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

Annual Report 2018

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OMAN | DUBAI | ABU DHABI | KUWAIT

PO Box 798 | P. C 117 | Wadi Kabir | Sultanate of Oman.

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HIS MAJESTY SULTAN QABOOS BIN 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

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.

Our 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 fulfil 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

Khalid Muhammad Al Zubair
Chairman

Abdul Aziz Mohammed Ahmed Al Balushi
Vice Chairman

Anwar Hilal Hamdoon Al Jabri
Director

Al Sayyid Zaki Hilal Saud Al Busaidi
Director

Ghassan Khamis Ali Al Hashar
Director

Mohammed Taqi Ibrahim Al Jamalani
Director

Neelmani Bhardwaj
Director

Directors' Report

For the Year ended 31 December 2018

Dear Shareholders

On behalf of the Board of Directors of National Life & General Insurance Co (NLGIC), it's my pleasure to present to you the company's Annual Report, including: the Financial Statements, Auditor's Report, the Management Discussion & Analysis Report and the Corporate Governance Report.

I am delighted to state that despite difficult business conditions in Oman and the rest of GCC, our company achieved impressive growth in revenues and net profits in 2018. As a result, the Board of Directors have proposed a Cash Dividend of %17.56 of the Share Capital – amounting to a total dividend of RO 4,653,400 or 17.56 baizas per share. The proposed dividend is subject to the approval of the Shareholders at the forthcoming Annual General Meeting on 27th March 2019.

Below, I would like to highlight NLGIC's operating environment, 2018 financial performance, key developments in our business, the company's strategic direction and its future prospects:

Economic and Business Conditions in Oman and UAE

Oman – NLGIC's largest market by profitability – grew its GDP by %1.9 in 2018, while UAE – its second largest market – grew its GDP by %2.0 in 2018. Economic conditions during 2018 remained challenging as Oman recorded a budget deficit of %9 of GDP. Fitch Rating Agency downgraded Oman's sovereign credit rating as oil prices remained volatile causing pressure on Oman's public finances. UAE's economy was also affected by volatile oil prices and a sharp slowdown in UAE's real estate markets and significant decline in overall consumer spending. Consequently, businesses in Oman and UAE continued to operate under challenging and uncertain business conditions. Capital markets in both countries also remained weak during 2018 and yields on Oman's sovereign bonds rose to new highs. Despite the challenging macro environment, Oman and UAE's insurance sectors remained resilient and the insurance premiums continued to grow. Going forward, we are cautiously optimistic as Oman and UAE's governments have posted 2019 fiscal budgets with expansionary policies to stimulate and grow their economies. Importantly, NLGIC's expansion into new markets will enhance both revenue growth and diversification and reduce risks during down cycles.

Khalid Muhammad Al Zubair

Chairman

Financial Performance

Despite difficult market conditions during 2018, NLGIC retained its leadership position as the top insurer in Oman in terms of Gross written premiums reported. As a result of its unique business model and operating strategy, NLGIC delivered strong results in 2018. During the year, NLGIC's gross written premiums rose by %17 to RO 135m, net underwriting results by %16 to RO 19.2m and net profit by %11 to RO 9.3m, over the same period in 2017. The increase in net profit was mainly due to %13 growth in its premiums in Oman (key contributors are motor and medical) and %18 growth in its UAE premiums and %2 growth in it's investment income. The Company has achieved the number three position in Abu Dhabi medical market within a short span of 3 years in terms of number of members insured in Abu Dhabi. In terms of gross written premiums, NLGIC continued to maintain the number one rank in Oman. During 2018, Oman contributed %42 of total gross written premiums, UAE %57 and, Kuwait %1. National Life has achieved Return on Equity of %18 with an Expense Ratio of %8.3 and Net Loss Ratio of %76. We believe that NLG's growth prospects are strong, its recurring revenues from insurance business are stable and on a clear growth trend.

Strategic Direction

NLGIC aims to maintain its leadership position in Oman in the medical business and increase its market share in the motor segment in Oman. The company aims to grow in medical business in Abu Dhabi and establish itself as one of the top medical insurance companies in the UAE. The company aims to create sustainable profit both in Oman and in its overseas operations. New markets and opportunities including geographic expansions such as the newly started Kuwait branch are expected to be the drivers for growth in premiums and profitability for the year ahead. The key focus areas in the Company's technological development strategy are cyber and information security, enhancing customer experience and cost reduction initiatives through increased analytics and automation.

Achievements

In Sept 2018, NLGIC received the 'Best Performing Company in Large Cap Segment in Oman' award by AIWA Awards for the year 2017. In addition, the CEO of National Life was honored with the 'Best CEO of the Year in Oman' award. A.M. Best upgraded the Long-Term Issuer Credit Rating (Long-Term ICR) of the company to "bbb+" from "bbb" and affirmed the Financial Strength Rating to B++ (Good) with stable outlook.

Corporate Governance

Since becoming a publicly listed company in 2017, NLGIC has further strengthened its Corporate Governance Framework, Operating Policies & Procedures and Risk Management Controls to meet the highest regulatory standards and to be fully compliant with the requirements set forth by CMA for listed companies.

Corporate Social Responsibility

As NLGIC has grown to become the market leader in the Omani insurance sector, we remain committed to serving our communities. In this regard, NLGIC has extended its support to a range of charitable organizations as well as charitable programs and events that have helped improve the lives of the disabled, students and the underprivileged in Oman and the UAE. The company has made contributions for social causes during the year and provided support to "Specialist Center for Children with Disabilities" towards student sponsorship for education, transportation, sponsorship of medical equipment in the UAE. In Oman the company has provided support to Ramadhan Iftar schemes, Student care programs for schools and colleges, etc. The company continues to support Dar Al Atta by providing free medical insurance coverage to its staff. As a part of its efforts towards sustainability, the company has a process of sending e-invoices both in Oman and UAE, while majority of medical claims in UAE are paperless in line with regulations for e-claims.

Acknowledgements

On behalf of the Shareholders, the Board appreciates our management team's hard work and dedication to consistently deliver superior results for the stakeholders and for adhering to the highest professional standards. We also sincerely thank our customers, and partners for their patronage, confidence and commitment to our company. We are thankful to the esteemed leaderships at the CMA, MSM and MOCI for guiding and supporting our company and the insurance industry during such challenging market conditions. We are also thankful to the Regulators, Government Bodies and Ministries in the UAE and Kuwait for their guidance and support to enable our success in these key markets.

We are profoundly thankful to His Majesty Sultan Qaboos Bin Said for his great vision and wise leadership for the steady growth, stability and enduring prosperity of our beloved country.

Khalid Muhammad Al Zubair

Chairman

Auditors Report in Corporate Governance Report

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 2018 and its application of the corporate governance practices in accordance with amendments to CMA 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 2018. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

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 2018 and does not extend to any financial statements of National Life and General Insurance Company SAOG, taken as a whole.

Ernst & Young LLC

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P.O. Box 1750 - P.C. 112, Sultanate of Oman

Muscat
27 February 2019

Corporate Governance Report – 2018

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. 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 as well as the principles set out in the CMA's Code of Corporate Governance for Public Listed Companies.

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. The Board of Directors are elected in the General Meeting from amongst the shareholders or non-shareholders, provided that in case of shareholders, each shareholder owns at least 200,000 shares in the Company. Nomination, Remuneration and Executive Committee assists the General Meeting in the nomination of proficient directors in order to enable the Shareholders to elect of the most fit candidates. Election of a Director 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 28th March 2018 for a term of three years. Next election of Board members is due to be held at the AGM in March 2021.

Key Duties and Responsibilities of the Board include:

- Identifying a strategic vision of the Company based on its mission, purpose and objects, and set viable performance indicators within a reasonable time frame that can be measured objectively and updated periodically.
- Adopting business and financial policies pertinent to the performance of the Company's business, meeting its objectives and reviewing them periodically to ensure sustenance of their efficiency.
- Adopting internal regulations and bylaws pertinent to steering and management of the affairs of the Company and ensuring the efficacy of systems and polices of the Company.

- Ensure the quality of Directors' performance and the accomplishment of its objectives by devising accountability measures vis-à-vis Directors to ensure their attendance of meetings, effective participation and performance of their roles.
- Identifying necessary competences and authority required for the Executive Management, appointing key executive officers and monitoring the work of the Executive Management to ensure the business is properly managed according to the Company's objective and ensuring compliance with the laws and regulations.
- Forming specialized committees including names of committee members, their duties, rights and obligations and evaluating, at least annually, the performance of specialized committees emanating from the Board.
- Approving quarterly and annual financial statements and Reviewing Related-Party Transactions.
- The functions of the Board of Directors also include Policy Formulation, approving Corporate Business Plan, establishing Risk Assessment and Management Strategy, approving Underwriting and Pricing Policy, approving Reinsurance Management Strategy, approving Investment Management Policy, establishing Management Structure and Responsibilities, establishing Standards of Customer Service and Fair Dealings, approving Information Technology Systems, overseeing Policy and Strategy Implementation and Operational Performance, establishing Systems for Internal Controls, establishing Internal Audit Function, establishing Code of Corporate Ethics, approving and implementing the Disclosure Policy and ensuring Compliance.

Composition of the Board

The composition and independence of the Board is in accordance with Article 3 of the revised code. The Board members hold various experiences and collectively exercised independent and objective judgment. Further the Board is supported by Board sub-committees. During 2018, the Audit Committee and the Human Resources Committee (HRC) have been renamed as Audit and Controls Committee (ACC) and Nomination and Remuneration Committee (NRC) respectively. The Executive Committee (EC) and the Nomination and Remuneration Committee (NRC) have later been merged to form a new committee namely the Nomination, Remuneration and Executive Committee (NREC). The company's Investment Committee (IC) which supports the Board for investment related matters comprised of members of the management and one member from the Board which has been reconstituted after the election of the new Board as a Board sub-committee comprising of board members.

Membership of Board and Committees before and after the elections held in the 28 March 2018 AGM are as follows:

Directorship prior to the 28 March 2018 AGM:

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

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

Sl No	Name	Date of Appointment / election	Term Completed on	Position	Independent	Membership of other committees	Board Meetings Attended upto 27.03.2018	Attended last AGM (Yes/No)
1.	Anwar Hilal Hamdoon Al Jabri	29.03.2015	28.03.2018	Chairman	No	EC & HRC / NRC	2	Yes
2.	Sheikh Khalid Hilal Al Mawaali*	29.03.2015	28.03.2018	Deputy Chairman	Yes	EC & HRC / NRC	2	No
3.	Abdul Aziz Mohammed Ahmed Al Balushi	28.03.2016	28.03.2018	Member	No	ACC & HRC / NRC	-	Yes
4.	Mohammed Taqi Al Jamalani	28.03.2016	28.03.2018	Member	Yes	ACC	2	Yes
5.	Hussain Mohamed Redha Ali*	29.03.2015	28.03.2018	Member	Yes	EC & ACC	1	No

** Sheikh Khalid Hilal Al Mawaali and Hussain Mohamed Redha Ali were members upto 28.03.2018 and have not participated in the election of new Board in the last AGM held on 28.03.2018.*

Current memberships after the election on 28 March 2018 is as follows:

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

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

Sl No	Name	Date of Appointment / election	Membership Duration appointed for	Position	Independent	Membership of other committees	Board Meetings Attended from 28.03.2018 onwards
1.	Khalid Muhammad AlZubair	28.03.2018	3 years	Chairman	No	NREC	4
2.	Abdul Aziz Mohammed Ahmed Al Balushi	28.03.2018	3 years	Deputy Chairman	No	NREC	4
3.	Al Sayyid Zaki Hilal Saud Al Busaidi	28.03.2018	3 years	Member	Yes	NREC, IC	4
4.	Anwar Hilal Hamdoon Al Jabri	28.03.2018	3 years	Member	No	IC	5
5.	Mohammed Taqi Al Jamalani	28.03.2018	3 years	Member	Yes	ACC	4
6.	Ghassan Khamis Ali Al Hashar	28.03.2018	3 years	Member	Yes	ACC, IC	3
7.	Neelmani Bhardwaj*	28.03.2018	3 years	Member	No*	ACC	5

** Neelmani Bhardwaj was independent until 08.07.2018 and thereafter has notified the company of change in circumstances as required by the code of corporate governance for public companies resulting in revision in his status as not independent w.e.f. 09.07.2018*

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.

Details of Meetings

During the 12 months period ended 31 December 2018, the Board met seven times the details of which are as follows:

Month	Date of Meeting
January 2018	-25 Jan18-
February 2018	-22 Feb18-
March 2018	-28 Mar18-
April 2018	-25 Apr18-
July 2018	-19 Jul18-
October 2018	-29 Oct18-
December 2018	-18 Dec18-

The maximum interval between any two meetings was 102 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.

Board Evaluation

As required under the Code, the shareholders of the Company have appointed consultants “KPMG” to impartially and independently appraise the performance of the Board of Directors (including its Sub-committees) and also approved the benchmark and standards i.e. the evaluation criteria for the appraisal of their performance in the Annual General Meeting held on 28th March 2018. The consultants shall confirm to the shareholders in the forthcoming Annual General Meeting that they have concluded the evaluation.

Sub-Committees of the Board

Audit and Controls Committee

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 ACC’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.

Prior to the election of the new Board in 28 March 2018, the Audit and Controls Committee was comprised of three non-executive directors. Two of the directors (including the Chairman of the Audit and Controls Committee) were independent while one director was not independent. All three members of the Audit and Controls Committee - Mohammed Taqi Al Jamalani, Abdul Aziz Mohammed Ahmed Al Balushi and Hussain Mohamed Redha Ali have finance and accounting expertise. The ACC met twice on 23 January 2018 and 22 February 2018 prior to the election of the new Board on 28th March 2018. The attendance details and the membership details of the ACC are as below:

Sl No	Name	Position	1ACC -23Jan2018-	2ACC -22Feb2018-
1	Mohammed Taqi Al Jamalani	Chairman	Yes	Yes
2	Abdul Aziz Mohammed Ahmed Al Balushi	Member	Yes	No
3	Hussain Mohamed Redha Ali	Member	Yes	Yes

After the election of the new Board, the membership of the Audit and Controls Committee was revised on 28th March 2018. The Audit and Controls Committee comprises of three non-executive directors who are knowledgeable in investments, finance, industry laws and regulations for SAOG companies. Two of the directors (including the Chairman of the Audit and Controls Committee) are independent while one director is not independent. All three members of the Audit and Controls Committee - Mohammed Taqi Al Jamalani, Ghassan Khamis Ali Al Hashar and Neelmani Bhardwaj have finance and accounting expertise. Post elections, the ACC has met six times on 09 April 23 ,2018 April 19 ,2018 July 07 ,2018 August 28 ,2018 October 2018 and 17 December 2018. The roles and responsibilities of the newly constituted ACC remain unchanged. The attendance details and the membership details of the ACC subsequent to 28th March 2018 are as below:

Sl No	Name	Position	3ACC -09Apr2018-	4ACC -23Apr2018-	5ACC -19Jul2018-	6ACC -07Aug2018-	7ACC -28Oct2018-	8ACC -17Dec2018-
1	Mohammed Taqi Al Jamalani	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
2	Ghassan Khamis Ali Al Hashar	Member	Yes	Yes	Yes	Yes	Yes	Yes
3	Neelmani Bhardwaj	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 overseas Insurance Authorities prepared in accordance with the Insurance Companies Law and its regulations issued by CMA and Regulations for Insurance Companies issued by overseas regulators. 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.

Nomination, Remuneration and Executive Committee

The Company had an Executive Committee and a Human Resources Committee (renamed / reconstituted as Nomination and Remuneration Committee on 25 January 2018). After the election of the new Board, both these committees have been merged to form a new committee named the Nomination, Remuneration and Executive Committee (NREC) on 28th March 2018.

