1 Legal status and principal activities

Dhofar Insurance Company SAOG ("the Company") is an Omani joint stock company registered on 13 April 1991 with the Ministry of Commerce and Industry, in accordance with the provisions of the Commercial Companies Law 1974, as amended, and the Oman Insurance Companies Law 1979 of the Sultanate of Oman. The Company's principal activity is undertaking the business of insurance and reinsurance (general and life) in the Sultanate of Oman.

The Company's principal place of business is located at Muscat, Sultanate of Oman.

These financial statements were approved for issue by the Board of Directors on 27 February 2019.

2 Margin of solvency

In the year 2017, the Capital Market Authority (CMA) had renewed the insurance license of the Company up to September 2021, although the required insurance regulatory solvency margin had not been met by the Company as at 31 December 2017. Further, in the Extra-ordinary General Meeting that was held on 18 January 2018, the shareholders approved the restructuring of the share capital of the Company to improve the regulatory solvency margin to comply with the CMA guidelines. The Company has reviewed its insurance regulatory solvency margin as at 31 December 2018 and, concluded that, due to these restructuring measures, the Company has been able to comply, on an overall basis, with the solvency margin requirements of the CMA.

3 *Basis of preparation*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the applicable provisions of the Commercial Companies Law 1974, as amended, of the Sultanate of Oman, the Insurance Companies Law 1979 and the Rules and Guidelines on Disclosures issued by the Capital Market Authority.

The financial statements have been prepared under the going concern assumption and the historical cost basis, except for the measurement at fair value of available-for-sale investments, investments at fair value through profit or loss (held-for-trading), held-to-maturity investments and investment properties, and equity accounting of investments in equity accounted investees.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 (aa).

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

4 Adoption of new and revised IFRS

Improvements/amendments to IFRS/IAS 2014/2016 cycle

Improvements/amendments to IFRS/IAS issued in 2014/2016 cycle contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's annual audited financial statements beginning on or after 1 January 2018 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

4 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations effective and adopted in the year 2018

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2018 and have been adopted in the preparation of the financial statements:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 4	Insurance Contracts	1 January 2018

IFRS 4 'Insurance Contracts'

The IASB amended IFRS 4, 'Insurance Contracts', to apply IFRS 9 "Financial Instruments" with IFRS 4. As per the amendment, an entity would apply the deferral approach for annual periods beginning on or after 1 January 2018. The deferral can only be used for the three years following 1 January 2018. Further, at its meeting held on 14 November 2018, the IASB tentatively decided to extend the use of the deferral approach to IFRS 9 for a further year, so that insurance entities would only be required to apply IFRS 9 for annual periods beginning on or after 1 January, 2022.

The Company has adopted the deferral approach and deferred the application of IFRS 9 till 31 December 2022.

Standards, amendments and interpretations effective but neither applicable nor adopted in the year 2018

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first-time for the financial year beginning 1 January 2018 but have not been adopted in the preparation of the financial statements:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018

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. 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 Company has deferred the application of IFRS 9 until the earlier of the effective date of the new Insurance Contracts standard (IFRS 17) of 1 January 2022, applying the temporary exemption from applying IFRS 9 as introduced by amendments (see below).

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new Insurance Contract standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemptions enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 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.

4 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations effective but neither applicable nor adopted in the year 2018 (continued)

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

During the year 2018, the Company has performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2018. The Company has therefore taken benefit of this temporary exemption in the reporting period ending 31 December 2018.

IFRS 15, 'Revenue from Contracts with Customers' issued in May 2014 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18, and SIC-31. IFRS 15 is applicable for annual periods beginning on or after 1 January 2018. The standard is based on a 5-step approach to recognise revenue and also provides specific principles to apply, when there is a contract modification, accounting for contract costs and accounting for refunds and warranties. On application of the standard, the disclosures are likely to increase for the Company. Based on the temporary exemption available, the Company has not adopted IFRS 15.

Standards, amendments and interpretations issued and effective in the year 2018 but not relevant

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2018 or subsequent periods, but are not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 10	Consolidated Financial Statements	1 January 2018
IAS 28	Investments in Associates and Joint Ventures	1 January 2018
IAS 40	Investment Property	1 January 2018
IFRS 2	Share-based Payments	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

(i) The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

(ii) The amendments to IAS 40, "Investment Property", clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

4 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations issued and effective in the year 2018 but not relevant (continued)

(iii) The amendments to IFRS 2, "Share Based Payments" clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

i) the original liability is derecognised;

ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

(iv) IFRIC 22, "Foreign Currency Transactions and Advance Consideration", addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the year ended 31 December 2018. They have not been adopted in preparing the financial statements for the year ended 31 December 2018 but may affect the Company in the period of initial application. In all cases, the Company intends to apply these standards from the application date as indicated in the table below:

Standards, amendments and interpretations issued but not yet effective in the year 2018

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2022
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

4 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations issued but not yet effective in the year 2018 (continued)

(i) IFRS 16 issued in January 2016 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective from 1 January 2019.

(ii) IFRS 17, "Insurance Contracts" requires entities to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of three groups:

- A group of contracts that are onerous at initial recognition, if any;
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- A group of the remaining contracts in the portfolio, if any.

An entity is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio would fall into different groups only because law or regulation constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, the entity may include those contracts in the same group.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied.

An entity shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

At the date of initial application of the standard, those entities already applying IFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the standard.

The Company has not adopted IFRS 17 in the current year, but is currently in the process of assessing the impact and intends to adopt the standard from its effective date.

(iii) IFRIC 23, "Uncertainty over Income Tax Treatments", states the following:

Whether tax treatments should be considered collectively

- An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.
- An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
- An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

4 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations issued but not yet effective in the year 2018 (continued)

Effect of changes in facts and circumstances

- An entity has to reassess its judgments and estimates if facts and circumstances change.
- IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

The Company is assessing the impact on the operational results of the Company for the year ended 31 December 2018, had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in the year 2018

The Company did not early-adopt any new or amended standards in the year ended 31 December 2018.

5 Summary of significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been adopted for all the years presented, unless stated otherwise.

***(a)* Foreign currency**

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

***(b)* Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any identified impairment loss, except for freehold land which is not depreciated. The cost of property, plant and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

5 Summary of significant accounting policies (continued)

***(b)* Property, plant and equipment (continued)**

Description	% per annum
Buildings on freehold land	4%
Office furniture and equipment	25%
Motor vehicles	25%
Household furniture	25%

Freehold land is not depreciated as it is deemed to have an infinite future life.

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 disposal of property, plant and equipment, determined by reference to their carrying amounts, are recognised within 'other income' and are taken into account in determining net profit.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Company's policy. Interest costs on bank borrowings to finance specific property, plant and equipment are capitalised, during the period that is required to bring the asset to a condition when it is ready for use.

***(c)* Investment property**

Investment property are properties which are held either to earn rental income, for capital appreciation or for both. Investment property are stated at their fair values. External independent valuers, having appropriate recognised professional qualifications and experience, value the investment property at every reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gains or losses arising from changes in fair value of the investment property is recognised in the statement of comprehensive income.

***(d)* Investment in associates (equity accounted investees)**

Associates are those entities over which the Company exercises significant influence, but not control or joint control, over the financial and operating policies. Investment in associates are accounted for using the equity method, which are recognised initially at cost including transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of the associates, until the date on which significant influence ceases.

