,029,592**
	141,968,148	**4,282,957**	**4,949,401**	**61,755,854**	**18,950,344**	**52,029,592**

2016	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short-term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
Long term contracts						
- Individual life without profits	1,229,164	1,070,776	-	158,388	-	-
- Individual life with profits	5,328,042	-	5,328,042	-	-	-
- Group credit life without profits	1,615,362	1,615,362	-	-	-	-
	8,172,568	2,686,138	5,328,042	158,388	-	-
Short term contracts						
- Group life	1,055,779	-	-	1,055,779	-	-
- Medical	33,700,955	-	-	33,700,955	-	-
- Non-life	4,323,014	-	-	4,323,014	-	-
	39,079,748	-	-	39,079,748	-	-
Outstanding claims						
- Life and medical	17,264,692	-	-	17,264,692	-	-
- Non-life	3,315,631	-	-	3,315,631	-	-
Reinsurance liability	1,492,095	-	-	1,492,095	-	-
Short term loan	3,900,000	-	-	-	3,900,000	-
Other liabilities and equity	62,026,686	-	-	-	16,180,751	45,845,935
	135,251,420	2,686,138	5,328,042	61,310,554	20,080,751	45,845,935

35 Insurance risk and financial risk (continued)

Financial risk (continued)

For long term fixed and guaranteed insurance contracts and long term insurance contracts with a DPF (i.e., where the amount of benefits are pre-determined at the inception of the contract for maturities), the process followed by the Group to manage financial risk (in particular risks associated with the mis-match of assets and liabilities, including uncertainty arising from options such as guaranteed surrender values) is to invest the substantial portion of funds in assets which should be described. Estimated cash flows relating to such contracts are as follows:

	Liability as of 31 December 2017	**Undiscounted cashflows as at 31 December 2017**
Fixed and guaranteed	**1,044,993**	**1,044,915**
Contracts with a DPF	**4,949,401**	**4,948,723**
Total	**5,994,394**	**5,993,638**

	Liability as of 31 December 2016	Undiscounted cashflows as at 31 December 2016
Fixed and guaranteed	1,099,286	1,314,536
Contracts with a DPF	5,328,042	6,558,149
Total	6,427,328	7,872,685

36 Fair values

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values as of the statement of financial position date.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, the Group grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

36 Fair values (continued)

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values as of the reporting date.

There were no level 3 financial instruments measured at fair value.

2017	**Level 1**	**Level 2**	**Total**
Investments	**14,302,907**	**1,198,725**	**15,501,632**
2016	Level 1	Level 2	Total
Investments	7,046,128	375,976	7,422,104

There were no transfers between any levels mentioned above.

37 Prior year adjustments

During the year, an amount of RO 2,542,320 has been reclassified from subordinated deposits to investments carried at fair value through other comprehensive income considering the nature of the investment. Certain other insignificant corresponding information has also been reclassified to conform to the presentation adopted in these financial statements. Such reclassifications have not resulted in change in last year's reported profit and equity.

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