The Executive Committee: The Executive committee comprised of three directors and the committee met once on 25th January 2018 before it was merged with NRC on 28th March 2018. The Executive Committee's main function was 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 other business matters that fall beyond the powers of the management. The attendance details and the membership details of the Committee are as below:

Sl No	Name	Position	1EC -25 Jan- 2018
1	Sheikh Khalid Hilal Al Mawaali	Chairman	Yes
2	Anwar Hilal Hamdoon Al Jabri	Member	Yes
3	Hussain Mohamed Redha Ali	Member	No

Human Resources Committee

The Human Resources Committee comprised of three directors. The Human Resources Committee's main function was 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 committee met once on 24th January 2018 and was thereafter renamed / reconstituted as Nomination and Remuneration Committee (NRC) on 25 January 2018. The terms of reference for the committee were also amended so that in addition to its existing functions, the requirements of the revised code were also covered. The main new function added to the NRC's terms of reference was 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 was also made responsible to assist the BOD in selecting the appropriate and necessary executives for the executive management roles in the Company. The NRC met twice on 12th February 2018 and on 28th March 2018 prior to the election of the new Board on 28th March 2018. The attendance details and the membership details of the HRC and NRC are as below:

Sl No	Name	Position	1HRC -24Jan2018-	2NRC -12Feb2018-	3NRC -28Mar2018-	Remarks
1	Anwar Hilal Hamdoon Al Jabri	Chairman	Yes	Yes	Yes	
2	Sheikh Khalid Hilal Al Mawaali	Member	Yes	Yes	No	
3	Abdul Aziz Mohammed Ahmed Al Balushi	Member	Yes	Yes	Yes	

Nomination, Remuneration and Executive Committee:

The Executive Committee was merged with the Nomination and Remuneration Committee and a new Committee was formed on 28th March 2018 namely the Nomination, Remuneration and Executive Committee (NREC). The NREC comprises of three directors and the committee met twice thereafter on 24th April 2018 and on 18th December 2018. The Terms of Reference of the new Committee encompasses all the roles and responsibilities of both the erstwhile EC and the NRC. The attendance details and the membership details of the Committee are as below:

Sl No	Name	Position	4NREC -24Apr2018-	5NREC -18Dec2018-	Remarks
1	Khalid Muhammad AlZubair	Chairman	Yes	Yes	
2	Abdul Aziz Mohammed Ahmed Al Balushi	Member	Yes	Yes	
3	Al Sayyid Zaki Hilal Saud Al Busaidi	Member	Yes	Yes	

Investment Committee

The Investment Committee (IC) was an additional committee comprising of one director, two members of executive management of the company and one member from executive management of the parent company. The committee met once on 13th February 2018 prior to the election of the new board on 28th March 2018.

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, reviewing / monitoring the Investment Portfolio, review strategic investment initiatives, review of compliance with investment related regulations and the adequacy and efficiency of the investment policies, procedures, practices and controls.

The attendance details and the membership details of the IC prior to election of new board on 28th March 2018 are as below:

Sl No	Name	Position	1IC -13Feb2018-
1	Hussain Mohamed Redha Ali	Chairman	Yes
2	S. Venkatachalam	Member	Yes
3	Ravi Iyer	Member	Yes
4.	Shahid Rasool	Member	Yes

After the election of the new Board, the Investment Committee was reconstituted as a Board sub-committee on 28th March 2018 comprising of three board members. Thereafter, the IC has met four times on 12 June 13 ,2018 August 26 ,2018 September 2018 and 13 December 2018. The roles and responsibilities of the newly constituted IC remain the unchanged. The attendance details and the membership details of the IC subsequent to 28th March 2018 are as below:

Sl No	Name	Position	2IC -12Jun2018-	3IC -13Aug2018-	3IC -26Sep2018-	3IC -13Dec2018-
1	Anwar Hilal Hamdoon Al Jabri	Chairman	Yes	Yes	Yes	Yes
2	Al Sayyid Zaki Hilal Saud Al Busaidi	Member	Yes	Yes	Yes	No
3	Ghassan Khamis Ali Al Hashar	Member	Yes	Yes	Yes	Yes

3. Remuneration of Directors

The Directors were paid remuneration of RO 184,000/- for 2017 as approved by the shareholders in the AGM held on 28th March 2018.

During the year 2018, Board members were paid sitting fees of RO 300/- per Board meeting attended and RO 200/- per Board sub-committee totaling to RO 20,000/-.

In addition to the sitting fees of RO 20,000/-, director's remuneration proposed for 2018 is RO 180,000/-. This is subject to shareholders' approval at the AGM scheduled to be held on 27th March 2019. As per Royal Decree 2005/99 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/-.

Actual travel and incidental expenses relating to company's business for Board members during the year was RO 1,696/- towards travel expenses (2017 RO 866/-).

Remuneration for 2017 paid in 2018 and the sitting fees for 2018 paid to the Board members during the 12 month period ended 31 December 2018 is detailed below:

Name of Director	Sitting fees for 2018					Total Sitting fees for 2018	Remuneration for 2017
	Board	ACC	EC	HR/ NRC/ NREC	IC		
Khalid Muhammad AlZubair	1,200			400		1,600	
Abdul Aziz Mohammed Ahmed Al Balushi	1,200	200		1,000		2,400	34,500
Al Sayyid Zaki Hilal Saud Al Busaidi	1,200			400	600	2,200	
Anwar Hilal Hamdoon Al Jabri	2,100		200	600	800	3,700	46,000
Mohammed Taqi Al Jamalani	1,800	1,600				3,400	34,500
Ghassan Khamis Ali Al Hashar	900	1,200			800	2,900	
Neelmani Bhardwaj	900	800				1,700	
Sheikh Khalid Hilal Al Mawaali	600		200	400		1,200	34,500
Hussain Mohamed Redha Ali	300	400			200	900	34,500
Total	10,200	4,200	400	2,800	2,400	20,000	184,000

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 20,000/- paid to Board members, sitting fees of RO 600/- was accrued to members of Investment Committee who are not members of the Board of Directors as given below:

		Sitting fees for 2018
Name of Member	Position	Investment Committee Meeting
S. Venkatachalam	Member	200
Ravi Iyer	Member	200
Shahid Rasool	Member	200
Total		600

4. 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 attaches 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 Company's internal control policies and procedures and is satisfied that appropriate procedures are in place to implement the Code's requirement.

5. Management

Management Discussion and Analysis

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

Management Remuneration

At 31 December 2018, the Company employed 445 employees including the Chief Executive Officer. The Gross remuneration accrued to 8 key management personnel (salaries, incentives and allowances and other statutory payments) during -01-01 2018 to 2018-12-31 is RO 853,184 :2017) -/915,324/- to 9 key management personnel). Above remuneration is disclosed in Note No. 32 of the financial statements. Sitting fees of RO 2,210/- have been received by the key management personnel from the subsidiaries of the company during 2018.

The performance incentive pool is approved by the Board after recommendation of the NREC 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 2017) -/45,330 RO 30,056/-) and are borne by the company.

Following is the brief profile of the key management team:

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, Chief Financial Officer

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 was promoted as Chief Financial Officer in 2018.

He has 20 years in Finance of which 13 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, Assistant 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 19 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 11 years of experience 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 17 years of experience of which 15 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.

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

During 2018, there have been no instances of non-compliance on any matter relating to CMA's Code of Corporate Governance for Insurance Companies and CMA's Code of Corporate Governance for Public Companies. The Company also follows the Commercial Companies Law No. 1974/4, the MSM listing agreements for Oman and other applicable CMA regulations. Similarly, for its overseas operations the company follows Federal Law 6 of 2007, Financial Regulations for Insurance Companies in the UAE, Law no. 24 of 1961 on Insurance Companies and Agents in Kuwait and other applicable overseas regulations.

During 2018, the Company has paid fines / penalties to Health Authority of Abu Dhabi (HAAD) totaling to AED 100,000 (approx. RO 10,500) for various items related to non-conformity with circulars on certificate of continuity, calculation of penalties collectable from members, dispute on validity of member enrolment with client and for dealing with a provider which is not licensed by HAAD by the Third Party Claim's Administrators.

During 2017, the company has paid penalty of AED 5,000 (approx. RO 525) to HAAD due to non-conformity with required format while submitting second quarter financial data and during 2016, the company has paid late payment fees of RO 2,141 to Public Authority for Social Insurance.

7. Shareholders

Distribution of shareholding

The following is the list of shareholder distribution as at 31st December 2018.

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	%10 - %5	1	15,653,375	%5.91
Between 2,650,000 and 13,249,999	%5 - %1	6	40,525,444	%15.29
Below 2,650,000	Below %1	129	14,183,824	%5.35
GRAND TOTAL		137	265,000,000	%100.00

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 have been 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 and press releases on the Company's website - www.nlicgulf.com.

8. 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 7,000 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 4,600 partners and approximately 106,775 professionals. Globally, EY operates in more than 150 countries and employs 261,559 professionals in 700 offices. Please visit ey.com for more information about EY.

Audit Services:

Remuneration to statutory auditors	RO
The Parent Company	43,663
Subsidiaries	7,210
Total	50,873

Non-Audit Services:

EY has provided the company with taxation advisory services and other non-audit related services during the year. The company has provided for expense of RO 6,679 towards professional fees for these services.

Market Price Data

The performance of the Company's share price (total returns) in 2018 versus MSM30- Index and details of the company's high, low and closing share prices for the period 01 January 2018 to 31 December 2018 is shown below:

	NLGIC				MSM 30 index			
	High	Low	Close	% age movement	High	Low	Close	% age movement
Performance for the month								
06 to -31Dec17-	0.332	0.310	0.310	%6.63-	5,111	5,007	5,099	%0.21-
Jan18-	0.320	0.310	0.320	%3.23	5,123	4,973	5,000	%1.95-
Feb18-	0.320	0.318	0.320	%0.00	5,069	4,952	5,003	%0.07
Mar18-	0.320	0.320	0.320	%0.00	5,016	4,755	4,774	%4.59-
Apr18-	0.342	0.320	0.342	%6.88	4,846	4,722	4,729	%0.93-
May18-	0.340	0.320	0.320	%6.43-	4,745	4,557	4,607	%2.59-
Jun18-	0.320	0.320	0.320	%0.00	4,616	4,565	4,572	%0.76-
Jul18-	0.322	0.320	0.322	%0.63	4,575	4,320	4,337	%5.14-
Aug18-	0.338	0.322	0.338	%4.97	4,453	4,316	4,419	%1.91
Sep18-	0.340	0.338	0.338	%0.00	4,571	4,419	4,544	%2.82
Oct18-	0.336	0.306	0.320	%5.33-	4,548	4,420	4,423	%2.66-
Nov18-	0.320	0.320	0.320	%0.00	4,522	4,382	4,412	%0.25-
Dec18-	NA	NA	0.320	%0.00	4,566	4,313	4,324	%2.00-
Annual Performance	0.342	0.306	0.320	%3.23	5,123	4,313	4,324	%15.21-

During the period 01 January 2018 to 31 December 2018 a volume of 8,351,094 shares of the company have been traded at MSM.

As at -31Dec2018-, there are no outstanding securities or any convertible instruments which are likely to have an impact on equity.

9. 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.

Khalid Muhammad Al Zubair

Chairman

Appendix

Particulars of Directorships of other Public Joint Stock Companies

and memberships of their Committees as of 31 December 2018

	OTHER DIRECTORSHIPS			
Director	Company	Position	Committee	Position
Khalid Muhammad AlZubair	OMINVEST SAOG	Chairman	Nomination, Remuneration & Executive Committee	Chairman
Abdul Aziz Mohammed Ahmed Al Balushi	National Finance Company SAOG	Director	Nomination, Remuneration & Executive Committee	Member
			Risk Committee	Chairman
Al Sayyid Zaki Hilal Saud Al Busaidi	Oman Telecommunications Co SAOG	Director	Audit and Tender Committee	Member
Anwar Hilal Hamdoon Al Jabri	OMINVEST SAOG	Director	Audit Committee	Member
	Ahli Bank SAOG	Director	Executive Risk Committee	Member
	Dhofar Power	Director	Audit Committee and Investment Committee	Member
Mohammed Taqi Al Jamalani	Galfar SAOG	Director	Audit Committee	Vice Chairman
Ghassan Khamis Ali Al Hashar	National Bank of Oman SAOG	Director	Audit Committee and Risk Committee	Member
Neelmani Bhardwaj	Nil	NA	NA	NA

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. The company has started operations in Kuwait during 2018 where it does life, health and general insurance business.

Industry Overview

Oman Industry Data 2016 vs 2017

Insurance Type	2016	2017	% Change
Life	68	61	%9-
Motor	158	153	%3-
Property	45	40	%12-
Marine	14	12	%11-
Engineering	18	19	%5
Health	116	134	%16
Others	32	32	%0
Total	450	452	%0.3

UAE Industry data 2016 vs 2017

Insurance Type	2016	2017	% Change
Life	903	1,027	%14
Motor	682	795	%17
Property	287	301	%5
Marine	135	130	%4-
Engineering	203	232	%14
Health	1,809	2,041	%13
Others	193	192	%1-
Total	4,211	4,718	%12

Oman:

As per data published by regulatory authorities in Oman, the Oman insurance industry has stagnated in 2017 mainly due to contraction in direct premiums of general insurance while direct premiums for medical insurance show a robust growth. Preliminary market data of 2018 also indicate de-growth in Motor premiums in Oman mainly due to reduction in premium rates being charged to customers while medical premiums continue to have healthy growth figures. With premiums of RO 115 million in 2017, NLGIC has a market share of %25 in Oman. For FY 2017, the company is ranked first not only in gross written premiums but also in terms of Net Profit After Tax with profit of RO 8.4 million which is highest among the 21 market players in the Oman insurance industry.

UAE:

UAE Industry data show strong growth figures across general insurance, health and life insurance premiums in 2017. NLGIC operates mainly in the medical market in the UAE and with medical premiums of RO 64 million in 2017, NLGIC has market share of around %3 in the medical market.

Financial Overview

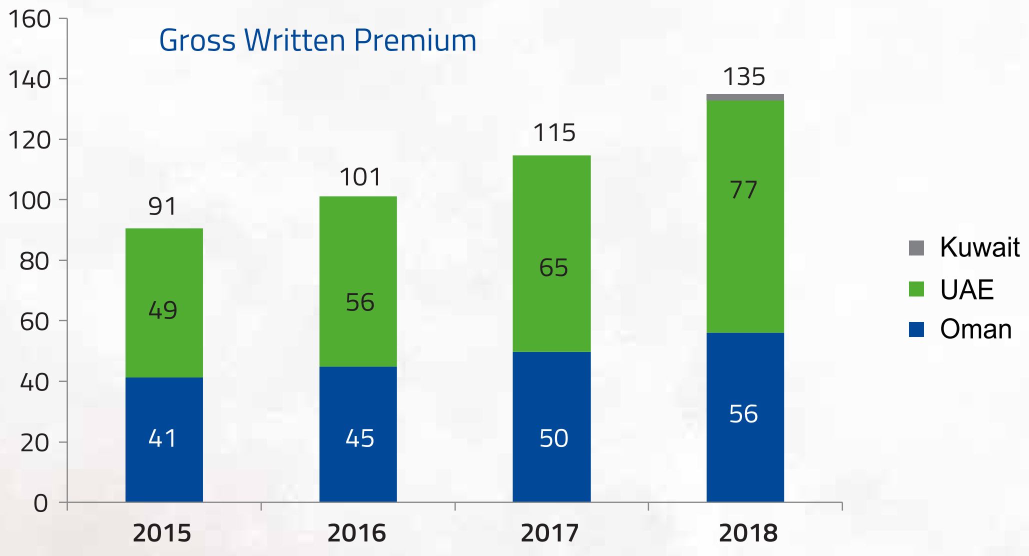
The financial highlights for the year 2018 with past 3 year data is as given below: RO in millions

Particulars	2015	2016	2017	**2018**
Gross Written Premium	90.6	101.2	114.6	**134.6**
Net Underwriting Results (NUR)	10.6	10.6	16.5	**19.2**
Investment Income - Net	1.3	2.1	2.6	**2.6**
Profit after Tax	4.4	4.7	8.4	**9.3**
EPS in baizas (restated @ RO 0.100 per share)	0.042	0.037	0.032	**0.035**
Total Assets	101.6	135.3	142.0	**161.3**
Share Capital	10.5	26.5	26.5	**26.5**
Total Equity	26.1	44.4	49.5	**53.7**
Net Assets per share in baizas (restated @ RO 0.100 per share)	0.249	0.168	0.187	**0.202**
Return on Weighted Average Equity (%age)	%18	%16	%18	**%18**

The company continues to maintain its growth trajectory in FY 2018 with a %17 growth in Gross written premium from RO 114.6 million in 2017 to RO 134.6 million in 2018 and a %11 growth in Profit after Tax from RO 8.4 million in 2017 to RO 9.3 million in 2018.