The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in the statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

5 Summary of significant accounting policies (continued)

***(d)* Investment in associates (equity accounted investees) (continued)**

The most recent available financial statements of the associates are used by the Company. When the reporting dates of the Company and the associate are different, the associate prepares the financial statements as of the same date as the financial statements of the Company unless it is impracticable to do so.

When the financial statements of an associate are prepared as of a different reporting date from that of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. In any case, the difference between the reporting date of the associate and that of the Company is not more than three months.

***(e)* Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

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

***(f)* Financial assets**

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss (held-for-trading), available-for-sale financial assets, held-to-maturity investments and loans and receivables. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. The fair value of financial assets through profit or loss is based on their quoted market prices as at the date of the statement of financial position. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of comprehensive income in the period in which they arise.

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

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

5 Summary of significant accounting policies (continued)

***(f)* Financial assets (continued)**

Available-for-sale investments

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

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold it to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities of less than 12 months from the statement of financial position date, which are classified as current assets. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and other costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company's loans and receivables comprise 'insurance and reinsurance contracts', 'cash and cash equivalents' and 'other receivables' (excluding prepayments and cash on hand) in the statement of financial position.

Derecognition

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

Trade and settlement date accounting

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

***(g)* Impairment and uncollectability of financial assets**

Available-for-sale investments

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

5 Summary of significant accounting policies (continued)

***(g)* Impairment and uncollectability of financial assets (continued)**

Available-for-sale investments (continued)

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

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

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

• significant financial difficulty of the issuer or obligor;

• a breach of contract, such as a default or delinquency in interest or principal payments;

• the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

• it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

• the disappearance of an active market for that financial asset because of financial difficulties; and,

• observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets, including adverse changes in the payment status of borrowers, or national or local economic conditions that correlate with defaults on the assets.

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

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

***(h)* Offsetting**

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

5 Summary of significant accounting policies (continued)

***(i)* Insurance and reinsurance contract receivables**

Insurance and reinsurance receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. A provision for impairment is established when there is objective evidence that the Branch will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss within general and administration expenses. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the statement of profit or loss and other comprehensive income.

***(j)* Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances and bank fixed deposits with original maturities of three months or less from the date of placement.

***(k)* Insurance contracts**

The Company mainly issues short-term insurance contracts in connection with property and motor (collectively known as fire and general accident) and marine risks. The Company also issues life insurance contracts.

Property insurance

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

Life insurance

Life insurance is designed to compensate contract holders for loss of life or limbs of the insured.

Motor insurance

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

Marine insurance

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

***(l)* Reinsurance contracts held**

In order to minimise financial exposure from large claims, the Company enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as reinsurer's share of insurance funds contracts held in the statement of financial position until the claim is paid by the Company. Once the claim is paid, the amount due from the reinsurer in connection with the paid claim is transferred to "insurance and reinsurance contract receivables".

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

5 Summary of significant accounting policies (continued)

(m) **Liability adequacy test**

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

(n) **Claims**

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of comprehensive income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

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

The Company does not discount its liability for unpaid claims.

(o) **Contingency reserve**

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979, and the letter CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims at the statement of financial position date for general insurance and 1% of the premiums for the year for life business are transferred from retained earnings to a contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital of the Company.

(p) **Accruals and other payables**

Accruals and other payables 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 Company.

(q) **Employees' terminal benefits and leave entitlements**

Employees' terminal benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to the employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to employees' terminal benefits is disclosed as a non-current liability.

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

5 Summary of significant accounting policies (continued)

(r) **Revenue recognition**

Premiums earned

Net premiums, after deducting policy acquisition costs, are recognised as revenue (earned premium) proportionally over the period of coverage. A proportion of net retained premiums is provided as 'unearned premium reserve' (UPR) to cover portions of risks which have not expired at the statement of financial position date. The change in the provision for unearned premiums is taken to the profit or loss that revenue is recognised over the period of risk.

Commissions earned and paid

Commissions earned and paid are recognised on a pro-rata basis over the term of the related policy coverage.

Interest income

Interest income is accrued on a daily basis.

Dividends

Dividend income is recognised when the right to receive dividend is established, unless collectability is in doubt.

(s) **Income tax**

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

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

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

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

(t) **Directors' remuneration**

The Directors' remuneration is governed as set out by the Commercial Companies Law 1974, as amended, and the rules prescribed by the CMA.

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

(u) **Dividend distribution**

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

5 Summary of significant accounting policies (continued)

***(v)* Fair values and fair value hierarchy**

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the statement of financial position date, adjusted for transaction costs necessary to realise the asset.

For unquoted investments, a reasonable estimate of the fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest-rates for items with similar terms and risk characteristics.

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category included all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There have been no transfers from one level to the other.

***(w)* Operating segment**

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

***(x)* Operating leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

5 Summary of significant accounting policies (continued)

(y) Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the bank borrowings using the effective interest method.

(z) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. However borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

(aa) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the resultant provisions and change in fair value for the year.

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

Outstanding claims

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

Impairment of available for-sale-investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Impairment of premium and insurance receivables

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

5 Summary of significant accounting policies (continued)

***(aa)* Critical accounting estimates and judgments (continued)**

Economic useful lives of property, plant and equipment

The Company's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. Economic useful lives of property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue economic benefit to the Company.

Going concern

The management of the Company reviews the financial position on a periodical basis and assesses the requirement of any additional funding, including unutilised credit facilities with banks, to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Taxation

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of the existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to the assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible taxation authority.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of other comprehensive income.

Claims made under insurance contracts

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the statement of other comprehensive income in the year of settlement.

6 Property, plant and equipment

(a) The movement in property, plant and equipment is as set out below:

Year 2018	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	Household furniture	Total
Cost						
At 31 December 2017	260,000	840,000	3,455,141	355,575	325,601	5,236,317
Additions during the year	-	-	61,013	-	105	61,118
Disposals during the year	-	-	-	(256,700)	-	(256,700)
At 31 December 2018	260,000	840,000	3,516,154	98,875	325,706	5,040,735
Accumulated depreciation						
At 31 December 2017	-	95,200	2,856,330	309,874	312,983	3,574,387
Charge for the year	-	33,600	373,264	7,500	12,723	427,087
Related to disposals during the year	-	-	-	(220,999)	-	(220,999)
At 31 December 2018	-	128,800	3,229,594	96,375	325,706	3,780,475
Net book amount						
At 31 December 2018	260,000	711,200	286,560	2,500	-	1,260,260

(a) The freehold land and buildings on freehold land are under lien to the CMA.

6 Property, plant and equipment (continued)

Year 2017	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	Household furniture	Total
Cost						
At 31 December 2016	260,000	840,000	3,354,035	427,475	321,023	5,202,533
Additions during the year	-	-	101,106	-	4,578	105,684
Disposals during the year	-	-	-	(71,900)	-	(71,900)
At 31 December 2017	260,000	840,000	3,455,141	355,575	325,601	5,236,317
Accumulated depreciation						
At 31 December 2016	-	61,600	2,437,186	277,105	302,924	3,078,815
Charge for the year	-	33,600	419,144	64,225	10,059	527,028
Related to disposals during the year	-	-	-	(31,456)	-	(31,456)
At 31 December 2017	-	95,200	2,856,330	309,874	312,983	3,574,387
Net book amount						
At 31 December 2017	260,000	744,800	598,811	45,701	12,618	1,661,930

(b) The freehold land and buildings on freehold land are under lien to the CMA.