Gross Written Premium (GWP)

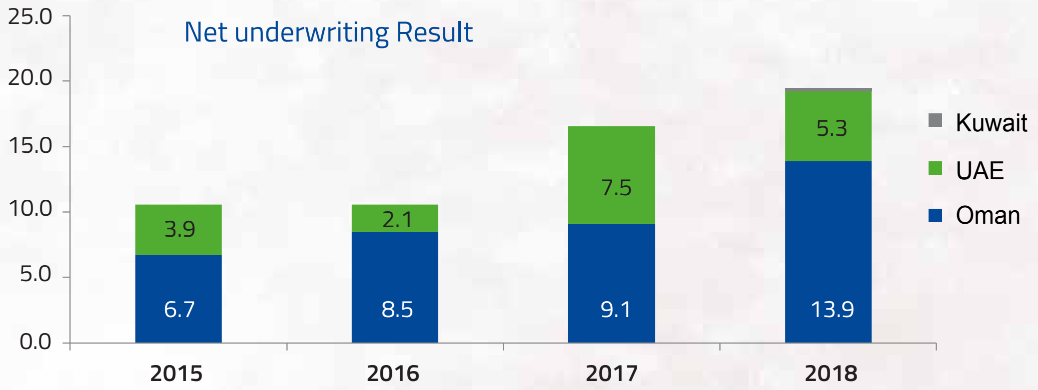
RO in millions



The Company has grown well both in GWP in Oman and in the UAE with a %13 growth in Oman and %18 growth in the UAE. The GWP growth in Oman has been contributed mainly by medical and the motor portfolios while the growth in UAE has been in the medical portfolio.

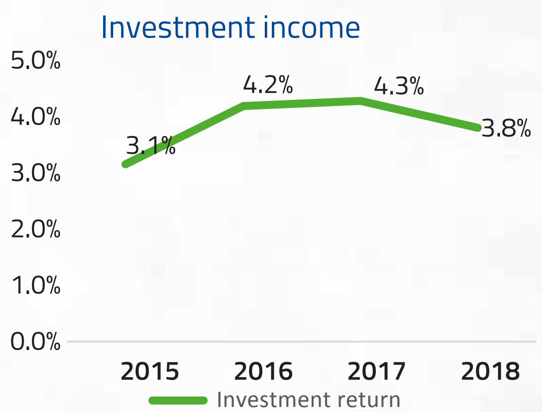
Net Underwriting Results (NUR)

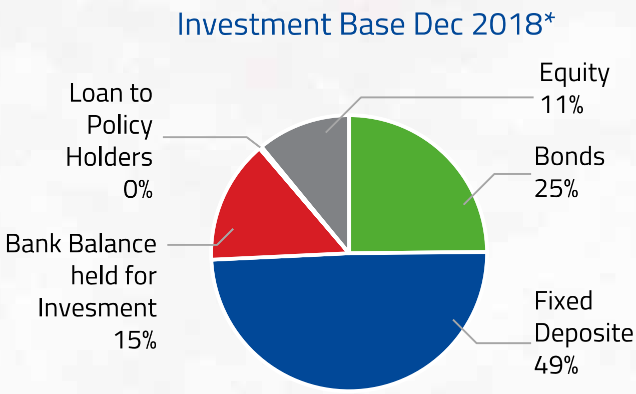
RO in millions



Net underwriting results for FY 2018 is RO 19.2 million which is %16 higher than RO 16.5 million in the previous year. The growth in NUR is contributed by Oman segment while UAE profitability has reduced by RO 2.1 million in the current year. The increase in profitability in Oman is mainly from it's Motor Insurance portfolio which has grown by %18 and at the same time it's loss ratios have reduced from %63 in FY 2017 to %53 in FY 2018.

Investment Income



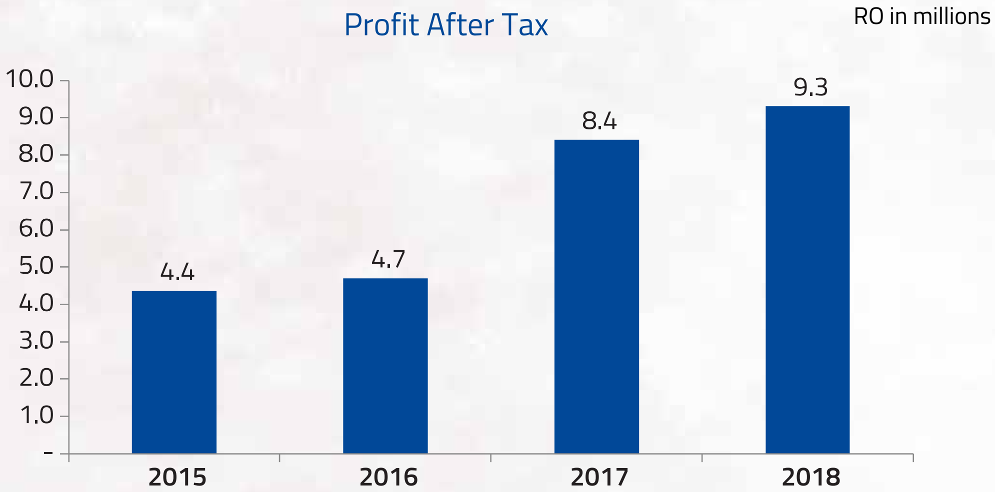


** Investment Base for FY 2018 includes RO 10.2 of Bank balances which are maturity proceeds of fixed deposits matured in the end of FY 2018 being reinvested in Q2019 1.*

The investment market in Oman as well as the UAE was subdued in FY 2018 which has affected the investment income of the Company (i.e. investment return of %3.8 in FY 2018 as compared to %4.3 in FY 2017). However, as the Investment Base of the Company comprises mainly of fixed income bearing investments, the Company has been able to achieve investment income of RO 2.6 million for FY 2018 which is at same levels as FY 2017.

Profitability

The company has achieved a Profit After Tax (PAT) of RO 9.3 million in 2018 as compared to a profit of RO 8.4 million in 2017 %11) higher).



For FY 2018, there has been a lackluster performance from the Company's overseas operations which is compensated by improved results in Oman's General Insurance segment. The PAT of RO 9.3 million comprises RO 8.6 million of profit from it's Oman operations and RO 0.7 million from it's overseas operations.

Information Technology (IT) developments

The Company's vision for IT is to build and enhance business value by deploying state of the art technology practices of international standards to serve the Company's target markets and be valued as a trusted partner by our stakeholders. It's mission is to provide high quality innovative technology solutions and services proactively, that is highly available, robust and secure, exceeding stakeholder expectations.

On the Information Technology front, during 2018, the company has implemented major projects such as technological upgrade to Oracle 12c, VAT implementation through systems in the UAE, implementing International Classification of Diseases coding for it's medical business in Oman, e-insurance integration with ROP systems for ensuring accurate vehicle data, Online claim form for Oman medical service providers and introduced the Mobile app and digital and online platform for sale / renewal of personal lines products such as motor insurance.

Human Resources

The company believes in investing in its people and capitalizing on their talents and abilities. The Company's HR policies and procedures are being designed to cater to the achievement of the company objectives by sourcing, retaining and developing talent. The Company believes in providing opportunities to nationals and providing training to them to enhance their personal development as well as meet the company requirements.

During 2018, the Company has participated in national employment program to give opportunity to job seekers who completed their course from college and provided tailor made training progams to hone up their knowledge and skill levels.

Omanization percentage at the end of FY 2018 is %73 (at the end of 2017, the same was at %66). Emiratization points achieved at the end of FY 2018 was 49 points (as compared to 26 points at end of FY 2017). Also, the Company has ensured healthy talent retention for the year 2018 which is above %85.

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 and Controls Committee reviews the company›s internal controls and reports to the Board on its effectiveness on periodic basis. However, the Board recognizes that any system of internal control can provide only reasonable, and not absolute assurance against material misstatement or loss. The Company has detailed policies and procedures in place which cover a wide range of functions. The business performance of the Company is reported regularly to its management and the Board with close monitoring of actual performance against budgets and prior periods. 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. The Company follows Risk Management Strategy and Policy 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 - the Board of Directors, the Risk Management Department and the Business / Process owners.

Acknowledgements

On behalf of the management, I 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 the presence of a conducive business environment.

I thank the Capital Market Authority, Government bodies and Ministry Departments in The Sultanate of Oman, United Arab Emirates and The State of Kuwait for their guidance and support. I also thank all our investors, the Board of Directors, 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 2018

Principal place of business:
Building No: 115 | Plot No: 133 | 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

Auditors Report - 2018

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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 separate and consolidated financial statements

Opinion

We have audited the separate and consolidated financial statements ("the financial statements) of National Life and General Insurance Company SAOG (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2018, and the related statement of comprehensive income, statement of changes in equity and statement of its 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 2018 and their respective 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 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.

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

Report on the audit of the separate and consolidated financial statements (continued)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
1. Valuation of insurance contract liabilities and reinsurance assets 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. Reinsurance assets are recognised when the related gross insurance liability is recognised contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective reinsurance counterparties. The basis of the Group's estimation of insurance contract liabilities and reinsurance assets are 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 34 to the financial statements, respectively.	We performed the following audit 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 and the respective share of reinsurance assets, 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's data recorded in the insurance policy administration systems with the data used in the actuarial reserving calculations. • We matched the insurance contract liabilities and reinsurance assets as recommended by the Group's actuary to the liabilities and assets in the financial statements. • We assessed the independence, 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. • We obtained the reinsurance treaty summary for the year and verified the details in the summary to the respective agreements. • We reviewed the ratios of reinsurance assets to related insurance contact liabilities to identify any variance from reinsurance treaty arrangements.

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

Report on the audit of the separate and consolidated financial statements (continued)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
2. Revenue recognition 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. For general insurance contracts unexpired risk reserve is calculated based on 1/365 method for all classes of business. For group medical policies and life policies 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 by an actuary. 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. • We assessed the independence, 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.

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

Report on the audit of the separate and consolidated financial statements (continued)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
3. *Premiums and insurance balance receivables* The premium and insurance balance receivables arising from insurance and reinsurance contracts are significant to the financial statements at 31 December 2018. The determination as to whether a receivable is collectable involves management judgment. Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall. We determined this to be a key audit matter because estimation of the recoverable amount of insurance receivables and determination of the level of impairment allowance involves estimates and judgements. Refer to notes 2.7 and 7 to the financial statements for the accounting policy and disclosures relating to insurance receivables and the related impairment provisions.	We performed the following audit procedures: • We assessed the accuracy of the aging of premium and insurance balance receivables and challenged management on the level of impairment on each 'bucket' of time proportionate aged balance. • We selected a sample of the larger receivable balances where a provision for impairment of receivables was recognised and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments, we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. • We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available. • Balance confirmations were circulated to a selection of parties and alternative procedures were performed where the response to the confirmation requests was not received. • In assessing the appropriateness of the overall provision for impairment, we also considered management's policy for recognising provisions on doubtful receivables. • Further, we assessed the adequacy of the disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 7 and 34 to the financial statements.

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

Report on the audit of the separate and consolidated financial statements (continued)

Other information included in the Group's 2018 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 2018 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 2018 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 identified above 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.

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

Report on the audit of the separate and consolidated financial statements (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.

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

Report on the audit of the separate and consolidated financial statements (continued)

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

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.

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

Philip Stanton
Muscat
27 February 2019

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

NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

		Group		Parent Company	
		2018	2017	**2018**	2017
	Notes	**RO**	RO	**RO**	RO
ASSETS					
Cash and bank balances	4	**17,818,846**	8,119,632	**17,512,436**	7,847,069
Bank deposits	5	**34,896,420**	49,698,915	**34,896,420**	49,698,915
Investments at FVTPL	6(a)	**1,292,498**	2,571,628	**1,292,498**	2,571,628
Premiums and insurance balance receivables	7	**43,750,195**	38,464,436	**43,750,195**	38,464,436
Reinsurers' share of outstanding claims	19	**9,720,551**	8,654,676	**9,720,551**	8,654,676
Reinsurers' share of actuarial / mathematical and unexpired risk reserve	20	**18,407,967**	14,940,878	**18,407,967**	14,940,878
Other receivables and prepayments	8	**4,727,341**	3,196,049	**4,351,570**	2,828,931
Investments carried at amortised cost	6(b)	**2,871,739**	18,662	**2,871,739**	18,662
Investments carried at FVOCI	6(c)	**21,153,006**	12,930,004	**21,153,006**	12,930,004
Investment in a subsidiaries	6(d)	**-**	-	**1,113,371**	775,255
Loans to policyholders	9	**218,374**	259,224	**218,374**	259,224
Investment properties	11	**-**	1,150,000	**-**	1,150,000
Property and equipment	12	**5,646,648**	1,436,215	**5,505,275**	1,286,779
Deferred tax asset	30	**290,128**	190,999	**290,634**	193,212
Intangible Assets (including Goodwill)	13	**519,839**	336,830	**146,490**	146,490
Total assets		**161,313,552**	141,968,148	**161,230,526**	141,766,159
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	**5,740,890**	4,810,390	**5,740,890**	4,810,390
Contingency reserve	16	**9,354,092**	7,733,953	**9,354,092**	7,733,953
Revaluation reserve	17	**447,420**	447,420	**447,420**	447,420
Fair value reserve		**(1,064,317)**	(833,162)	**(1,064,317)**	(833,162)
Foreign exchange fluctuation reserve		**(1,282)**	9,532	**(1,282)**	9,532
Retained earnings		**12,681,669**	10,796,443	**12,681,669**	10,796,443
Total equity		**53,658,472**	49,464,576	**53,658,472**	49,464,576
LIABILITIES					
Gross outstanding claims	19	**25,048,008**	22,421,935	**25,048,008**	22,421,935
Gross actuarial / mathematical and unexpired risk reserve	20	**52,962,614**	45,756,791	**52,962,614**	45,756,791
Due to reinsurers	21	**2,554,304**	2,809,486	**2,554,304**	2,809,486
Other liabilities	22	**25,477,097**	20,014,272	**25,394,071**	19,812,283
Income tax payable	30	**1,613,057**	1,501,088	**1,613,057**	1,501,088
Total liabilities		**107,655,080**	92,503,572	**107,572,054**	92,301,583
Total equity and liabilities		**161,313,552**	141,968,148	**161,230,526**	141,766,159
Net assets per share	24	**0.202**	0.187	**0.202**	0.187

The financial statements were authorised for issue in accordance with a resolution of the board of directors on 25 February 2019.

Director **Chief Executive Officer**

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

Income Statement

NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	Group 2018 RO	Group 2017 RO	Parent Company 2018 RO	Parent Company 2017 RO
Gross written premium	25(a)	**134,594,455**	114,602,957	**134,594,455**	114,602,957
Gross premium, earned	25(a)	**127,388,632**	116,098,483	**127,388,632**	116,098,483
Premium ceded to reinsurers, earned	25(a)	**(48,569,861)**	(45,817,232)	**(48,569,861)**	(45,817,232)
Net insurance premium revenue		**78,818,771**	70,281,251	**78,818,771**	70,281,251
Commission income on premium ceded to reinsurers	25(b)	**9,303,391**	7,659,871	**9,303,391**	7,659,871
Income from policy fees		**1,814,438**	1,672,366	**1,814,438**	1,672,366
Gross claims expense	19	**(101,156,584)**	(89,943,229)	**(101,156,584)**	(89,943,229)
Reinsurers' share of claims	19, 25(b)	**41,452,130**	36,386,033	**41,452,130**	36,386,033
Commission expense		**(10,988,346)**	(9,510,936)	**(10,988,346)**	(9,510,936)
Net underwriting result		**19,243,800**	16,545,356	**19,243,800**	16,545,356
Investment income – net	27	**2,602,689**	2,557,558	**2,768,610**	2,590,237
Expected credit losses on financial assets		**(42,214)**	-	**(42,214)**	-
Bargain gain on acquisition of a subsidiary	6(d)(iv)	**183,009**	-	**183,009**	-
Other operating income	28	**58,510**	128,382	**58,510**	128,382
Third party administration fees		**(1,652,253)**	(1,651,422)	**(2,403,451)**	(1,883,365)
General and administrative expenses	29	**(9,461,798)**	(7,612,396)	**(8,898,135)**	(7,422,843)
Finance cost		**(18,102)**	(76,353)	**(18,102)**	(76,353)
Profit before income tax		**10,913,641**	9,891,125	**10,892,027**	9,881,414
Income tax	30	**(1,608,643)**	(1,487,608)	**(1,587,029)**	(1,477,897)
Profit for the year		**9,304,998**	8,403,517	**9,304,998**	8,403,517
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**(10,814)**	9,532	**(10,814)**	9,532
Change in value of debt investments carried at FVOCI		**(153,290)**	112,896	**(153,290)**	112,896
Items that will not be reclassified to profit or loss:					
Change in value of investments carried at FVOCI		**(154,336)**	(384,101)	**(154,336)**	(384,101)
Change in allowance for debt investments	6(c)(iii)	**24,049**	-	**24,049**	-
Other comprehensive (expense)/income		**(294,391)**	(261,673)	**(294,391)**	(261,673)
Total comprehensive income		**9,010,607**	8,141,844	**9,010,607**	8,141,844
Earnings per share - basic and diluted	31	**0.035**	0.032	**0.035**	0.032

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.

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

Statement of Changes in Shareholders Equity

NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

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 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 FVOCI		-	-	-	-	(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 FVOCI		-	-	-	-	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
At 1 January 2018		**26,500,000**	**4,810,390**	**7,733,953**	**447,420**	**(833,162)**	**9,532**	**10,796,443**	**49,464,576**
IFRS 9 and IFRS 15– Day 1 adjustments (note 2.3.A(iv))		-	-	-	-	**26,808**	-	**(640,619)**	**(613,811)**
Restated opening balance under IFRS 9 and IFRS 15		**26,500,000**	**4,810,390**	**7,733,953**	**447,420**	**(806,354)**	**9,532**	**10,155,824**	**48,850,765**
Profit for the year		-	-	-	-	-	-	**9,304,998**	**9,304,998**
Change in value of investments carried at FVOCI		-	-	-	-	**(307,626)**	-	-	**(307,626)**
Change in allowance for debt investments	6(c)(iii)	-	-	-	-	**24,049**	-	-	**24,049**
Change in foreign exchange fluctuation reserve		-	-	-	-	-	**(10,814)**	-	**(10,814)**
Total comprehensive income for the year		-	-	-	-	**(283,577)**	**(10,814)**	**9,304,998**	**9,010,607**
Transfer on sale of FVOCI	6(c)(i)	-	-	-	-	**25,614**	-	**(25,614)**	-
Transfer to legal reserve	15	-	**930,500**	-	-	-	-	**(930,500)**	-
Transfer to contingency reserve	16	-	-	**1,620,139**	-	-	-	**(1,620,139)**	-
Dividends declared and paid	18	-	-	-	-	-	-	**(4,202,900)**	**(4,202,900)**
At 31 December 2018		**26,500,000**	**5,740,890**	**9,354,092**	**447,420**	**(1,064,317)**	**(1,282)**	**12,681,669**	**53,658,472**

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

Cash Flow Statement

NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

		Group		Parent Company	
		2018	2017	**2018**	2017
	Note	**RO**	RO	**RO**	RO
Operating activities					
Profit before taxation		**10,913,641**	9,891,125	**10,892,027**	9,881,414
Adjustments for:					
Unrealised loss on investments at FVTPL (net)	27	**230,776**	64,285	**230,776**	64,285
Realised gain on investments at FVTPL (net)	27	**18,257**	(13,790)	**18,257**	(13,790)
Share of results of investment in associates and subsidiaries (including bargain purchase gain)		**(183,009)**	34,688	**(348,930)**	2,009
Expected credit loss of financial assets		**42,214**	-	**42,214**	-
Amortisation of investments carried at amortised cost	6(b)(i)	**-**	377	**-**	377
Allowance for impaired debts	29	**223,712**	292,081	**223,712**	292,081
Change in fair value of investment properties	27	**(30,000)**	50,000	**(30,000)**	50,000
Accrual for end of service benefits	29	**140,191**	115,475	**135,056**	115,475
Interest income	27	**(2,370,789)**	(2,333,508)	**(2,370,789)**	(2,333,508)
Finance cost		**18,102**	76,353	**18,102**	76,353
Dividend income	27	**(487,036)**	(380,669)	**(487,036)**	(380,669)
Expense / (income) from investment property	27	**19,730**	15,541	**19,730**	15,541
Depreciation	12	**683,377**	493,629	**634,741**	468,779
Profit on disposal of property and equipment	28	**8,154**	(632)	**8,154**	(632)
		9,227,320	8,304,955	**8,986,014**	8,237,715
Changes in working capital:					
Premium and insurance balances receivable		**(5,480,525)**	(4,120,621)	**(5,480,525)**	(4,120,621)
Other receivables and prepayments		**(1,642,287)**	(148,723)	**(1,395,759)**	(159,033)
Reinsurers' share of outstanding claims		**(1,065,875)**	110,594	**(1,065,875)**	110,594
Reinsurers' share of actuarial / mathematical and unexpired risk reserve		**(3,467,089)**	2,979,023	**(3,467,089)**	2,979,023
Gross outstanding claims		**2,626,073**	1,841,612	**2,626,073**	1,841,612
Actuarial / mathematical and unexpired risk reserve		**7,205,823**	(1,495,526)	**7,205,823**	(1,495,526)
Due to reinsurers		**(255,182)**	1,317,391	**(255,182)**	1,317,391
Other liabilities		**5,048,062**	2,662,295	**4,934,285**	2,659,644
		12,196,320	11,451,000	**12,087,765**	11,370,799
End of service benefits paid	22(a)	**(55,226)**	(48,644)	**(55,226)**	(48,644)
Income tax paid	30	**(1,524,409)**	(585,054)	**(1,501,088)**	(577,556)
Net cash generated from operating activities		**10,616,685**	10,817,302	**10,531,451**	10,744,599
Investing activities					
Placement in bank deposits (net)		**14,756,846**	(6,291,056)	**14,756,846**	(6,291,056)
Purchase of property and equipment	12	**(3,726,717)**	(491,005)	**(3,686,144)**	(362,795)
Purchase of investment securities		**(13,695,527)**	(8,833,192)	**(13,695,527)**	(8,833,192)
Investment in a subsidiary		**-**	(642,242)	**-**	(732,475)
Proceeds from disposal of investment securities		**3,271,452**	874,629	**3,271,452**	874,629
Proceeds from disposal of property and equipment		**4,754**	659	**4,754**	659
Interest received		**2,212,911**	2,378,646	**2,212,911**	2,378,646

	Note	Group 2018 RO	Group 2017 RO	Parent Company 2018 RO	Parent Company 2017 RO
Dividends received	27	**487,036**	363,889	**487,036**	363,889
Expenses related to investment property	27	**(19,730)**	(15,541)	**(19,730)**	(15,541)
Net movement in loans to policyholders		**40,724**	141,972	**40,724**	141,972
Net cash from (used in) investing activities		**3,331,749**	(12,513,241)	**3,372,322**	(12,475,264)
Financing activities					
Finance cost paid		**(18,102)**	(76,353)	**(18,102)**	(76,353)
Dividend paid	18	**(4,202,900)**	(3,055,250)	**(4,202,900)**	(3,055,250)
Short term loans		**-**	(3,900,000)	**-**	(3,900,000)
Net cash used in financing activities		**(4,221,002)**	(7,031,603)	**(4,221,002)**	(7,031,603)
Net changes in cash and cash equivalents		**9,727,432**	(8,727,542)	**9,682,771**	(8,762,268)
Currency translation adjustment		**(10,814)**	9,532	**-**	-
Addition due to acquisition of subsidiary		**-**	227,478	**-**	-
Cash and cash equivalents at the beginning of the year	4	**8,119,632**	16,610,164	**7,847,069**	16,609,337
		17,836,250	8,119,632	**17,529,840**	7,847,069
ECL on closing cash and bank balances	4	**(17,404)**	-	**(17,404)**	-
Cash and cash equivalents at the end of the year	4	**17,818,846**	8,119,632	**17,512,436**	7,847,069

NATIONAL LIFE AND GENERAL INSURANCE COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 and has commenced life and general business from January 2018..

In accordance with the Royal Decree 2014/39 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 (FVOCI) and financial assets at fair value through profit or loss (FVTPL). 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 2018 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.

2.3. Changes in accounting policy and disclosures

A. New and amended standards and interpretations effective after 1 January 2018

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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group during 2018 has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- 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 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 40 (amendments) Transfers of Investment Property
- Annual Improvements to IFRS Standards 2016 - 2014 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 1 Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures

The adoption of these standards and interpretations has not resulted in any major changes to the Group's accounting policies except IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial instruments" whose effects on the Group's consolidated financial statements are mentioned below:

2.3.A (i) 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 2022 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.

2.3.A (ii) 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.

The Group has early adopted phase 1 of IFRS 9 in 2012 and has adopted other aspects of IFRS 9 for annual periods beginning on or after 1 January 2018. Overall, the Group did not have a significant impact on its consolidated statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

During 2018, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2018. Given insurance contracts are scoped out of IFRS 9, the main impact of the new standard has been on the its banks deposits, bonds and certain other receivable balances.

IFRS9- does not require the company to restate it's financials and the Group has estimated an net of deferred tax impact of RO 72,944 towards impairment of its financial assets as of 1 January 2018 which has been shown as adjustment to the opening equity of the Group as at 01 January 2018. In addition to this there has been an impact of RO 42,214 to the Statement of Comprehensive Income towards additional impairment required for the year ended 31 December 2018.

Further details of the specific IFRS 9 impairment accounting policies applied in the current period are described in more detail in note 2.9.3

2.3.A (iii) 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. Since insurance contracts are scoped out of IFRS 15, the Group has applied IFRS 15 only on Income from policy fees using the modified retrospective application. The Group has estimated an impact of RO 567,675 towards advance income as of 1 January 2018 which has been shown as adjustment to the opening equity of the Group as at 01 January 2018. In addition to this there has been an impact of RO 117,659 to the Statement of Comprehensive Income towards movement in the advance income for the Income from policy fees charged during the year ended 31 December 2018.

2.3.A (iv) Transition disclosures

Set out below are the IFRS 9 and IFRS 15 transition impact disclosures for the Group.

	Group		Parent Company	
	Retained earning RO	Fair value reserve RO	Retained earning RO	Fair value reserve RO
Closing balance under IAS 31 – 39 December 2017 (a)	10,796,443	(833,162)	10,796,443	(833,162)
Impact of recognition of Expected Credit Losses (ECL)				
Cash and bank balances	(7,116)	-	(7,116)	-
Bank deposits	(50,228)	-	(50,228)	-
Investment carried at FVOCI - Bonds	(26,808)	26,808	(26,808)	26,808
Other receivables	(1,665)	-	(1,665)	-
Deferred tax impact on the ECL	12,873	-	12,873	-
IFRS 15 impact on income from policy fees	(567,675)	-	(567,675)	-
Total impact on transition (b)	(640,619)	26,808	(640,619)	26,808
Restated balance as at 1 January 2018 (a-b)	10,155,824	806,354	10,155,824	806,354

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 2018:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9: Prepayments features with negative compensation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2017-2015 Cycle (issued in December 2017)
    - IFRS 3 Business Combinations
    - IFRS 11 Joint Arrangements
    - IAS 23 Borrowing Costs
    - IAS 12 Income Taxes

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:

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 new standard will be effective for annual periods beginning on or after 1 January 2019. The Company has performed a detailed assessment to determine the extent of impact on its financial statements for the annual periods beginning on or after 1 January 2019 and concluded that there would be no significant impact due to the application of IFRS 16 as most of it's leases are short term in nature and are not of material amounts.

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 2022, 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.

2.4. 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.

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.

2.5. 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 FVTPL 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 FVOCI 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.

(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.

(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.

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 365/1 method for all classes of business. Acquisition costs and reinsurance commissions are recognised as expenses or income over the period of the policy by deferring it using 365/1 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.

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.

2.9. Financial assets

2.9.1. Classification

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The classification of financial assets are:

(1) Financial assets carried at amortised cost;

(2) Financial assets carried at fair value through other comprehensive income (FVOCI); and

(3) Financial assets carried at fair value through profit or loss (FVTPL)

(1) Financial assets at amortised cost:

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

(a). The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;

(b). The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. Further, fnancial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Financing income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

(a) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity›s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking ‹worst case› or ‹stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group›s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(2) Financial assets at fair value through other comprehensive income (FVOCI):

(i) Debt instruments at FVOCI

The Group applies the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of comprehensive income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

This category only includes debt instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its debt instruments at FVOCI. Debt instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

ii) Equity instruments at FVOCI

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

(3) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of 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 FVTPL, 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.

For debt instruments measured at amortised cost, FVTPL and FVOCI, the interest income, foreign currency gains or losses and impairment gains or losses are recognised in profit and loss. For debt instruments classified as FVTPL, unrealized and realised fair value changes are recognised through profit and loss. For debt instruments measured at FVOCI, the fair value gains or losses are recognised in other comprehensive income until derecognition, when the cumulative gains or losses recognized in Other comprehensive income are reclassified to profit or loss.

The Group subsequently measures all equity investments at fair value. Dividends from such investments are recognised in the statement of comprehensive income. The unrealised and realised fair value gains and losses on equity investments that are held for trading are recognized in profit or loss. Where the Group has made an irrevocable election at initial recognition to classify the equity investments through other comprehensive income, the changes in fair value are recognized in other comprehensive income. For all equity investments at FVOCI, there is no subsequent recycling of fair value gains and losses to profit or loss at derecognition.

2.9.3. Impairment of financial assets (applicable from 1 January 2018)

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost and debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except in the following cases, for which the amount recognised is -12month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas -12month expected credit losses are the portion of expected credit losses that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses and are measured as follows:

- For financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive; and
- For financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset (either partially or in full), the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease is related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Presentation of loss allowances in the statement of financial position

Loss allowances for expected credit losses are presented as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

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.

2.11. 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 365/1 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 365/1 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 including land and building is stated at cost less accumulated depreciation and accumulated impairment losses, if any. If required, the Company can choose revaluation model, but only for assets which are in the nature of property.

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
Building	As per the estimated useful life of each asset
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.