7 Investment properties

	2018	2017
As at 1 January	8,935,000	8,935,000
Changes in fair value during the year	(270,000)	-
As at 31 December	8,665,000	8,935,000

Investment properties comprise real estate investments which are held under lien with the CMA.

The carrying amount of the investment properties is the aggregate fair value as determined by an independent property valuer. Fair value was determined as being the most probable price the property can fetch in a competitive open market. In October 2018, the Company obtained a valuation of its investment properties from an independent property valuer, which indicated that the fair values of the investment properties were lower by OMR 270,000 as compared to their market values, which has therefore been charged to the statement of comprehensive income.

8 Investments

	2018	2017
Available-for-sale investments (Note 8a)	3,855,461	4,932,111
Investment in equity accounted investees (Note 8b)	2,605,937	2,943,015
Held-to-maturity investments (Note 8d)	6,123,800	5,123,800
Total non-trading investments	12,585,198	12,998,926
Held-for-trading investments (Note 8c)	402,141	1,474,925
Total investments	12,987,339	14,473,851

Out of the total investments amounting to OMR 12,987,339, investments totaling to OMR 3,084,531 are held under lien with the CMA.

a) Available-for-sale investments

	2018	2017
As at 1 January	4,932,111	4,748,675
Sales during the year	(922,703)	(83,544)
Changes in fair values (Note 8e)	(153,947)	266,980
As at 31 December	3,855,461	4,932,111
Quoted equity investments:		
Local quoted equity investments:		
Service sector	731,369	3,212,927
Investment sector	526,848	598,348
	1,258,217	3,811,275
Foreign quoted equity investments:		
Insurance sector	30,096	36,260
	30,096	36,260
Unquoted investments:		
Unquoted investments	2,567,148	1,084,576
	2,567,148	1,084,576
Total quoted and unquoted available-for-sale investments	3,855,461	4,932,111

At 31 December 2018, available-for-sale investments amounting to OMR 1,288,313 (2017: OMR 3,847,535) are measured using Level I and OMR 2,567,148 (2017: OMR 1,084,576) are measured using Level III of fair value hierarchy.

8 Investments (continued)

b) Investment in equity accounted investees

	2018	2017
Investment in associates	2,605,937	2,943,015

The Company has the following investment in associates:

	Number of shares	Percentage of issued share capital	2018	2017
Omani Vegetable Oils and Derivatives Company LLC ("OVOD")	2,500,000	38.46%	2,605,937	2,943,015
Trust Syria Insurance Company SASC	2,493,217	34.00%	-	-
			2,605,937	2,943,015

For the year 2018, the Company's share of revaluation reserve movement in OVOD is a loss of OMR 56,616 (2017: loss of OMR 85,405) that is recognised in other comprehensive income and share of loss is OMR 280,462 (2017: profit of OMR 188,458). At 31 December 2018, the Company has accumulated share of revaluation reserve of OVOD in its statement of financial position of OMR 663,247 (2017: OMR 719,863).

During the year, the Company did not receive any dividend from Trust Syria Insurance Co. SASC ("TSI") (2017: OMR Nil). Due to the economic conditions in Syria, the Company had accounted for an impairment loss of the entire amount invested in TSI in the financial year ended 31 December 2015.

Summarised financial information of the associates, as extracted from management accounts prepared as at, and for the year ended, 31 December 2018 and 31 December 2017, is as follows:

Oman Vegetable Oils and Derivatives Company LLC	**2018**	**2017**
Total assets	14,652,884	14,476,962
Total liabilities	7,319,318	6,824,818
Revenue for the year	19,531,927	30,000,527
Net (loss)/profit for the year	(314,850)	311,085

c) Held-for-trading investments

	2018	**2017**
As at 1 January	1,474,925	3,619,797
Sales during the year	(991,475)	(2,084,379)
Changes in fair value for the year (Note 29)	(81,309)	(60,493)
As at 31 December	402,141	1,474,925

Quoted local trading investments:	**2018**		**2017**	
	Market value	**Cost**	**Market value**	**Cost**
Banking sector	-	-	357,420	394,359
Service sector	223,099	326,038	324,406	429,235
Investment sector	49,971	116,715	607,981	235,094
Others	129,071	73,259	185,118	73,259
	402,141	516,012	1,474,925	1,131,947

At 31 December 2018, held-for-trading investments amounting to OMR 402,141 (201: OMR 1,474,925) are measured using Level I of fair value hierarchy.

8 Investments (continued)

d) Held-to-maturity investments

	2018	2017
As at 1 January	5,123,800	-
Purchases during the year	1,000,000	5,067,300
Changes in fair value during the year (Note 29)	-	56,500
As at 31 December	6,123,800	5,123,800

Held-to-maturity investments comprise the following:

		2018		2017	
		Market value	Cost	Market value	Cost
(i)	Bank Sohar Perpetual Bonds	1,000,000	1,000,000	1,000,000	1,000,000
(ii)	Sultanate of Oman Government Development Bonds	4,123,800	4,067,300	4,123,800	4,067,300
(iii)	Bank Dhofar Perpetual Bonds	1,000,000	1,000,000	-	-
		6,123,800	6,067,300	5,123,800	5,067,300

(i) Bonds, issued by Bank Sohar, are perpetual bonds denominated in OMR. The bonds carry a coupon rate of 7.75% per annum.

(ii) Bonds, issued by the Sultanate of Oman, are denominated in OMR and have a nominal redemption value of OMR 4 million. The bonds carry a coupon rate of 5.25% per annum and mature on 18 December 2024.

(iii) Bonds, issued by Bank Dhofar, are perpetual bonds denominated in OMR. The bonds carry a coupon rate of 7.5% per annum.

Investments in held-to-maturity investments amounting to OMR 6,123,800 (2017: OMR 5,123,800) are held under lien with the CMA.

e) Investment fair value reserve:

	2018	2017
At 1 January	394,882	119,774
Net change in fair value on sale of available-for-sale investments	93,543	8,128
Changes in fair value of available-for-sale investments (Note 8a)	(153,947)	266,980
Deferred tax liability adjustment on investment fair value reserve	(101,658)	-
At 31 December	232,820	394,882

f) Details of significant investments:

Details of the Company's investments in which its holdings either exceed 10% of the market value of its investment portfolio or where the Company's holding represents 10% or more of the issuer's share capital are set out below:

Investments:

As at 31 December 2018:	% of overall portfolio	Number of shares	Fair value	Cost
Omani Vegetable Oils and Derivatives LLC	38.46%	2,500,000	2,605,937	2,500,000
Trust Syria Insurance Company SASC	34.00%	2,493,217	-	2,493,217

8 Investments (continued)

As at 31 December 2017:	% of overall portfolio	Number of shares	Fair value	Cost
Omani Vegetable Oils and Derivatives LLC	38.46%	2,500,000	2,943,015	2,500,000
Trust Syria Insurance Company SASC	34.00%	2,493,217	-	2,493,217

g) Sensitivity analysis –Equity price risk

Most of the Company’s listed equity investments are listed on the Muscat Securities Market (MSM) and the Bahrain Stock Exchange.