2.13. Impairment

(a). Financial assets (applicable before 1 January 2018)

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.

(b). 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, U.A.E. Labour Law - Federal Law No. (8) of 1980 and its amendments, Private Sector Kuwait Labor Law i.e. Law No. 6 of the year 2010 and the requirements of IAS19- '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.

2.18. 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 were 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 upto 31 December 2017. From 01 January 2018, the Group has applied IFRS 15 to income from policy fees and the fees are recognized as revenue over the period of service which is generally the period of the policy.

(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 United Arab Emirates, which is a tax free jurisdiction and in Kuwait where the Kuwait branch has applied for zakat registration. 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.

2.22. 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.

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.

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 selected 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 2018. Gross unpaid amounts are obtained by reducing the selected ultimate losses by the gross amounts paid as at 31 December 2018. Net unpaid claims estimates are arrived at after deducting the ceded case reserves and ceded IBNR estimates. The ceded IBNR estimates 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 and Kuwait 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.

(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 %1.8) 175,432) or decrease by RO 2017] (%1.8) 175,340 – increase by RO %1.3) 122,454) or decrease by RO %1.2) 112,693)].

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 %5 per annum [%4.5 - 2017 per annum] for non-profit polices and %4.5 per annum [%4 - 2017 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 %5.1 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 2018, the gross liability would increase by RO %1.6) 85,061) or decrease by RO 2017] (%1.6) 82,367 – increase by RO %1.6) 96,149) or decrease by RO %1.7) 102,279)].

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 2018.

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.

(d). Impairment of financial assets under IFRS 9

The Expected Credit Losses framework is applied to the financial assets that are subject to impairment accounting as per IFRS 9 on all types of financial instruments except rights and obligations arising under insurance contracts as defined in IFRS 4 Insurance Contracts. The Group has carried out an assessment of it's financial assets and determined that impairment accounting has to be applied on it's cash and bank balances, bank deposits, loans to policyholders, bonds and other receivables.

The determination of the expected credit losses or impairment losses required for the Group's financial assets is dependent on a number of estimates made by the Group with respect to

- Loss Given Default (LGD)
- Probability of Default (PD)
- Discounting Factor (DF)

Default definition also drives the computation of risk parameters for IFRS 9 i.e. probability of default, loss given default and exposure at default. Inconsistencies between definition of default used for risk parameter estimation and internal credit risk management practices would result in significant variances.

Loss Given Default

A standard Basel unsecured loss given default of %45 and a secured loss given default of %10 are considered in the estimation of loss given default for the company's financial assets.

Probability of Default

Probability of Default is calculated for 12 month probability of default and life time probability of default. Exposures such as bank deposits and other forms of receivables, are mapped against externally available ratings, their time to maturity and corresponding probabilities of default are arrived at. The probabilities of default are considered in the range of %0.0 to %30.44 based on Moody's equivalent ratings of the company's financial assets. PD is also impacted by macroeconomic variables used for reflecting current and future forecasts of economic conditions.

Discounting Factor

Impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows. The discounting factor used is based on the asset's original effective interest rate, external ratings and it's period to maturity.

4. Cash and bank balances

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Deposits with banks for less than 90 days	-	2,592,840	-	2,592,840
Balances with banks	**17,821,098**	5,518,565	**17,514,763**	5,246,199
Cash in hand	**15,152**	8,227	**15,077**	8,030
Less: ECL on cash and bank balances (note ii)	**(17,404)**	-	**(17,404)**	-
Cash and cash equivalents	**17,818,846**	8,119,632	**17,512,436**	7,847,069

(i). Included in balances with banks are balances of RO 2017) 7,005,082 - RO 3,588,111) 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.

(ii) On initial application of IFRS 9, the Group and Parent recognised an ECL as at 1 January 2018 amount of RO 7,116. The amount of the ECL changed to RO 17,404 as at 31 December 2018 resulting in ECL charge on cash and bank balances of RO 10,288 for the year ended 31 December 2018.

Short term loan:

During the year, the Group availed short term loans from commercial banks in Oman. As at 31 December 2018, there were no outstanding short term loans (2017 – Nil). The finance cost for availing short term loans was at floating market rate of interest.

5. Bank deposits

	Group & Parent Company	
	2018	2017
	RO	RO
Deposits (i)	**34,942,069**	44,698,915
Subordinated deposits (iii)	-	5,000,000
Less: ECL on bank deposits (ii)	**(45,649)**	-
	34,896,420	49,698,915

(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 2017) 19,925,000 – RO 29,730,508), Kuwaiti dinar of RO 2017) 1,274,000 1,274,000 –) and denominated in UAE Dirhams of RO 2017) 13,743,069 – RO 13,694,407) and carry effective annual interest rates ranging between %2 to %5 per annum (%1.85 - 2017 to %5 per annum).

(ii). On initial application of IFRS 9, the Group and Parent recognised an ECL as at 1 January 2018 an amount of RO 50,228. The amount of the ECL changed to RO 45,649 as at 31 December 2018 resulting in ECL release on bank deposits balances of RO 4,579 for the year ended 31 December 2018.

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

	Group & Parent Company		Group & Parent Company	
	Deposits		Subordinated deposits	
	2018	2017	**2018**	2017
	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	**34,896,420**	38,898,915	**-**	5,000,000
	34,896,420	44,698,915	**-**	5,000,000

6. Investment securities

		Group		Parent Company	
		2018	2017	**2018**	2017
		RO	RO	**RO**	RO
Investments at FVTPL	6(a)	**1,292,498**	2,571,628	**1,292,498**	2,571,628
Investments carried at amortised cost	6(b)	**2,871,739**	18,662	**2,871,739**	18,662
Investment carried at FVOCI	6(c)	**21,153,006**	12,930,004	**21,153,006**	12,930,004
Investment in subsidiaries	6(d)	**-**	-	**1,113,371**	775,255
		25,317,243	15,520,294	**26,430,614**	16,295,549

6 (a). Investments at FVTPL

	Group & Parent Company			
	2018		2017	
	Market value	**Cost**	Market value	Cost
	RO	**RO**	RO	RO
Quoted local				
Banking and investment	**1,292,498**	**1,647,791**	1,263,956	1,245,644
Services	**-**	**-**	1,307,672	1,118,018
	1,292,498	**1,647,791**	2,571,628	2,363,662

i). Movement in investments at FVTPL:

	Group & Parent Company	
	2018	2017
	RO	RO
At 1 January	**2,571,628**	2,740,264
Additions during the year	**1,104,671**	77,521
Disposals during the year at cost	**(2,134,768)**	(194,808)
Realised gain on disposal (note 27)	**(18,257)**	12,936
Fair value changes (note 27)	**(230,776)**	(64,285)
At 31 December	**1,292,498**	2,571,628

6 (b). Investments carried at amortised cost

	Interest rate	Group & Parent Company 2018 RO	Group & Parent Company 2017 RO
Bonds - over one year from the date of inception	(%4 - 2018 to %5.75p.a.)	**2,883,683**	18,662
Less: Expected credit losses on Investments carried at amortised cost	(%4 - 2017 p.a.)	**(11,944)**	-
		2,871,739	18,662

(i). Movement in investments carried at amortised cost:

	Group & Parent Company 2018 RO	Group & Parent Company 2017 RO
At 1 January	**18,662**	500,935
Additions during the year	**2,876,320**	-
Matured during the year	**(11,299)**	(482,750)
Amortisation during the year	**-**	(377)
Realised gain on maturity (note 27)	**-**	854
Movement in Expected credit losses	**(11,944)**	-
At 31 December	**2,871,739**	18,662

(ii). On initial application of IFRS 9, the Group and Parent recognised an ECL as at 1 January 2018 an amount of RO 13. The amount of the ECL changed to RO 11,944 as at 31 December 2018 resulting in ECL charge on investments carried at amortised cost of RO 11,931 for the year ended 31 December 2018.

6 (c). Investments carried at FVOCI

	Group & Parent Company			
	2018		2017	
	Market value	Cost	Market value	Cost
	RO	RO	RO	RO
Local				
Unquoted	-	-	60,466	50,000
Quoted	**13,357,014**	**13,414,653**	4,629,662	4,700,117
	13,357,014	**13,414,653**	4,690,128	4,750,117
Foreign				
Unquoted	**119,579**	**853,448**	138,260	917,650
Quoted	**7,676,413**	**8,229,990**	8,101,616	8,229,990
	7,795,992	**9,083,438**	8,239,876	9,147,640
Local and Foreign	**21,153,006**	**22,498,091**	12,930,004	13,897,757

i) Movement in investments carried at FVOCI:

	Group & Parent Company	
	2018	2017
	RO	RO
At 1 January	**12,930,004**	4,681,840
Additions during the year	**9,714,536**	8,755,671
Disposals during the year	**(1,125,385)**	(197,071)
Realised gain on disposal	**(25,614)**	9,355
Fair value change	**(340,535)**	(319,791)
At 31 December	**21,153,006**	12,930,004

The Group does not hold any investment in which its holdings exceed %10 of the market value of its investment portfolio at 31 December %10 – 2017) 2018).

(iii) . On initial application of IFRS 9, the Group and Parent recognised an ECL as at 1 January 2018 an amount of RO 26,808. The amount of the ECL changed to RO 50,857 as at 31 December 2018 resulting in ECL charge on investments carried at FVOCI of RO 24,049 for the year ended 31 December 2018. For the quoted investments, RO 2017) 14,706,697 – RO 6,337,039) pertains to debt securities and RO 2017) 6,326,730 – RO 6,394,239) pertains to equity securities.

6 (d). Investments in subsidiaries

	Country of	**2018**		2017	
	Incorporation	**Holding**	**Carrying value**	Holding	Carrying value
		%	**RO**	%	RO
NLGIC support services Pvt. Ltd. (NSSPL) (ii)	India	**100**	**194,690**	100	167,701
Inayah TPA LLC (iii)	UAE	**100**	**918,681**	100	607,554
At 31 December			**1,113,371**		775,255

(i) . Movement in investments in subsidiaries:

	Parent Company	
	2018	2017
	RO	RO
At 1 January	**775,255**	35,257
Additions during the year	**-**	732,475
Share of profits (loss) of subsidiaries	**165,921**	(2,009)
Gain on bargain purchase of a subsidiary	**183,009**	-
Exchange differences on translation of foreign operations	**(10,814)**	9,532
At 31 December	**1,113,371**	775,255

(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 acquired a %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.

(iv). The acquisition was provisionally accounted in 2017 and final purchase price allocation has been completed during the year which is within the one year measurement period from the acquisition date as follows:

	2017
	RO
Cash and bank balances	227,478
Property, plant and equipment	19,749
Trade and other receivables	382,540
Trade and other payables	(182,092)
Amount due from related party	(46,922)
Other noncurrent liabilities	(9,866)
Intangible Assets	399,677
Net identifiable assets acquired	790,564
Less: Consideration transferred in cash	(268,770)
Less: Acquisition date fair value of the previously held equity interest	(338,785)
Bargain purchase gain arising on acquisition	183,009

Purchase consideration-Cash outflow

	2017
	RO
Cash paid for acquiring %49 of the shareholding	373,472
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

As the control was acquired on 28 December 2017, the purchase price allocation could not be completed by the time of approval of the financial statements for the year ended 31 December 2017, and, consistent with the provisions of IFRS 3 – Business combinations, the acquisition was provisionally accounted for in the financial statements for the year ended 31 December 2017 with a provisional goodwill recognition of RO 190,340. Subsequently, the purchase price allocation was completed in 2018 and the net result was a bargain purchase gain of RO 183,009. As the changes to the provisional amounts were not material to these financial statements, such changes have been accounted for in the financial statements for the year ended 31 December 2018 and not retrospectively adjusted.

7. Premiums and insurance balance receivables

	Group & Parent Company					
	2018			2017		
	Life	General	Total	Life	General	Total
	RO	RO	RO	RO	RO	RO
Premium receivable	30,409,303	3,279,045	33,688,348	25,550,164	3,026,646	28,576,810
Reinsurance balances receivable	11,013,154	104,224	11,117,378	10,058,959	732,437	10,791,396
	41,422,457	3,383,269	44,805,726	35,609,123	3,759,083	39,368,206
Allowance for impaired debts	(735,001)	(320,530)	(1,055,531)	(697,075)	(206,695)	(903,770)
	40,687,456	3,062,739	43,750,195	34,912,048	3,552,388	38,464,436
Movement in allowance for impaired debts						
At 1 January	697,075	206,695	903,770	537,672	149,052	686,724
Provided during the year (note 29)	77,348	117,418	194,766	199,122	64,085	263,207
Written off during the year	(39,423)	(3,582)	(43,005)	(39,719)	(6,442)	(46,161)
At 31 December	735,000	320,531	1,055,531	697,075	206,695	903,770

8. Other receivables and prepayments

	Group		Parent Company	
	2018	2017	2018	2017
	RO	RO	RO	RO
Receivable from other insurance companies and individuals	1,065,641	979,859	1,065,641	979,859
Other receivables	3,084,679	1,757,879	2,708,908	1,390,761
Accrued interest	845,771	687,893	845,771	687,893
Deferred acquisition costs (note a)	12,508	20,679	12,508	20,679
	5,008,599	3,446,310	4,632,828	3,079,192
Provision for doubtful debts (note b)	(279,207)	(250,261)	(279,207)	(250,261)
Movement in Expected credit losses of Other Receivables	(2,051)	-	(2,051)	-
	4,727,341	3,196,049	4,351,570	2,828,931

(a) Movement in deferred acquisition costs

	Group		Parent Company	
	2018	2017	2018	2017
	RO	RO	RO	RO
At 1 January	20,679	23,216	20,679	23,216
Costs incurred during the year	4,361	12,707	4,361	12,707
Amortised during the year	(12,532)	(15,244)	(12,532)	(15,244)
At 31 December	12,508	20,679	12,508	20,679

(b). Movement in provision for doubtful debts

	Group		Parent Company	
	2018	2017	2018	2017
	RO	RO	RO	RO
At 1 January	**250,261**	221,387	250,261	221,387
Provided during the year (note 29)	**28,946**	28,874	28,946	28,874
At 31 December	**279,207**	250,261	279,207	250,261

9. Loans to policyholders

Loans to policyholders are generally advanced at %90 - 2017) %90) of the cash value of their respective policies and carry an annual effective rate of interest of %9.5 per annum (%9.5 - 2017 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 2017) 30,884,931 - RO 28,730,476). 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 2017) 459,034 - RO 441,405) and RO 1,274,000-2017) 1,274,000) 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 2017) 50,000 - 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 Brokers International as at 31 December 2018. Brokers 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.

Movement in value of investment property

	Group & Parent Company	
	2018	2017
	RO	RO
At 1 January	**1,150,000**	1,200,000
Fair value change	**30,000**	(50,000)
Reclassification to Property and Equipment	**(1,180,000)**	-
At 31 December	**-**	1,150,000

The investment property has been reclassified as Property and Equipment on 31 December 2018.

12. Property and equipment

	Group				
	Land and Building	Motor vehicles	Furniture and equipment	Computer equipment	Total
		RO	RO	RO	RO
Cost					
At 1 January 2018	-	242,773	854,165	1,723,831	2,820,769
Additions	2,730,112	89,751	277,602	629,252	3,726,717
Reclassification of Investment Property to Property & Equipment	1,180,000	-	-	-	1,180,000
Disposals and write offs	-	(16,950)	(34,845)	(672)	(52,467)
At 31 December 2018	3,910,112	315,574	1,096,922	2,352,411	7,675,019
Accumulated depreciation					
At 1 January 2018	-	181,932	381,839	820,782	1,384,553
Charge for the year	12,687	43,309	187,801	439,580	683,377
Disposals and write offs	-	(15,954)	(23,254)	(351)	(39,559)
At 31 December 2018	12,687	209,287	546,386	1,260,011	2,028,371
Carrying value					
At 31 December 2018	3,897,425	106,287	550,536	1,092,400	5,646,648

	Group			
	Motor Vehicles	Furniture and equipment	Computer equipment	Total
	RO	RO	RO	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

	Parent Company				
	Land and Building	Motor vehicles	Furniture and equipment	Computer equipment	Total
		RO	RO	RO	RO
Cost					
At 1 January 2018	-	242,773	795,079	1,554,851	2,592,703
Additions	2,730,112	89,751	262,577	603,704	3,686,144
Reclassification of Investment Property to Property & Equipment	1,180,000	-	-	-	1,180,000
Disposals and write offs	-	(16,950)	(34,845)	(672)	(52,467)
At 31 December 2018	3,910,112	315,574	1,022,811	2,157,883	7,406,380
Accumulated depreciation					
At 1 January 2018	-	181,933	370,722	753,269	1,305,924
Charge for the year	12,687	43,309	177,922	400,823	634,741
Disposals and write offs	-	(15,954)	(23,254)	(351)	(39,559)
At 31 December 2018	12,687	209,287	525,390	1,153,741	1,901,105
Carrying value					
At 31 December 2018	3,897,425	106,287	497,421	1,004,142	5,505,275

	Parent Company			
	Motor Vehicles	Furniture and equipment	Computer equipment	Total
	RO	RO	RO	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

13. Intangible assets (including Goodwill)

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**146,490**	146,490	**146,490**	146,490
Intangible Assets on acquisition of subsidiary	**373,349**	190,340	**-**	-
At 31 December	**519,839**	336,830	**146,490**	146,490

The Group performs goodwill impairment testing on intangible assets 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 was accounted on account of the acquisition of Inayah TPA LLC in December 2017. Upon completion of purchase price allocation for the acquisition, intangible assets amounting to RO 399,677 have been recognized by the Group in the consolidated financials. Refer note 6(d)(iv).

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.

The intangible assets recognized arising from acquisition of Inayah TPA LLC were assessed by the Group and it was determined that there are no indicators of an impairment on the intangible assets accounted.

14. Share capital

	2018	2017	**2018**	2017
	Number of shares	Number of shares	**RO**	RO
Authorised - shares of RO 0.100 each (2017 – RO 0.100 each)	**500,000,000**	500,000,000	**50,000,000**	50,000,000
Issued and fully paid - shares of RO 0.100 each (2017 – RO 0.100 each)	**265,000,000**	265,000,000	**26,500,000**	26,500,000

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:

	2018	2017
Oman International Development and Investment Company SAOG (%73.448)	**194,637,357**	194,637,357

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 80/5), as amended, %10 of the net outstanding claims in case of the general insurance business amounting to RO 2017) 448,441 - RO 365,116) and %1 of the life assurance premiums for the year in case of life insurance business amounting to RO 2017) 1,171,698 – RO 1,002,070) 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 classified under property and equipment.

18. Dividends paid and proposed

Shareholders in annual general meeting dated 28 March 2017) 2018 - annual general meeting dated 28 March 2017) approved cash dividend of RO 2017) 4,202,900 – cash dividend of RO 3,055,250) which was paid in 2018 and 2017 respectively.

The Board of Directors propose a cash dividend of %17.56 of share capital of RO 26.5 million amounting to RO 17.56) 4,653,400 baizas per share) in meeting held on 25 February 2019 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.

19. Claims

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

	Group & Parent Company					
Life business	2018			2017		
	Gross outstanding claims	**Reinsurers' share of outstanding claims**	**Net outstanding claims**	Gross outstanding claims	Reinsurers' share of outstanding claims	Net outstanding claims
	RO	**RO**	**RO**	RO	RO	RO
At 1 January						
- 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
Add: Claims provided during the year	**91,997,592**	**(41,061,008)**	**50,936,584**	80,737,842	(35,595,971)	45,141,871
Less: Insurance claims paid during the year	**(90,303,019)**	**40,093,387**	**(50,209,632)**	(80,211,633)	35,577,177	(44,634,456)
At 31 December	**19,485,474**	**(8,642,422)**	**10,843,052**	17,790,901	(7,674,801)	10,116,100
Analysis of outstanding claims at 31 December						
- Claims incurred	**12,146,967**	**(5,389,459)**	**6,757,508**	10,878,835	(4,696,881)	6,181,954
- Incurred but not reported	**7,338,507**	**(3,252,963)**	**4,085,544**	6,912,066	(2,977,920)	3,934,146
	19,485,474	**(8,642,422)**	**10,843,052**	17,790,901	(7,674,801)	10,116,100

19. Claims (continued)

	Group & Parent Company					
General business	2018			2017		
	Gross outstanding claims	Reinsurers' share of outstanding claims	Net outstanding claims	Gross outstanding claims	Reinsurers' share of outstanding claims	Net outstanding claims
	RO	RO	RO	RO	RO	RO
At 1 January						
- 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
Add: Claims provided during the year	**9,158,992**	**(391,122)**	**8,767,870**	9,205,387	(790,062)	8,415,325
Less: Insurance claims paid during the year	**(8,227,492)**	**292,868**	**(7,934,624)**	(7,889,984)	919,450	(6,970,534)
At 31 December	**5,562,534**	**(1,078,129)**	**4,484,405**	4,631,034	(979,875)	3,651,159
Analysis of outstanding claims at 31 December						
- Claims incurred	**4,857,206**	**(954,023)**	**3,903,183**	4,043,519	(867,450)	3,176,069
- Incurred but not reported	**705,328**	**(124,106)**	**581,222**	587,515	(112,425)	475,090
	5,562,534	**(1,078,129)**	**4,484,405**	4,631,034	(979,875)	3,651,159

	Group & Parent Company					
Life and General	2018			2017		
	Gross outstanding claims	**Reinsurers' share of outstanding claims**	**Net outstanding claims**	Gross outstanding claims	Reinsurers' share of outstanding claims	Net outstanding claims
	RO	**RO**	**RO**	RO	RO	RO
At 1 January						
- 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
Add: Claims provided during year	**101,156,584**	**(41,452,130)**	**59,704,454**	89,943,229	(36,386,033)	53,557,196
Less: Insurance claims paid during the year	**(98,530,511)**	**40,386,255**	**(58,144,256)**	(88,101,617)	36,496,627	(51,604,990)
At 31 December	**25,048,008**	**(9,720,551)**	**15,327,457**	22,421,935	(8,654,676)	13,767,259
Analysis of outstanding claims at 31 December						
- Claims incurred	**17,004,173**	**(6,343,482)**	**10,660,691**	14,922,354	(5,564,331)	9,358,023
- Incurred but not reported	**8,043,835**	**(3,377,069)**	**4,666,766**	7,499,581	(3,090,345)	4,409,236
	25,048,008	**(9,720,551)**	**15,327,457**	22,421,935	(8,654,676)	13,767,259

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.

20. Gross actuarial / mathematical and unexpired risk reserve

	Group & Parent Company	
	2018	2017
	RO	RO
Actuarial / mathematical and unexpired risk reserve - life assurance		
Gross	**45,399,305**	39,392,479
Reinsurers' share	**(17,892,867)**	(14,539,777)
	27,506,438	24,852,702
Unexpired risk reserve – general insurance		
Gross	**7,563,309**	6,364,312
Reinsurers' share	**(515,100)**	(401,101)
	7,048,209	5,963,211
Actuarial / mathematical and unexpired risk reserve – total		
Gross	**52,962,614**	45,756,791
Reinsurers' share	**(18,407,967)**	(14,940,878)
	34,554,647	30,815,913

Movement during the year:

Actuarial / mathematical and unexpired risk reserve – life assurance		
At 1 January	**24,852,702**	25,520,386
Net movement in the statement of comprehensive income	**2,653,736**	(667,684)
At 31 December	**27,506,438**	24,852,702
Unexpired risk reserve – general insurance		
At 1 January	**5,963,211**	3,812,030
Net movement in the statement of comprehensive income	**1,084,998**	2,151,181
At 31 December	**7,048,209**	5,963,211

21. Due to reinsurers

	Group & Parent Company	
	2018	2017
	RO	RO
Reinsurance balances payable – life insurance	**1,988,268**	2,324,287
Reinsurance balances payable – general insurance	**566,036**	485,199
	2,554,304	2,809,486

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

22. Other liabilities

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Accounts payable	**16,951,097**	14,258,429	**17,207,683**	14,303,209
Accrued expenses	**3,524,821**	2,837,495	**3,178,648**	2,651,995
Other payables	**4,360,733**	2,362,867	**4,382,295**	2,311,464
End of service benefits (note a)	**640,446**	555,481	**625,445**	545,615
	25,477,097	20,014,272	**25,394,071**	19,812,283

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

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**555,481**	478,785	**545,615**	478,785
Charge for the year (note 29)	**140,191**	115,475	**135,056**	115,475
Addition on acquisition of a subsidiary	**-**	9,865	**-**	-
Paid during the year	**(55,226)**	(48,644)	**(55,226)**	(48,644)
At 31 December	**640,446**	555,481	**625,445**	545,615

23. Contingent liabilities

Contingencies

At 31 December 2018, there were contingent liabilities in respect of guarantees issued by commercial banks on behalf of the Group amounting to RO 2017) 444,143 – RO 337,106) given in the normal course of business from which it is anticipated that no material liabilities will arise.

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	
	2018	2017
Net assets (RO)	**53,658,472**	49,464,576
Number of shares outstanding at 31 December	**265,000,000**	265,000,000
Net assets per share (RO)	**0.202**	0.187

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.

25. Insurance premiums earned and reinsurance impact

25 (a). Insurance premiums earned

	Group & Parent Company					
	2018 RO			2017 RO		
	Life	**General**	**Total**	Life	General	Total
Gross written premium	**117,169,783**	**17,424,672**	**134,594,455**	100,206,998	14,395,959	114,602,957
Movement in unearned premiums	**(6,006,826)**	**(1,198,997)**	**(7,205,823)**	3,536,824	(2,041,298)	1,495,526
Gross premium, earned	**111,162,957**	**16,225,675**	**127,388,632**	103,743,822	12,354,661	116,098,483
Reinsurance premiums ceded	**(50,689,848)**	**(1,347,102)**	**(52,036,950)**	(41,699,896)	(1,138,313)	(42,838,209)
Movement in unearned premiums	**3,353,090**	**113,999**	**3,467,089**	(2,869,140)	(109,883)	(2,979,023)
Premium ceded to Reinsurers	**(47,336,758)**	**(1,233,103)**	**(48,569,861)**	(44,569,036)	(1,248,196)	(45,817,232)
Net insurance premium Revenue	**63,826,199**	**14,992,572**	**78,818,771**	59,174,786	11,106,465	70,281,251

25 (b). Reinsurance impact

	Group & Parent Company					
	2018 RO			2017 RO		
	Life	**General**	**Total**	Life	General	Total
Premium ceded to reinsurers, - (i)	**(47,336,758)**	**(1,233,103)**	**(48,569,861)**	(44,569,036)	(1,248,196)	(45,817,232)
Commission income on premium ceded to reinsurers - (ii)	**9,057,009**	**246,382**	**9,303,391**	7,436,047	223,824	7,659,871
Reinsurances' share of claims - (iii)	**41,061,008**	**391,122**	**41,452,130**	35,595,971	790,062	36,386,033
Net reinsurance impact (i)+(ii)+(iii)	**2,781,259**	**(595,599)**	**2,185,660**	(1,537,018)	(234,310)	(1,771,328)

26. Underwriting results

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

	Group & Parent Company			
	2018		2017	
	Net premium	Underwriting results before reinsurance recoveries	Net premium	Underwriting results before reinsurance recoveries
	RO	RO	RO	RO
Life				
Bank borrowers' business	**2,852,731**	**1,969,556**	3,527,623	2,377,584
Group life business	**2,288,714**	**1,356,484**	1,875,906	1,110,540
Individual business	**869,271**	**538,140**	913,835	58,542
Group medical business	**60,469,219**	**7,721,549**	52,189,738	12,836,712
	66,479,935	**11,585,729**	58,507,102	16,383,378
General				
Motor business	**15,766,134**	**5,553,006**	12,885,388	3,215,254
Non motor business	**311,436**	**(80,595)**	372,258	(1,281,948)
	16,077,570	**5,472,411**	13,257,646	1,933,306

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 for major portfolios are as follows:

	Group & Parent Company	
	2018	2017
Group life business	**%37**	%39
Group medical business	**%84**	%80
Individual business	**%9**	%11
Motor business	**%53**	%63

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).

27. Investment income - net

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Interest income on bank deposits and other investments	**1,863,970**	2,057,314	**1,863,970**	2,057,314
Interest income on bonds, net of amortisation charge	**481,656**	237,585	**481,656**	237,585
Interest income on loans to policy holders	**25,163**	38,609	**25,163**	38,609
Dividend income	**487,036**	380,669	**487,036**	380,669
(Expense) / income from investment property	**(19,730)**	(15,541)	**(19,730)**	(15,541)
Change in fair value of investment property	**30,000**	(50,000)	**30,000**	(50,000)
Net unrealised loss on investments carried at FVTPL [note 6(a)(i)]	**(230,776)**	(64,285)	**(230,776)**	(64,285)
Net realised gain on investment carried at FVTPL and amoritsed cost [note 6(a)(i) and 6(b)(i)]	**(18,257)**	13,790	**(18,257)**	13,790
Share in results from an associate	**-**	(34,688)	**-**	(34,688)
Share in results from a subsidiary	**-**	-	**165,921**	32,679
	2,619,062	2,563,453	**2,784,983**	2,596,132
Investment acquisition cost and portfolio management fees	**(16,373)**	(5,895)	**(16,373)**	(5,895)
	2,602,689	2,557,558	**2,768,610**	2,590,237

28. Other operating income / (loss)

	Group & Parent Company	
	2018	2017
	RO	RO
Miscellaneous income	94,538	119,256
Profit/ (loss) on disposal of property and equipment	(8,154)	632
Exchange loss	(27,874)	8,494
	58,510	128,382

29. General and administrative expenses

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Wages, salaries and other benefits	**5,469,329**	4,548,536	**5,153,379**	4,458,285
Rent and utility expenses	**759,940**	613,256	**695,311**	579,316
Depreciation (note 12)	**683,377**	493,629	**634,741**	468,779
Director's remuneration and sitting fees [note 32(a)]	**205,095**	200,000	**200,000**	200,000
Allowance for impaired debts (note 7 and 8)	**223,712**	292,081	**223,712**	292,081
Professional and consultants fees	**384,387**	214,568	**363,984**	199,226
Computer Expenses	**284,692**	243,502	**261,834**	243,502
Co's Regn & Memberships	**237,096**	81,698	**237,096**	81,698
Social security benefits	**196,552**	140,432	**196,552**	140,432
End of service benefits [note 22(a)]	**140,191**	115,475	**135,056**	115,475
Advertisement and publicity	**130,320**	109,755	**130,320**	109,755
Recruitment and training expenses	**51,417**	37,296	**51,417**	37,296
Other expenses and fees	**695,690**	522,168	**614,733**	496,998
	9,461,798	7,612,396	**8,898,135**	7,422,843

30. Income tax

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Statement of comprehensive income:				
Current tax				
- For the year	**1,636,378**	1,508,586	**1,613,057**	1,501,088
- For prior years	**12,873**	22,882	**12,873**	22,882
Deferred tax	**(40,608)**	(43,860)	**(38,901)**	(46,073)
	1,608,643	1,487,608	**1,587,029**	1,477,897

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Current liability				
Income tax payable	**1,613,057**	1,501,088	**1,613,057**	1,501,088
Non-current asset				
Deferred tax asset	**290,128**	190,999	**290,634**	193,212

Movement for income tax payable is as follows:

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**1,501,088**	554,674	**1,501,088**	554,674
Charge for the year	**1,636,378**	1,531,468	**1,613,057**	1,523,970
Paid during the year	**(1,524,409)**	(585,054)	**(1,501,088)**	(577,556)
At 31 December	**1,613,057**	1,501,088	**1,613,057**	1,501,088

Reconciliation of income tax expenses

The tax rate applicable to the Parent Company is %15 - 2017) %15). 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 is incorporated 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 (2017 – RO Nil):

	Group		Parent Company	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Profit before income tax	**10,913,641**	9,891,125	**10,892,027**	9,881,414
Income tax as per rates mentioned above	**1,657,125**	1,489,710	**1,633,804**	1,482,212
Non-deductible expenses	**5,584**	4,907	**5,584**	4,907
Tax exempt (loss) / income	**3,739**	(27,504)	**3,739**	(27,504)
Provision relating to prior years	**12,873**	22,882	**12,873**	22,882
Others	**(70,678)**	(2,387)	**(68,971)**	(4,600)
Tax expense for the year	**1,608,643**	1,487,608	**1,587,029**	1,477,897

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 2018.