For listed investments, classified as available-for-sale investments, a 15% increase/(decrease) in MSM 30 index would have increased/(decreased) the shareholders' equity by OMR 579,864 (2017: OMR 739,817).

For investments classified as held-for-trading, a 15% increase/decrease in the MSM 30 index would have increased/(decreased) the net profit by OMR 60,321 (2017: OMR 221,239).

9 Bank deposits

	2018	2017
Bank deposits with a maturity of greater than twelve months from the date of placement	34,112,546	31,112,546

The bank deposits earn interest rates ranging between 2% per annum and 4.85% per annum (2017: between 1.2% per annum and 4.85% per annum).

Bank deposits amounting to OMR 33,564,617 (2017: OMR 31,112,546) are under lien with the CMA.

10 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2018	2017
Cash and cash equivalents	4,114,635	2,623,950
Short-term fixed deposits	150,000	150,000
	4,264,635	2,773,950

The current account balances with banks are non-interest bearing.

The bank deposits earn interest rates ranging between 2% per annum and 4.85% per annum (2017: between 1.2% per annum and 4.5% per annum).

11 Bank loan

	2018	2017
Loan from a bank	-	3,000,000

The Company had obtained a short-term loan facility of OMR 4.9 million with a sub-limit of bank overdraft in the amount of OMR 0.1 million. The outstanding loan amount of OMR 3 million as at 31 December 2017 has been fully repaid during the year.

12 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified, to the CMA, certain specific bank deposits amounting to OMR 33,564,617 (2017: OMR 31,112,546), investment in shares amounting to OMR 3,084,531 (2017: OMR 2,200,591), held-to-maturity investments amounting to OMR 6,123,800 (2017: OMR 5,123,800) and investment property amounting to OMR 8,665,000 (2017: OMR 8,935,000). These are included in the statement of financial position at a total value of OMR 51,437,948 (2017: OMR 47,371,937). Under the terms of the legislation, the Company can sell these assets only with the prior approval of the CMA.

13 Insurance and reinsurance contract receivables

	2018	2017
Premiums receivable	4,979,624	4,914,278
Premiums receivable from related parties (Note 33)	17,300	37,280
Reinsurance balance receivable	5,176,823	1,881,677
Provision for impaired premiums receivables	(1,517,952)	(617,952)
Provision for impaired reinsurance receivables	(583,952)	(596,128)
	8,071,843	5,619,155

Ageing of insurance and reinsurance premiums receivable at the reporting date is as follows:	2018	2017
Not due 0-60 days	5,376,816	2,741,346
61-120 days	1,982,934	617,858
More than 120 days	712,093	2,259,951
Total past due but not impaired	2,695,027	2,877,809
	8,071,843	5,619,155

In accordance with the credit policy of the Company, customers are extended an average credit period in the normal course of business of up to 60 days.

The premiums receivable that are past due are not considered impaired as they pertain to a number of independent customers from whom there is no recent history of default.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The Company's premiums and reinsurance receivables are primarily denominated in OMR.

The movement in provision for impaired premiums and reinsurance receivables is as follows:

	2018	2017
Opening balance	1,214,080	363,506
Provision provided during the year	887,824	850,574
Closing balance	2,101,904	1,214,080

The creation and release of provision for impaired premium and reinsurance receivables have been included in the statement of comprehensive income. Amounts charged to the provision account are generally written-off, when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

14 Other receivables and prepayments

	2018	2017
Other receivables	541,227	698,062
Prepayments	82,253	45,760
Amounts due from ex - CEO	932,353	932,353
	1,555,833	1,676,175

15 Share capital

	2018	2017
Authorised 100,000,000 ordinary shares of OMR 0.100 each (2017: 200,000,000 ordinary shares of OMR 0.100 each)	10,000,000	20,000,000
Issued and fully paid-up 100,000,000 ordinary shares of OMR 0.100 each (2017: 200,000,000 ordinary shares of OMR 0.100 each)	10,000,000	20,000,000

Significant shareholdings:

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:

	Shareholding percentage	2018 Number of shares	Shareholding percentage	2017 Number of shares
Dhofar International Development and Investment Company SAOG	36.593%	36,592,904	35.048%	70,096,000
H.E.Abdul Alim Mustahil Rakhyoot	15.0628%	15,062,797	15.0628%	30,125,600

In accordance with Article 116 of the Commercial Companies Law 1974, as amended; the following resolutions were passed in the Extra-Ordinary General Meeting of the shareholders held on 18 January 2018:

a) Amendment to Articles of Association

The shareholders unanimously approved to amend Article 5 of the Company's Articles of Association and decreased the authorised share capital of the Company from OMR twenty million to OMR ten million.

b) First capital reduction

In accordance with the restructuring of the Company's issued and paid-up share capital, the shareholders subsequently approved to reduce the paid-up share capital of the Company from OMR twenty million to OMR ten million.

c) Utilisation of reserves to set-off against accumulated losses

The shareholders further approved to utilise and set-off the legal reserve of OMR 6,616,470 and special reserve of OMR 50,000 against the accumulated losses.

d) Rights issue of fresh shares

An issue of twenty million shares of 100 baiza each was further approved by the shareholders at par value of 100 baiza per share.

15 Share capital (continued)

e) Second capital reduction

A further capital reduction from OMR twelve million to OMR ten million was proposed and approved by the shareholders.

On the basis of the above resolutions passed in the Extra-Ordinary General Meeting held on 18 January 2018, the statement of financial position has had the following impacts on the Company:

Resolutions passed in the Extra-Ordinary General Meeting held on 18 January 2018	Effect on share capital and reserves	Effect on cumulative losses
Capital as at 31 December 2017	20,000,000	(21,796,754)
Reduction in the paid-up share capital of the Company from OMR twenty million to OMR ten million	(10,000,000)	10,000,000
Offset the legal reserve against the accumulated losses	-	6,616,470
Offset the special reserve against the accumulated losses	-	50,000
Issue of twenty million shares of 100 baiza each at a par value of 100 baiza per share	2,000,000	2,000,000
Further capital reduction from OMR twelve million to OMR ten million	(2,000,000)	-
Cumulative effect of resolutions passed in the Extra-Ordinary General Meeting	(10,000,000)	18,666,470
Net effect of resolutions passed in the Extra-Ordinary General Meeting	10,000,000	(3,130,284)

16 Legal reserve

In accordance with the provisions of the Commercial Companies Law 1974, as amended, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve until such time as a minimum of one-third of the share capital is set aside. During the year ended 31 December 2018, the Company has transferred an amount of OMR 114,046 to the legal reserve (2017: OMR Nil).

17 Special reserve

In accordance with Article 78 of the Commercial Companies Law of 1974, as amended, the surplus of share issue fees over the pre-formation expenses was transferred to a non-distributable special reserve. However, based on the capital restructuring of the Company, the special reserve of OMR 50,000 has been utilised to offset against the accumulated losses of the Company (Note 15(c)).