Deferred tax

	Group				Parent Company			
	At 1 January 2018	Transition adjustment on adoption of IFRS9-	Movement during the year	At 31 December 2018	At 1 January 2018	Transition adjustment on adoption of IFRS9-	Movement during the year	At 31 December 2018
	RO		RO	RO	RO		RO	RO
Amortisation of goodwill	(21,974)	-	-	(21,974)	(21,974)	-	-	(21,974)
Provision for doubtful debts	173,105	12,873	33,438	219,416	173,105	12,873	33,438	219,416
Depreciation of property and equipment	(50,114)	-	(1,203)	(51,317)	(47,901)	-	(2,910)	(50,811)
Revaluation of investments in real estate	22,500	-	(4,500)	18,000	22,500	-	(4,500)	18,000
Revaluation reserve	(67,113)	-	-	(67,113)	(67,113)	-	-	(67,113)
	56,404	12,873	27,735	97,012	58,617	12,873	26,028	97,518
Fair value through other comprehensive income reserve	134,595	-	58,521	193,116	134,595	-	58,521	193,116
Net deferred tax asset	190,999	12,873	86,256	290,128	193,212	12,873	84,549	290,634

	Group			Parent Company		
	At 1 January 2017	Movement during the year	At 31 December 2017	At 1 January 2017	Movement during the year	At 31 December 2017
	RO	RO	RO	RO	RO	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

Deferred tax asset / liability has been computed at the tax rate of %15 - 2017) %15).

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	
	2018	2017
Profit for the year (RO)	**9,304,998**	8,403,517
Weighted average number of shares outstanding during the year	**265,000,000**	265,000,000
Basic earnings per share (RO)	**0.035**	0.032

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% (2017 - 73.448%) of the company's shares.

(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
2018	RO	RO	RO	RO	RO	RO	RO
Statement of comprehensive income							
Gross premium income	5,005,884	105,623	11,446	4,452,175	130	375	436,136
Claims expense	2,235,359	39,728	-	1,785,038	-	-	410,592
Interest income on deposits	447,960	89,369	-	358,591	-	-	-
Rent expenses	117,504	-	-	117,504	-	-	-
Commission expense	532,214	-	-	181,337	-	-	350,877
Other expenses	145,501	-	-	75,120	2,610	200	67,571
Director sitting fees	20,000	-	20,000	-	-	-	-
Directors' remuneration	180,000	-	180,000	-	-	-	-
Other Transactions							
Purchase of Land & Building	2,600,000	-	-	-	-	-	2,600,000
Subscription of Bonds	3,550,000	2,300,000	-	1,250,000	-	-	-
Placement of Fixed Deposit	50,000	-	-	50,000	-	-	-
Maturity of Fixed Deposit	3,550,493	-	-	3,550,493	-	-	-
Increase in bank balances	3,295,303	-	-	3,295,303	-	-	-
Statement of financial position	-	-	-	-	-	-	-
Payable to Directors	180,000	-	180,000	-	-	-	-
Claims payable to related parties	674,743	4,491	-	642,678	-	-	67,564
Commission payable	305,224	-	-	14,409	-	-	290,815
Payable to related parties	388	-	-	388	-	-	-
Receivable from related parties	8,991	-	-	-	8,991	-	-
Bank balances	3,924,501	-	-	3,924,501	-	-	-
Fixed deposits balances	10,175,000	-	-	10,175,000	-	-	-
Premium receivable from related parties	882,117	5,403	613	685,983	30	-	190,088
Investment in Bonds	3,550,000	2,300,000	-	1,250,000	-	-	-
Accrued interest receivable	83,990	-	-	83,990	-	-	-

During 2018, subsidiary in India (NSSPL) has charged the parent company service fees of RO 366,447. The Parent Company accounted share of profit from subsidiary of RO 37,804. Carrying value of investment as on 31.12.2018 is RO 194,690 and due to NSSPL as at 31.12.2018 is RO 29,051.

During January to December 2018, subsidiary - Inayah TPA LLC in UAE has charged the parent company service fees of RO 384,751. The Parent Company has accounted Inayah Share of Profit from subsidiary of RO 128,117. Carrying value of investment as on 31.12.2018 is RO 918,681 and due to Inayah TPA LLC as at 31.12.2018 is RO 256,586.

2017	Total	Major shareholders	Directors	Subsidiaries & associates of major shareholder	Top Senior Executives	Key management personnel of major shareholder	Other related parties
	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	398,227	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 Inayah TPA LLC (UAE) as at 31.12.2017 is RO 44,780.

(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	
	2018	2017
	RO	RO
Short-term benefits	**879,681**	765,080
Employees' end of service benefits & leave salary accrual	**35,643**	88,104
	915,324	853,184
Number of key management personnel	**8**	9

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

No significant amounts of provision has been made during years 2018 and 2017 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 2018 and 2017.

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

2018	Life	General	Adjustments and eliminations	Total
	RO	RO	RO	RO
Gross premium written	117,169,783	17,424,672	-	134,594,455
Movement in unearned premiums	(6,006,826)	(1,198,997)	-	(7,205,823)
Gross premiums earned	111,162,957	16,225,675	-	127,388,632
Insurance premium ceded to reinsurers	(50,689,848)	(1,347,102)	-	(52,036,950)
Movement in unearned premiums	3,353,090	113,999	-	3,467,089
Premium ceded to reinsurers, earned	(47,336,758)	(1,233,103)	-	(48,569,861)
Net premiums	63,826,199	14,992,572	-	78,818,771
Claims	(91,997,592)	(9,158,992)	-	(101,156,584)
Reinsurers' share of claims	41,061,008	391,122	-	41,452,130
Net claims	(50,936,584)	(8,767,870)	-	(59,704,454)
Income from policy fees	1,482,858	331,580	-	1,814,438
Commission income on premium ceded to reinsurers	9,057,009	246,382	-	9,303,391
Commission expense	(9,062,494)	(1,925,852)	-	(10,988,346)
Net underwriting results	14,366,988	4,876,812	-	19,243,800
Investment income – net of expected credit losses	1,966,535	759,861	(165,921)	2,560,475
Bargain gain on acquisition of a subsidiary	183,009	-	-	183,009
Other operating income	64,449	(5,939)	-	58,510
Third party administration fees	(1,652,253)	-	-	(1,652,253)
General and administrative expenses	(6,946,374)	(2,515,424)	-	(9,461,798)
Finance cost	(18,102)	-	-	(18,102)
Income tax	(1,154,724)	(453,919)	-	(1,608,643)
Profit for the year	6,809,528	2,661,391	(165,921)	9,304,998
Segment assets	132,509,581	29,829,631	(1,025,660)	161,313,552
Segment liabilities	80,591,696	27,349,022	(285,638)	107,655,080

2017	Life	General	Adjustments and eliminations	Total
	RO	RO	RO	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	1,417,061	255,305	-	1,672,366
Commission income on premium ceded to reinsurers	7,436,047	223,824	-	7,659,871
Commission expense	(8,039,663)	(1,471,273)	-	(9,510,936)
Net underwriting results	14,846,360	1,698,996	-	16,545,356
Investment income – net of expected credit losses	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

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 2018 and 2017.

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	Subsidiaries	Adjustments and eliminations	Total
	RO	RO	RO	RO	RO	RO
2018						
Gross premium written	55,995,190	76,739,817	1,859,448	-	-	134,594,455
Movement in unearned premiums	(2,128,175)	(4,075,474)	(1,002,174)	-	-	(7,205,823)
Gross premiums earned	53,867,015	72,664,343	857,274	-	-	127,388,632
Insurance premium ceded to reinsurers	(19,200,000)	(32,119,921)	(717,029)	-	-	(52,036,950)
Movement in unearned premiums	884,249	2,139,941	442,899	-	-	3,467,089
Premium ceded to reinsurers, earned	(18,315,751)	(29,979,980)	(274,130)	-	-	(48,569,861)
Net premiums	35,551,264	42,684,363	583,144	-	-	78,818,771
Claims	(34,869,354)	(65,574,273)	(712,957)	-	-	(101,156,584)
Reinsurers' share of claims	13,454,389	27,615,433	382,308	-	-	41,452,130
Net claims	(21,414,965)	(37,958,840)	(330,649)	-	-	(59,704,454)
Income from policy fees	754,032	1,056,806	3,600	-	-	1,814,438
Commission income on premium ceded to reinsurers	2,930,817	6,371,332	1,242	-	-	9,303,391
Commission expense	(3,925,859)	(6,818,098)	(244,389)	-	-	(10,988,346)
Net underwriting results	13,895,289	5,335,563	12,948	-	-	19,243,800
Investment income – net of expected credit losses	1,886,056	798,285	42,055	-	(165,921)	2,560,475
Bargain gain on acquisition of a subsidiary	183,009	-	-	-	-	183,009
Other operating (loss) / income	(168)	59,972	(1,294)	-	-	58,510
Third party administration fees	(168,719)	(2,147,466)	(87,266)	751,198	-	(1,652,253)
General and administrative expenses	(5,628,875)	(2,845,887)	(423,373)	(563,663)	-	(9,461,798)
Finance cost	(18,102)	-	-	-	-	(18,102)
Income tax	(1,587,029)	-	-	(21,614)	-	(1,608,643)
Profit for the year	8,561,461	1,200,467	(456,930)	165,921	(165,921)	9,304,998
Segment assets	88,450,483	69,612,661	3,167,382	1,108,686	(1,025,660)	161,313,552
Segment liabilities	52,428,561	53,125,028	2,018,465	368,664	(285,638)	107,655,080

	Oman	UAE	Kuwait	Subsidiaries	Adjustments and eliminations	Total
	RO	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	648,252	1,024,114	-	-	-	1,672,366
Commission income on premium ceded to reinsurers	2,404,859	5,255,012	-	-	-	7,659,871
Commission expense	(3,448,064)	(6,062,872)	-	-	-	(9,510,936)
Net underwriting results	9,076,921	7,468,435	-	-	-	16,545,356
Investment income – net of expected credit losses	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	(223,953)	(1,659,412)	-	231,943	-	(1,651,422)
General and administrative expenses	(4,903,592)	(2,453,093)	(66,158)	(189,553)	-	(7,612,396)
Finance cost	(64,375)	(11,978)	-	-	-	(76,353)
Income tax	(1,487,608)	-	-	-	-	(1,487,608)
Profit for the year	4,551,719	3,894,047	(51,960)	42,390	(32,679)	8,403,517
Segment assets	78,281,610	62,032,448	1,452,100	834,667	(632,678)	141,968,148
Segment liabilities	48,243,356	44,034,558	23,670	249,752	(47,763)	92,503,573

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 these requirements for the financial year 2018.

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 these requirements for the financial year 2018.

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.

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 account for %18 of the receivables as of 31 December %23 - 2017) 2018).
- 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			
2018	Not past due and considered good	Past due but not impaired	Impaired	Total
	RO	RO	RO	RO
Bank balances	17,803,694	-	-	17,803,694
Bank deposits	34,896,420	-	-	34,896,420
Premiums and insurance balance receivables	25,445,895	18,304,301	1,055,530	44,805,726
Reinsurers' share of actuarial / mathematical reserve and unexpired risk reserve	18,407,967	-	-	18,407,967
Reinsurers' share of outstanding claims	9,720,551	-	-	9,720,551
Other receivables (excluding prepayments)	3,315,736	895,864	281,258	4,492,858
Investments carried at amortised cost	2,871,739	-	-	2,871,739
Debt instruments carried at FVOCI	14,706,697	-	-	14,706,697
Loans to policyholders	218,374	-	-	218,374
Total	127,387,073	19,200,165	1,336,789	147,924,027

2017	Group and Parent Company Not past due and considered good	Past due but not impaired	Impaired	Total
	RO	RO	RO	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

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	1 to 4 months	4 to 7 months	7 to 9 months	9 to 13 months	> 13 months	Total
	RO	RO	RO	RO	RO	RO	RO
2018	**7,477,092**	**5,092,403**	**2,865,315**	**992,581**	**1,353,154**	**523,756**	**18,304,301**
2017	1,624,621	5,738,941	3,593,103	586,244	772,327	612,103	12,927,339

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.

Debt securities and Bank Deposits

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating from recognized credit rating agencies.

The Group monitors changes in credit risk by tracking published external credit ratings to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings. The Group supplements this by reviewing changes in bond yields together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by Rating Agency Moody's for each credit rating. Loss given default (LGD) parameters are described in detail in note 3 - Key sources of estimation uncertainty.

Balances at bank and bank deposits

The Group held balances at bank and bank deposits with banks and financial institution counterparties, which are rated A1 to Baa3, based on Moody's ratings.

The Company has used both simplified and generalized approach during the implementation phase. For Bank Deposits and debt securities, the generalized approach has been used and for the other portfolios, the simplified approach was used. Under the generalized approach the counterparties are required to be classified in stages based on the significant increase in credit risk however, under the simplified approach, no staging is done and lifetime expected credit losses are calculated for all the counterparties.

	Stage 1	Stage 2	Assets/ ECL under simplified approach	Total
	RO	RO	RO	RO
Exposure (carrying value) subject to ECL at 1 January 2018				
Due from banks and deposits	43,798,915	5,900,000	7,839,039	57,537,954
Financial investments - Debt	397,180	6,033,232	259,225	6,689,637
Other receivables	-	-	1,584,241	1,584,241
Movement in the exposure (carrying value) subject to ECL during the year				
Due from banks and deposits	(13,156,846)	(1,600,000)	9,675,724	(5,081,122)
Financial investments – Debt	(22,019)	11,181,985	(40,725)	11,119,243
Other receivables	-	-	438,486	438,486
Exposure (carrying value) subject to ECL at 31 December 2018				
Due from banks and deposits	30,642,069	4,300,000	17,514,763	52,456,832
Financial investments – Debt	375,163	17,215,217	218,500	17,808,880
Other receivables	-	-	2,022,727	2,022,727
ECL impact of initial application of IFRS 9				
Due from banks and deposits	20,796	29,432	7,116	57,344
Financial investments – Debt	251	26,591	143	26,985
Other receivables	-	-	1,488	1,488
Impact of recognition of ECL at Day 1	21,047	56,023	8,747	85,817
Charge for the period (net)				
Due from banks and deposits	285	(4,864)	10,288	5,709
Financial investments – Debt	(68)	36,027	(17)	35,942
Other receivables	-	-	563	563
ECL (release) charge for the period (net)	217	31,163	10,834	42,214
Closing balance of ECL as at 31 December 2018				
Due from banks and deposits	21,081	24,568	17,404	63,053
Financial investments – Debt	183	62,618	126	62,927
Other receivables	-	-	2,051	2,051
ECL as at 31 December 2018	21,264	87,186	19,581	128,031

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.

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 2018 / January 2019 are tabled below:

Reinsurer	Rating	Date	Outlook	Rating Agency
Swiss Re	A+ (Superior)	-13Dec18-	Stable	A.M.Best
SCOR	A+ (Superior)	-19Sep18-	Stable	A.M.Best
CCR	A+ (Superior)	-12Jul18-	Stable	A.M.Best
Partner Re	A (Excellent)	-15Jun18-	Positive	A.M.Best
Hannover Re	A+ (Superior)	-20Dec18-	Stable	A.M.Best
Arig	B++ (Good)	-6Sep18-	Stable	A.M.Best
GIC Re	A- (Excellent)	-28Feb18-	Stable	A.M.Best
Gen Re	A (Excellent)	-26Jan18-	Stable	A.M.Best
Asia Capital Re	A- (Excellent)	-30Aug18-	Negative	A.M.Best
Trust Re	B++ U (Good)	-5Dec18-	Negative	A.M.Best
Reinsurance Group of America – RGA	A+ (Superior)	-9Aug18-	Stable	A.M.Best
Kuwait Re	A- (Excellent)	-27Apr18-	Stable	A.M.Best
Korean Re	A (Excellent)	-12Dec18-	Stable	A.M.Best
Milli Re	B+ (Good)	-9Aug18-	Negative	A.M.Best
Malaysian Re (MNRB Holdings Berhad)	A- (Excellent)	-19Nov18-	Stable	A.M.Best
Arab Re	B+ (Good)	-19Dec18-	Negative	A.M.Best
Barents Re	A (Excellent)	-19Dec18-	Stable	A.M.Best
Saudi re	A3	-30Jun18-	Stable	Moody's
Lloyd's	A (Excellent)	-21Sep18-	Stable	A.M.Best
Emirates Insurance Co	A- (Excellent)	-15Aug18-	Stable	A.M.Best
MAPFREE	A (Excellent)	-26Jul18-	Stable	A.M.Best
New India Assurance Co. ltd.	A- (Excellent)	-19Jan18-	Stable	A.M.Best

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 2017) 28,128,518 – RO 23,595,554).

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 as at 31 December 2017) 2018 – RO 5,900,000) which is unutilized 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.

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			
2018	Less than one year	More than one year	No fixed term	Total
	RO	RO	RO	RO
Financial liabilities				
Gross outstanding claims	25,048,008	-	-	25,048,008
Actuarial / mathematical reserve	35,998,699	-	9,400,606	45,399,305
Unexpired risk reserve	7,563,309	-	-	7,563,309
Due to reinsurers	2,554,304	-	-	2,554,304
Other liabilities (excluding contractual staff benefits)	22,607,453	1,747,433	-	24,354,886
Total financial liabilities	93,771,773	1,747,433	9,400,606	104,919,812

	Less than one year	More than one year	No fixed term	Total
	RO	RO	RO	RO
Financial assets				
Cash and bank balances	17,818,846	-	-	17,818,846
Bank deposits	34,896,420*	-	-	34,896,420
Premiums and insurance balance receivables	43,750,195	-	-	43,750,195
Reinsurers' share of outstanding claims	9,720,551	-	-	9,720,551
Reinsurer's share of actuarial / mathematical reserve	15,385,681	-	2,507,186	17,892,867
Reinsurer's share of unexpired risk reserve	515,100	-	-	515,100
Other receivables (excluding prepayments)	4,201,976	9,624	-	4,211,600
Investments at FVTPL	1,292,498	-	-	1,292,498
Investments carried at amortised cost	-	2,871,739	-	2,871,739
Investment carried at FVOCI	-	-	21,153,006	21,153,006
Loans to policyholders	-	-	218,374	218,374
Total financial assets	127,581,267	2,881,363	23,878,566	154,341,196

2017	Group Less than one year	More than one year	No fixed term	Total
	RO	RO	RO	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	More than one year	No fixed term	Total
	RO	RO	RO	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 FVTPL	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

* Bank deposits of RO 2017) 34,896,420 – RO 49,698,915) also include bank deposits which have maturity date of more than one year amounting to RO 2017) 30,223,919 – RO 33,464,346) 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 of RO 2017) 34,896,420 - RO 49,698,915) carry fixed rate of interest and therefore, are not exposed to interest rate risk. The group holds subordinated interest bearing investments at FVOCI with face value of RO 2017) 11,092,320 - RO 2,542,320) which are subject to interest rate reset as per below table.

Year of Reset	2018			2017		
	Face Value	Rate Change	Impact	Face Value	Rate Change	Impact
	RO	%	RO	RO	%	RO
Year 2020	2,542,320	%1	25,423	2,542,320	%1	25,423
Year 2023	8,550,000	%1	85,500	-	-	-

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.

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 - 2017) %65) 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	
	2018	2017	2018	2017
	RO	RO	RO	RO
Investments at FVTPL	-	-	258,500	514,326
Investments at FVOCI	4,230,601	2,586,001	-	-

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 - 2017) %42) 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 FVTPL and FVOCI amounting to RO 2017) 7,795,992 - RO 8,239,876) 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.

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 2018 for the long term individual business.

2018	Number of lives	Total sum at risk at reporting date	
		Before reinsurance	After reinsurance
		RO	RO
Individual life - long term	17,254	110,489,993	95,685,590
Individual and group credit life - long term	30,192	350,300,490	122,826,046

The Group's exposure to mortality risk in terms of total sums at risk are as follows as at 31 December 2017:

2017	Number of lives	Total sum at risk at reporting date	
		Before reinsurance	After reinsurance
		RO	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

(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 2018.

(d). Change in assumptions

There is following change in assumptions for valuation as at 31 December 2018 as compared to the previous year ended 31 December 2017

- Valuation interest rate used for computation of reserves for non-profit polices and with-profit polices in the individual life portfolio has been changed to %5 per annum and %4.5 per annum respectively from %4.5 per annum and %4 per annum respectively in 2017. The impact of this change in assumption has been to reduce the net of reinsurance reserves by RO 85,000.

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 2018 RO	Change in liability 2017 RO
Worsening of mortality and / or morbidity rates for risk policies	%10 increase in mortality	175,340	112,693
	%10 decrease in mortality	(175,432)	(122,454)
Decrease in investment returns	50 basis point increase in investment	(82,367)	(102,279)
	50 basis point decrease in investment	85,061	96,149

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.

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 it's Oman medical portfolio and %40 of its UAE medical portfolio on quota share treaty (in 2017 it was reinsured %50 of its Oman and %40 of its UAE medical portfolio on quota share).

The following 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
2018	RO	RO
Group life – short term	2,235,242,890	947,122,596
Group medical – short term	10,497,226,772	6,176,787,621

	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

(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.

(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 2018.

(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 2017 it was RO 50,000 per event). For other lines of general business the retention is limited to %10 to %10 - 2017) %20 to %20), which is further protected by excess of loss arrangements with retention of RO 2017) 25,000 - RO 25,000) per event.

There is following change in method for valuation as at 31 December 2018 as compared to the previous year ended 31 December 2017:

- The unearned premium reserves for general insurance are computed at 365/1 method for 31 December 2018 as compared to higher of 365/1 method or %45 method as at 31 December 2017. The impact of this change in assumption has been to reduce the net of reinsurance reserves by RO 65,210

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	2014	2015	2016	2017	2018
Event year					
2007 & prior	56,247	2,267	(21,226)	67,870	9,536
2008	9,155	(56,357)	-	53,691	-
2009	(28,933)	39,973	(21,758)	11,016	-
2010	(22,791)	12,639	3,096	4,818	-
2011	8,847	12,459	(5,130)	(2,636)	3,200
2012	(207,894)	766	(10,429)	22,873	18,413
2013	2,802,079	(134,067)	(73,302)	3,506	6,997
2014	39,511,888	3,882,330	(1,683,071)	(22,800)	885
2015	-	56,242,435	7,714,661	(286,087)	(60,630)
2016	-	-	72,142,865	5,553,935	(498,947)
2017	-	-	-	76,484,787	4,913,530
2018	**-**	**-**	**-**	**-**	**87,178,166**
	42,128,598	60,002,445	78,045,706	81,890,973	91,571,150

Comparison between actual and estimated claims for life business

Reported during	2014	2015	2016	2017	2018
Actual claims notified and adjustments for claims notified in the previous years	2,616,710	3,760,010	5,902,840	5,406,186	**4,392,983**
Estimate of claims maintained as IBNR in previous year	4,113,857	5,041,847	5,788,559	8,031,794	**6,912,066**
Surplus / (Deficit)	1,497,147	1,281,837	(114,281)	2,625,608	**2,519,083**

Claims development history of past five years for general business

Reported during	2014	2015	2016	2017	2018
Event year					
2007& prior	(19,359)	-	(452)	-	**-**
2008	1,015	800	(3,048)	(2,236)	**50**
2009	(602)	3,700	(36,768)	(5,175)	**(32,640)**
2010	(4,985)	(8,373)	(52,564)	4,815	**(17,429)**
2011	(22,704)	(30,922)	(41,904)	(62,418)	**(46,067)**
2012	213,633	(60,011)	8,661	(74,605)	**(60,636)**
2013	(111,951)	(91,533)	(38,569)	(71,467)	**(10,133)**
2014	3,898,455	(124,954)	(41,301)	(90,990)	**36,224**
2015	-	4,096,232	(277,456)	39,897	**(26,215)**
2016	-	-	4,227,287	(53,949)	**(110,753)**
2017	-	-	-	9,277,989	**(106,531)**
2018	-	-	-	-	**9,415,310**
	3,953,502	3,784,939	3,743,886	8,961,861	**9,041,180**

Comparison between actual and estimated claims for general business

Reported during	2014	2015	2016	2017	2018
Actual claims notified and adjustments for claims notified in the previous years	55,047	(311,292)	(483,401)	(316,128)	**(374,129)**
Estimate of claims maintained as IBNR in previous year	484,571	319,931	309,565	343,989	**587,515**
Surplus / (Deficit)	429,524	631,223	792,966	660,117	**961,644**

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

	2018 RO			2017 RO		
	Life	**General**	**Total**	Life	General	Total
Incurred claim as per claims development table	**91,571,150**	**9,041,180**	**100,612,330**	81,890,973	8,961,861	90,852,834
Movement in IBNR	**426,441**	**117,813**	**544,254**	(1,119,729)	243,526	(876,203)
Miscellaneous differences	**-**	**-**	**-**	(33,402)	-	(33,402)
Gross claims expense (note 19)	**91,997,591**	**9,158,993**	**101,156,584**	80,737,842	9,205,387	89,943,229

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		
	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

2018	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	632,210	505,698	-	126,512	-	-
- Individual life with profits	10,846	-	10,846	-	-	-
- Group credit life without profits	1,990,645	1,990,645	-	-	-	-
	2,633,701	2,496,343	10,846	126,512	-	-
Short term contracts (reinsurance)						
- Group life	480,946	-	-	480,946	-	-
- Medical	14,778,220	-	-	14,778,220	-	-
- Non-life	515,100	-	-	515,100	-	-
	15,774,266	-	-	15,774,266	-	-
Debt securities:						
Held to maturity:						
- Listed securities	2,871,739	-	2,871,739	-	-	-
Equity securities:						
At FVTPL:						
- Listed securities	1,292,498	-	-	-	1,292,498	-
- Unlisted securities	-	-	-	-	-	-
At FVOCI:						
- Listed securities	21,033,427	-	-	-	21,033,427	-
-Unlisted securities	119,579	-	-	-	119,579	-
Loans and receivables:						
- Insurance receivables	43,750,195	-	-	43,750,195	-	-
Reinsurance assets	9,720,551	-	-	-	-	-
Fixed deposits	34,896,420	2,658,502	1,144,806	9,720,551	29,300,320	-
Loans to policyholders	218,374	-	218,374	1,792,792	-	-
Cash and bank balances	17,818,846	-	-	-	17,818,846	-
Other assets	11,183,956	-	-	-	4,211,600	6,972,356
Total assets	161,313,552	5,154,845	4,245,765	71,164,316	73,776,270	6,972,356

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 FVTPL:	-	-	-	-	-	-
- Listed securities	2,571,628	-	-	-	2,571,628	-
- Unlisted securities	-	-	-	-	-	-
At FVOCI:						
- 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

2018	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	1,236,111	955,435	-	280,676	-	-
- Individual life with profits	4,245,765	-	4,245,765	-	-	-
- Group credit life without profits	4,199,410	4,199,410	-	-	-	-
	9,681,286	5,154,845	4,245,765	280,676		
Short term contracts						
- Group life	1,202,051	-	-	1,202,051	-	-
- Medical	34,515,968	-	-	34,515,972	-	-
- Non-life	7,563,309	-	-	7,563,309	-	-
	43,281,328	-	-	43,281,332	-	-
Outstanding claims						
- Life and medical	19,485,474	-	-	19,485,474	-	-
- Non-life	5,562,534	-	-	5,562,534	-	-
Reinsurance liability	2,554,304	-	-	2,554,304	-	-
Other liabilities and equity	80,748,626	-	-		24,354,883	56,393,743
	161,313,552	5,154,845	4,245,765	71,164,316	24,354,883	56,393,743

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

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 2018	**Undiscounted cashflows as at 31 December 2018**
Fixed and guaranteed	**988,918**	**1,148,333**
Contracts with a DPF	**4,245,765**	**5,177,054**
Total	**5,234,683**	**6,325,387**

	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

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).

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.

2018	Level 1	Level 2	Total
Investments	22,325,925	119,579	22,445,504

2017	Level 1	Level 2	Total
Investments	14,302,907	1,198,725	15,501,632

There were no transfers between any levels mentioned above.

37. Prior year adjustments

During the current year, the Group has reclassified policy issuance expenses from income from policy fees to commission expenses. The above reclassification has resulted in changes as presented below for the comparative figures of 2017 to maintain consistency. Such reclassifications have not resulted in change in last year's reported profit and equity.

	31 December 2017 (as previously reported)	Reclassification	31 December 2017 (as reported)
	RO'000	RO'000	RO'000
Income from policy fees	1,447,473	224,893	1,672,366
Commission expense	(9,286,043)	(224,893)	(9,510,936)
Total	7,838,570	-	(7,838,570)

Award & Accreditation

Best Life Insurance Company

Insurance Awards, World Finance 2013.

Bizz Awards

World Confederation of Business 2013.

Best Life Insurance Company

Global Insurance Awards, World Finance 2014.

Best Life Insurance Company

Global Insurance Awards, World Finance 2015.

Best Life Insurance Company - Oman

Wealth and Finance International 2015 Finance Awards.

MEA Business Awards 2015

Business Awards at MEA Business Awards 2015.

Bizz Trophy

World Confederation of Business 2015

World Confederation of Business 2016

World Confederation of Business 2017

AIWA Awards 2018

Best Company in Large Cap Segment in Oman, 2018.

Best CEO of the Year Award, 2018

Our Success Journey

- **1995** | Company incorporation commenced life insurance
- **2003** | S. Venkatachalam CEO commence office
- **2006** | Authorised General Insurance Licence in the Sultanate of Oman
- **2007** | Achieved 1st overseas licence branch in Dubai, UAE
- **2008** | Started life insurance operation in UAE
- **2011** | Began Medical Insurance business in Dubai, UAE
- **2014** | Obtained Licence for Abu Dhabi Branch
- **2015** | Achieved market leadership in the Sultanate of Oman
- **2015** | Secured Licence for commercial medical insurance business in Abu Dhabi
- **2015** | ONIC Transformation of ownership to OMNIVEST and merge together
- **2017** | Registered in Muscat Security Market as SAOG Company
- **2017** | Started business operation in Kuwait
- **2018** | No:1 position as “Best Performing Company in Large Cap Segment in Oman”- AIWA Awards 2018
- **2018** | S.Venkatachalam, CEO - “The Best CEO of the Year”- AIWA Awards 2018

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

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