18 Contingency reserve

The amount to be transferred to the contingency reserve should be equal to the sum of 10% of the net outstanding claims at the statement of financial position date for general insurance and 1% of the premiums for the year for life business until such time as a minimum of 100% of the share capital is set aside. During the year the Company has transferred OMR 383,342 in accordance with the regulations of the Oman Insurance Companies Law 1979 to the contingency reserve (2017: OMR Nil). So that the reserve equates to 100% of the share capital of the Company. Further, the contingency reserve is not distributable without obtaining the prior approval of the CMA.

19 Dividends paid and proposed

During the year, the Board of Directors have not recommended any dividend to be paid to the shareholders (2017: OMR Nil). This is subject to the approval of the shareholders in the Annual General Meeting.

20 Insurance funds

The carrying amounts of the Company's insurance funds at 31 December 2018 and 2017 were as follows:

		2018			2017	
(a) General	**Gross**	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
Claims outstanding	89,896,635	(76,867,716)	13,028,919	32,118,319	(17,450,592)	14,667,727
Claims incurred but not reported	9,332,993	(2,576,278)	6,756,715	9,050,681	(3,208,408)	5,842,273
Unearned premium reserve	19,267,000	(10,441,000)	8,826,000	23,765,209	(12,945,209)	10,820,000
	118,496,628	(89,884,994)	28,611,634	64,934,209	(33,604,209)	31,330,000
(a) Life						
Claims outstanding	1,200,217	(1,002,068)	198,149	831,774	(628,033)	203,741
Claims incurred but not reported	1,052,000	(631,000)	421,000	715,226	(549,967)	165,259
Unearned premium reserve	1,216,000	(957,000)	259,000	1,096,000	(857,000)	239,000
	3,468,217	(2,590,068)	878,149	2,643,000	(2,035,000)	608,000
Total insurance funds	121,964,845	(92,475,062)	29,489,783	67,577,209	(35,639,209)	31,938,000

Substantially all of the claims are expected to be paid within twelve months of the statement of financial position date. The amounts due from reinsurers are contractually due within a maximum period of three months from the date of payment of the claims.

The Company estimates its insurance liabilities and reinsurance assets principally based on previous experience. Claims requiring either court or arbitration decisions are estimated individually. Independent loss adjusters generally estimate property claims.

The Company has created the reserves for claims incurred but not reported based on the actuarial report received from an independent actuary.

21 Accounts payable, provisions and accruals

	2018	2017
Accounts payable	3,031,563	2,555,813
Fees payable	569,938	637,571
Accrued expenses	298,926	522,741
Other payables	988,093	572,685
	4,888,520	4,288,810

Accounts payable are generally settled within 90 to 120 days of the suppliers' invoice date.

22 Employees' terminal benefits

	Year ended 31 December 2018	Year ended 31 December 2017
At 1 January	498,606	550,921
Provision for the year	46,147	42,427
Payments during the year	(153,876)	(94,742)
At 31 December	390,877	498,606

The number of employees employed by the Company as at 31 December 2018 were 320 (2017: 337 employees).

23 Issuance of mandatory convertible bonds

In the Extra-Ordinary General Meeting of the shareholders held on 18 January 2018 in accordance with Article 116 of the Commercial Companies Law 1974, as amended, the shareholders also approved the rights issue of 5,000,000 mandatory convertible bonds of OMR 1 each amounting to OMR five million. The bonds bear an interest coupon of 7.5% per annum.

Twenty percent of the bonds amounting to OMR one million are to be compulsorily converted to shares at the end of twenty four months (ie 3 July 2020) at a price equivalent to a 20% discount to the average prevailing market price of the shares during the quarter of the year preceding the conversion of the bonds, with the balance 80% being converted to shares at the end of 60 months (ie 3 July 2023) at a price equivalent to a 20% discount to the average prevailing market price of the shares during the quarter of the year preceding the conversion of the bonds.

24 Income tax

(a) Statement of comprehensive income

	2018	2017
Current tax		
Prior years	-	44,124
Deferred tax		
Current year	313,295	(450,473)
Prior years	(23,641)	11,644
	289,654	(394,705)
Current (asset)/liabilities		
Income tax (receivable)/payable	(88,309)	(88,309)
Non-current (asset)/liabilities		
Deferred tax (asset)/liability	(774,861)	(1,180,312)

24 Income tax (continued)

Deferred tax asset/liability

Deferred tax arises on account of temporary differences between the tax base of assets, liabilities and losses and their carrying values in the statement of financial position.

	2017	Charged to the statement of comprehensive income and OCI	2018
Effect of tax depreciation on property, plant and equipment	2,097	19,255	21,352
Investment property	(1,118,343)	21,717	(1,096,626)
Equity accounted investment in TSI	51,192		51,192
Receivables write-off of TSI	-	22,699	22,699
Provision for impaired insurance receivables	182,112	135,000	317,112
Losses carried forward	2,063,254	(488,325)	1,574,929
Deferred tax adjustments on the items routed through other comprehensive income	-	(115,797)	(115,797)
Net deferred tax asset/(liability)	1,180,312	(405,451)	774,861

	2016	Charged to the statement of comprehensive income	2017
Effect of tax depreciation on property, plant and equipment	(17,548)	19,645	2,097
Investment property	(879,649)	(238,694)	(1,118,343)
Equity accounted investment in TSI	40,954	10,238	51,192
Provision for impaired insurance receivables	43,621	138,491	182,112
Losses carried forward	1,542,462	520,792	2,063,254
Adjustment for (excess)/short provision for deferred tax	11,644	(11,644)	-
Net deferred tax asset/(liability)	741,484	438,828	1,180,312

Reconciliation of income tax expenses

With effect from 26 February 2017, there have been changes in the income tax laws and rates in the Sultanate of Oman including an increase in the Omani income tax rate from 12% to 15% as well as removal of the exemption of taxable income in excess of OMR 30,000 which may affect recorded deferred tax assets and liabilities in the future. Any changes in the tax laws are accounted for in the year of enactment.

The following is the reconciliation of income taxes calculated at the applicable tax rates with the income tax expenses:

24 Income tax (continued)

Reconciliation of income tax expenses (continued)	**2018**	**2017**
Profit/(loss) before income tax	1,430,114	(1,704,488)
Excess/(short) provision for tax:		
Current tax	-	44,124
Deferred tax	190,877	11,644
Non-deductible expenses	126,784	70,833
Tax exempt revenue	(28,007)	(83,173)
Effect of changes in tax rates	-	(182,460)
Effect of loss for the current year	-	(255,673)
Tax expense for the year	289,654	(394,705)

(b) **Current status of tax assessments**

The Company's income tax assessments for the years 2013 to 2017 have not been finalised by the Secretariat General for Taxation at the Ministry of Finance. The Board of Directors believe that additional taxes, if any, that may become payable on finalisation of the assessments in respect of these open years would not be material to the Company's financial position as at 31 December 2018.

25 Reserves withheld from reinsurers

	2018	**2017**
Premium reserve withheld	2,203,313	2,213,683
Motor excess of loss claim recovery reserve	198,419	564,978
Outstanding loss reserve withheld	6,460,588	4,509,609
	8,862,320	7,288,270

The reserves withheld from reinsurers bear interest rates ranging between 1% per annum (2017: between 1% per annum and 3.75% per annum).

26 Due to reinsurers

	2018	**2017**
Due to local companies	366,350	15,466
Due to foreign companies	3,425,814	4,042,757
	3,792,164	4,058,223

27 Net assets per share

The calculation of the net assets per share is based on net assets as at 31 December 2018 attributable to ordinary shareholders of OMR 19,356,962 (2017: OMR 16,449,319) and the number of shares outstanding as at 31 December 2018 of 100,000,000 ordinary shares (2017: 200,000,000 ordinary shares)

	31 December 2018	**31 December 2017**
Net assets as at the year end (OMR)	19,356,962	16,449,319
Number of shares outstanding as at 31 December	100,000,000	200,000,000
Net assets per share (OMR)	0.194	0.082

28 Net underwriting results

The net underwriting results for the years ended 31 December 2018 and 2017 is as follows:

	2018	2018	2018	2017	2017	2017
	General business	**Life**	**Total**	**General business**	**Life**	**Total**
Revenue						
Gross premium written	34,873,193	5,161,474	40,034,667	39,676,232	5,091,112	44,767,344
Reinsurance premium ceded	(17,667,048)	(2,845,899)	(20,512,947)	(18,318,907)	(3,407,031)	(21,725,938)
Net retained premium	17,206,145	2,315,575	19,521,720	21,357,325	1,684,081	23,041,406
Movement in unearned premium reserve (net)	1,994,000	(20,000)	1,974,000	(651,150)	(20,725)	(671,875)
Commission earned on reinsurance ceded	2,012,840	327,603	2,340,443	2,013,195	449,566	2,462,761
	4,006,840	307,603	4,314,443	1,362,045	428,841	1,790,886
Total insurance revenue	21,212,985	2,623,178	23,836,163	22,719,370	2,112,922	24,832,292
Costs						
Gross claims paid	46,856,664	4,184,992	51,041,656	32,364,822	3,455,240	35,820,062
Reinsurance share	(31,302,541)	(2,706,058)	(34,008,599)	(10,641,460)	(2,656,759)	(13,298,219)
Net claims paid	15,554,123	1,478,934	17,033,057	21,723,362	798,481	22,521,843
Movement in outstanding claims reserve (net)	(724,366)	250,148	(474,218)	(1,767,428)	193,767	(1,573,661)
Net claims incurred	14,829,757	1,729,082	16,558,839	19,955,934	992,248	20,948,182
Commission expenses	379,336	9,616	388,952	404,043	11,630	415,673
Total insurance costs	15,209,093	1,738,698	16,947,791	20,359,977	1,003,878	21,363,855
Net underwriting results	6,003,892	884,480	6,888,372	2,359,393	1,109,044	3,468,437

28 Net underwriting results (continued)

The underwriting result before reinsurance recoveries are analysed as follows:

	2018		2017	
	Net retained premium	Underwriting result before reinsurance recoveries	Net retained premium	Underwriting result before reinsurance recoveries
Motor	15,481,867	2,291,494	18,398,353	(574,581)
Fire and general accident	3,649,158	(68,380,854)	2,896,178	6,440,871
Marine cargo and hull	69,120	(309,612)	62,794	441,629
Life	2,295,575	141,650	1,684,081	1,513,895
	21,495,720	(66,257,322)	23,041,406	7,821,814

The net claims ratio is as follows:

	2018 Percentage	2017 Percentage
Motor	81	95
Fire and general accident	59	107
Marine cargo and hull	233	23
Life	75	60
Overall loss ratio	77	94

The net claims ratio is calculated by dividing the net claims incurred (gross claims less reinsurance and other recoveries) by the net earned premiums (gross premiums written less premiums ceded plus movement in unearned premium reserve).

29 Investment income

	Year ended 31 December 2018	Year ended 31 December 2017
Interest income on bank deposits	1,359,781	1,241,859
Loss on sale of held-for-trading investments	(426,928)	(222,796)
Profit on disposal of property, plant and equipment	49,418	-
Rental income from investment properties	385,409	405,311
Changes in fair value of investment properties (Note 7)	(270,000)	-
Share of loss from investment in equity accounted investees (Note 8b)	(280,462)	188,458
Amortisation of bond	(9,614)	-
Commission income (Orange Card)	90,561	124,926
Other investment income	11,079	6,315
Dividend income from investments	235,767	286,977
Net unrealised fair value losses on held-for-trading investments (Note 8c)	(81,309)	(60,493)
Net unrealised gains on held-to-maturity investments (Note 8d)	-	56,500
Interest earned on held-to-maturity investments	288,315	28,620
	1,352,017	2,055,677

30 Other income

	Year ended 31 December 2018	Year ended 31 December 2017
Policy fees	207,319	322,173
Transfer fees	261,454	487,276
Profit on sale of AAA card	7,418	2,992
Miscellaneous income	794,225	48,674
	1,270,416	861,115

31 General and administrative expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Salaries and allowances	4,238,653	4,334,283
Rent	501,162	581,540
Share capital issue expenses	273,080	-
Communication	192,819	195,303
Legal and professional fees	168,234	358,841
Other expenses	195,636	148,094
Insurance costs	173,821	162,188
Transportation and travel	141,063	116,427
Repairs and maintenance to investment properties	138,151	85,451
Bank charges	107,799	164,420
Electricity and water charges	56,108	64,570
Directors' sitting fees (Note 33)	54,500	49,400
Printing and stationery	49,380	85,396
Registration and other fees	48,911	42,638
Business promotion	29,210	12,344
Loss on sale of property, plant and equipment	-	2,344
	6,368,527	6,403,239

32 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2018	**2017**
Net profit/(loss) for the year (OMR)	1,140,460	(1,309,783)
Weighted average number of shares outstanding during the year	137,917,808	200,000,000
Basic profit/(loss) per share (OMR)	0.0083	(0.0065)

Diluted earnings per share has not been presented, as the Company has not issued any instruments which would have an impact on the earnings per share when exercised.

33 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's Board of Directors and subsequently ratified by the shareholders in the Annual General Meeting. The transactions are entered into at mutually agreed terms and conditions. The approximate volume of such transactions involving related parties and holders of 10% or more of the Company's shares or their family members, other than those separately disclosed, during the year were as follows:

(a) Statement of profit or loss and other comprehensive income

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

Premiums written	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Omani Vegetable Oils and Derivatives LLC	49,151	36,031
Dhofar International Development and Investment Company SAOG	48,797	3,500
Bank Dhofar SAOG	3,276,083	3,715,084
Shanfari and Partners Company LLC	161,834	181,277
Sharikat Fanniya Omaniya	47,335	55,962
Oman Factory for School and Offices Stationery LLC	2,267	3,075
Dhofar Cattle feed Company SAOG	186,771	182,121
Other related parties	25,520	22,954
	3,797,758	4,200,004

Claims paid	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Dhofar International Development and Investment Company SAOG	10,189	58
Omani Vegetable Oils and Derivatives LLC	187,954	3,392
Bank Dhofar SAOG	2,809,693	2,339,662
Shanfari and Partners Company LLC	219,607	70,746
Sharikat Fanniya Omaniya	126,907	39,536
Dhofar Cattle feed Company SAOG	673,288	44,537
Other related parties	3,395	15,894
	4,031,033	2,513,825
Directors' sitting fees (Note 31)	54,500	49,400
Directors' meeting attendance expenses	44,116	15,827

33 Related party transactions (continued)

(a) Statement of profit or loss and other comprehensive income (continued)

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2018, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (2017: same terms and conditions). This assessment is undertaken at each financial year through examining the financial position of the related party and the market in which the related party operates.

(b) **Balances with related parties, included under the following headings, are as follows:**

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

	2018	2017
Premiums receivable from related parties (Note 13)	17,300	37,280
Outstanding claims payable (included in outstanding claims reserve) to other related parties	1,800,892	2,821,824

(c) **Compensation to key managerial personnel of the Company**

	2018	2017
Short-term-benefits	644,204	417,846
Employees' terminal benefits	23,334	15,210
	667,538	433,056

34 Operating segment

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

The Company has the following operating segments:

34 Operating segment (continued)

General insurance: General business includes insurance and re-insurance of motor; fire and general accident; and marine cargo and hull.

Life insurance: Life business relates to insuring of the life of an individual.

Year ended 31 December 2018	**General Insurance**	**Life Insurance**	**Total Insurance**
Insurance revenue (net of reinsurance)	21,212,985	2,623,178	23,836,163
Insurance costs (net of reinsurance)	(15,209,093)	(1,738,698)	(16,947,791)
Segment results	6,003,892	884,480	6,888,372
Segment expenses	(6,752,323)	(1,281)	(6,753,604)
Allocated other income	2,608,379	14,054	2,622,433
Segment loss before taxation	1,859,948	897,253	2,757,201
Less: Unallocated expenses			(1,616,741)
Loss for the year			**1,140,460**
Segment assets	137,881,168	3,431,921	141,313,089
Unallocated assets	-	-	22,942,599
Total assets	**137,881,168**	**3,431,921**	**164,255,688**
Segment liabilities	**140,909,732**	**3,988,994**	**144,898,726**

Year ended 31 December 2017	**General Insurance**	**Life Insurance**	**Total Insurance**
Insurance revenue (net of reinsurance)	22,719,370	2,112,922	24,832,292
Insurance costs (net of reinsurance)	(20,359,977)	(1,003,878)	(21,363,855)
Segment results	2,359,393	1,109,044	3,468,437
Segment expenses	(7,555,745)	(4,600)	(7,560,345)
Allocated other income	2,912,364	2,084	2,914,448
Segment loss before taxation	(2,283,988)	1,106,528	(1,177,460)
Less: Unallocated income			(132,323)
Loss for the year			**(1,309,783)**

Year ended 31 December 2017	**General Insurance**	**Life Insurance**	**Total Insurance**
Segment assets	75,112,709	2,976,947	78,089,656
Unallocated assets	-	-	25,070,781
Total assets	**75,112,709**	**2,976,947**	**103,160,437**
Segment liabilities	**85,477,358**	**4,005,992**	**89,483,350**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

34 Operating segment (continued)

Geographical information	**Revenue**	**Non-current assets**
31 December 2018		
Sultanate of Oman	40,034,667	56,642,909
Kingdom of Bahrain	-	754,956
	40,034,667	**57,397,865**
31 December 2017		
Sultanate of Oman	44,767,344	55,140,451
Kingdom of Bahrain	-	748,263
	44,767,344	**55,888,714**

Underwriting results department wise - 2018

	Motor	**Fire and general accident**	**Marine and cargo**	**Life**	**Total**
Total insurance revenue	15,503,947	5,678,674	142,364	2,511,178	23,836,163
Total insurance costs	(12,601,895)	(2,436,706)	(170,492)	(1,738,698)	(16,947,791)
Underwriting results	2,902,052	3,241,968	(28,128)	772,480	6,888,372

Underwriting results department wise - 2017

	Motor	Fire and general accident	Marine and cargo	Life	Total
Total insurance revenue	18,494,692	3,983,924	240,754	2,112,922	24,832,292
Total insurance costs	(17,737,684)	(2,590,168)	(32,125)	(1,003,878)	(21,363,855)
Underwriting results	757,008	1,393,756	208,629	1,109,044	3,468,437

35 Financial instruments by categories

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

31 December 2018

Assets	**Available-for-sale investments**	**Held-for-trading investments**	**Loans and receivables**	**Total**
Available-for-sale investments	3,855,461	-	-	3,855,461
Held-for-trading investments	-	402,141	-	402,141
Insurance and reinsurance contracts receivable	-	-	8,071,843	8,071,843
Other receivables (excluding prepayments)	-	-	1,473,580	1,473,580
Bank deposits and cash	-	-	38,377,181	38,377,181
	3,855,461	402,141	47,922,604	52,180,206

35 Financial instruments by categories (continued)

Liabilities	**Financial liabilities**	**Total**
Reserves withheld from reinsurers	8,862,320	8,862,320
Due to reinsurers	3,792,164	3,792,164
Accounts payable, provisions and accruals	4,888,520	4,888,520
Bank loan	-	-
	17,543,004	17,543,004

31 December 2017 **Assets**	Available-for-sale investments	Held-for-trading investments	Loans and receivables	Total
Available-for-sale investments	4,932,111	-	-	4,932,111
Held-for-trading investments	-	1,474,925	-	1,474,925
Insurance and reinsurance contracts receivable	-	-	5,619,155	5,619,155
Other receivables (excluding prepayments)	-	-	1,630,415	1,630,415
Bank deposits and cash	-	-	33,886,496	33,886,496
	4,932,111	1,474,925	41,136,066	47,543,102

Liabilities	Financial liabilities	Total
Reserves withheld from reinsurers	7,288,270	7,288,270
Due to reinsurers	4,058,223	4,058,223
Accounts payable, provisions and accruals	4,288,810	4,288,810
Bank loan	3,000,000	3,000,000
	18,635,303	18,635,303

36 Risk management

Governance framework

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

The Company 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 in addition to a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

Regulatory framework

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

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

36 Risk management

Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with adequate reinsurance arrangements and pro-active claims handling.

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

The Company principally issues general insurance contracts which constitutes mainly motor, marine and aviation and fire and general risks.

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for 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.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

The Company only deals with reinsurers approved by the management, which are generally international re-insurance companies that are rated by international rating agencies.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, 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 Company evaluates the financial condition of its reinsurers. The Company only deals with reinsurers approved by the Board of Directors.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

36 Risk management

Insurance risk

Financial risk

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed and unlisted investments, cash and cash equivalents and interest bearing deposits.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk.

The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

Foreign currency risk

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

Significantly all of the foreign currency transactions of the Company are either in US Dollars or in currencies linked to the US Dollar. The rate of exchange between the US Dollar and the OMR has remained unchanged since the year 1986. Management therefore does not consider any significant risk arising from transactions in foreign currencies.

The Company's exposure to foreign currency risk is as follows:

	2018		2017	
	US Dollars	Other currencies	US Dollars	Other currencies
Insurance and reinsurance receivables	4,704,876	-	1,402,363	-
Bank deposits	2,158,777	33,392	988,903	42,092
Reserves withheld from reinsurers	8,663,658	-	7,288,152	-
Due to reinsurers	3,425,813	-	4,042,757	-
	18,953,124	33,392	13,722,175	42,092

Sensitivity

The Company's bank deposits are denominated in foreign currencies, mainly US Dollars, as at 31 December 2018. As the US Dollar is pegged to the OMR, the management does not believe that the Company is exposed to any material foreign exchange risk. Further, the bank balances are held with reputed financial institutions.

Interest rate risk

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

Profile

At the reporting date, the interest-rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amounts	
Fixed rate instruments	**2018**	**2017**
Financial assets	34,262,546	31,262,546
Financial liabilities	(8,862,320)	(10,288,270)
	25,400,226	20,974,276

36 Risk management (continued)

Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company accounts for fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the reporting date would not affect profit or loss. The interest rates are contractually agreed and remain constant throughout the maturity period.

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 these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market.

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

1.364% of the Company's investments, including investment properties, at the statement of financial position date are outside of the Sultanate of Oman (31 December 2017: 1.372%).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. Relevant financial instruments of the Company include bank balances, bank deposits and insurance premiums receivable. The Company monitors receivables on a regular basis and ensures bank balances and bank deposits are placed with reputable financial institutions.

Premiums receivable comprise a large number of customers mainly within the Sultanate of Oman.

The maximum credit exposure to credit risk for premiums and re-insurance premiums receivable at the reporting date by geographic region are as follows:

	2018	2017
Sultanate of Oman	3,366,967	4,216,793
Europe	3,989,211	718,411
Middle East	704,158	678,183
Other Asian countries	11,507	5,768
	8,071,843	5,619,155

The maximum exposure to credit risk for premiums and reinsurance premiums receivable at the reporting date by type is as follows:

	2018	2017
Corporate clients	3,247,749	4,124,248
Individuals	191,800	209,358
Reinsurers	4,632,294	1,285,549
	8,071,843	5,619,155

The credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's experience. External ratings generally are not available in the environment in which the Company is operating.

36 Risk management (continued)

Credit quality of financial assets

In accordance with the credit policy of the Company, customers, brokers, agents and reinsurers are extended a credit period in the normal course of business of upto 60 days, which in some cases, due to the market conditions and historical business relationship with the customers may be extended by a further period of 30 days as the demands of business may require. The credit quality of financial assets is determined by the counterparties' history of meeting commitments, market intelligence related information and management's trade experience. External ratings generally are not available in the environment in which the Company is operating.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are monitored regularly and management ensures that sufficient funds are available, including unutilised credit facilities with banks, to meet any commitments as they arise.

Maturity profile

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2018	**Within one year**	**Total**
Insurance funds	121,964,845	121,964,845
Reserves withheld from reinsurers	8,862,320	8,862,320
Due to reinsurers	3,792,164	3,792,164
Accounts payable, provisions and accruals	4,888,520	4,888,520
Net principal liabilities	**139,507,849**	**139,507,849**

31 December 2017	Within one year	Total
Insurance funds	67,577,209	67,577,209
Reserves withheld from reinsurers	7,288,270	7,288,270
Due to reinsurers	4,058,223	4,058,223
Bank loan	3,000,000	3,000,000
Accounts payable, provisions and accruals	4,288,810	4,288,810
Net principal liabilities	86,212,512	86,212,512

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Company defines as total shareholders' equity and the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year.

The Company is subject to capital requirements imposed by local regulatory authorities.

36 Risk management (continued)

Maturity profile (continued)

Capital management	**31 December 2018**	**31 December 2017**
Insurance funds	121,964,845	67,577,209
Reserves withheld from reinsurers	8,862,320	7,288,270
Due to reinsurers	3,792,164	4,058,223
Bank loan	-	3,000,000
Accounts payable, provisions and accruals	4,888,520	4,288,810
Less: cash and bank balances	(4,264,635)	(2,773,950)
Net debt	135,243,214	83,438,562
Share capital	10,000,000	20,000,000
Legal reserve	114,046	6,616,470
Special reserve	-	50,000
Contingency reserve	10,000,000	9,616,658
Investment fair value reserve	232,820	394,882
Revaluation reserve in equity accounted investees	563,760	719,863
Accumulated losses	(2,401,864)	(21,796,754)
Revaluation reserve on investment property	848,200	848,200
Total shareholders' equity	19,356,962	16,449,319
Total capital and net debt	154,600,176	99,887,881
Gearing ratio	87%	84%

37 Fair value

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 Company's financial assets and liabilities, with the exception of certain unquoted investments, are not materially different from their carrying values as at the statement of financial position date.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Investment in equity securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

38 Comparative figures

Certain comparative information/corresponding figures have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current year's financial statements, the effect of which is not material, and which does not result in any changes in net profits/(losses) or shareholders equity. Corresponding figures for comparative purposes presented in the statement of financial position are as at 31 December 2017.

39 Subsequent events

There were no events occurring subsequent to 31 December 2018 and before the date of the report that are expected to have a significant impact on these financial statements.

40 Legal court cases and contingent liabilities

(a) Legal court cases

As at 31 December 2018, the Company has the following outstanding contingent assets arising from the legal cases filed against its ex-employees for misappropriation of funds and misusing their authority for personal gains. However, these employees have filed counter claims against the Company which can lead to contingent liabilities in future.

	31 December 2018		31 December 2017	
	Contingent liabilities	Contingent assets	Contingent liabilities	Contingent assets
The Company had filed a civil case against the ex- CEO, to repay OMR 1,124,986 plus 6.5% interest and court expenses. The Company lost the case in the Appeals Court and is pending under appeal in the Supreme Court.	-	1,124,986	-	1,124,986
The ex - CEO had filed a Labour Case against the Company for unspecified damages against wrongful dismissal. The case was dismissed in the Primary Court and the Primary court verdict was upheld in the Appeals Court. The supreme Court also did not accepted the objection and has awarded the decision in favour of the ex - CEO.	-	-	39,552	-
An ex-Manager of the Company had filed a case in the Labour Court for unspecified damages for wrongful dismissal. The Primary Court has dismissed the case in the Company's favour. The Appeals court has dismissed the appeal. The ex-Manager has filed an objection in the Supreme Court. The next hearing date has also been scheduled on 28 February, 2019.	6,138	-	6,138	-

40 Legal court cases and contingent liabilities (continued)

(a) Legal court cases (continued)

	31 December 2018		**31 December 2017**	
	Contingent liabilities	**Contingent assets**	**Contingent liabilities**	**Contingent assets**
The Company had filed a criminal case against the top ex-management employees for certain criminal financial irregularities conducted during the year 2015 and 2016. The Company lost the case and the defendents were acquitted in the Primary Court. The Company has lodged an appeal in the Appeal Court which is under hearing in Court of Appeals. The next hearing date has also been scheduled on 27 February, 2019.	-	20,000,000	-	20,000,000
Eviction case was filed against the ex- CEO for the villa occupied by him that was given to him by the Company. The Primary Court has rendered a judgement condemning the ex-CEO to vacate the villa and pay RO 3,000 per month from 1 September 2016. The ex- CEO has filed an appeal against vacating the villa. The appeal is under hearing.	-	80,000	-	80,000
A judgment was issued from Muscat Primary Court for eviction case against to ex - GM for villa rent and utility consumption which was earlier paid by the Company. As per the judgement the ex - GM is obliged to pay to the Company.	-	31,000	-	-
Total (a)	6,138	21,235,986	45,690	21,204,986

	31 December 2017	**31 December 2016**
(b) Contingent liabilities		
Outstanding bank and other guarantees	33,564,617	30,487,524
Total (b)	33,564,617	30,487,524
Total contingent liabilities (a + b)	33,570,755	30,533,214