

Dear Shareholders,

Assalamu alaikum wa rahamatullahi wa Barakatuh!  
(May the Peace, Mercy and Blessing of Allah be with you!)

On behalf of the Board of Directors, it gives me great pleasure to report below on the performance of your company for the period ending on 30<sup>th</sup> June 2018.

### Operating Environment

The economic environment continues to be difficult. Despite this your company has been able to show a growth of 1% in the Gross Written Contributions compared to the corresponding period last year. The company achieved a Gross Written Premium of RO 14.72 million during second quarter of 2018 as against RO 14.58 million during same period of 2017.

### Results from Operations

The 2nd quarter of this year has been extremely challenging for the Company. Mekunu cyclone caused heavy damages across the Dhofar Governate. As a result many claims were reported across all lines but majority of them are in the policies issued for property & projects Insurances. The losses have been significant, but they are cumulatively much lesser than anticipated. Al Madina's robust back to back Reinsurance arrangements substantially protected the Company's exposure and limited the impact on our Financials. We are happy to inform the shareholders that by the Grace of Almighty, Company's strong Risk Management regime helped contain the losses which could otherwise have been much worse.

The other contributing factor to the performance was Al Madina's move to convert its Premium accounting methodology toward the best international & actuarial practices which required significant enhancement in Unearned Premium Reserves and IBNR.

your Company has demonstrated in 2017 that it has the resilience & the intrinsic strength to make effective recovery from a sudden large event, within a short period of time. The unexpected and unfortunate situation arising out of the twin impact of 'Mekunu' and 'Premium Accounting provisions' will similarly be fully covered during the second half of 2018.



your company continues in its path of stable growth with strong reserves at the same time keeping a tight control on operating expenses. This has reflected in the Surplus from Takaful operations during the quarter ending June 2018 with an underwriting surplus of RO 1.58 million (June 2017: - Surplus of RO 2.08 million).

### **Investment Income**

your company continues to monitor its investment book well while ensuring that all the investments are diversified and constantly monitored for Shariah' Compliance. Despite the continuing pressure on the stock markets due to oil prices, your company has been prudently managing its investments and has earned an Investment Income of RO 511 K as at June 2018 (June 2017: - RO 353 K). your company will continue to look at growing opportunities within the Islamic Finance space for optimizing the Investment Income in line with the company's risk appetite.

### **Shareholders' profit**

In spite of the economic environments affecting the insurance and stock markets, your company reports a profit attributable to the shareholders of RO 1.16mn, compared to RO 1.11mn for the corresponding period in 2017.

### **Risk Management**

your company constantly evaluates its risks associated with the insurance business as well as its Investments and adopts necessary measures to manage these risks. your Company is now adopting the Enterprise Risk Management Framework to measure and mitigate the risks.

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

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

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



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

### Acknowledgements

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

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

May God Bless you all.

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

## AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018

	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	General takaful		Family takaful		Total participants' fund		Unaudited 30 June 2018 RO	Audited 31 December 2017 RO
				Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO		
<b>ASSETS</b>											
Cash and cash equivalents	5	731,814	1,554,510	613,605	2,376,372	73,320	495,020	686,925	2,871,392	1,418,739	4,425,902
Investments carried at fair value through profit or loss	7	1,843,686	2,098,401	-	-	-	-	-	-	1,843,686	2,098,401
Takaful balance receivable	8	-	-	9,942,786	10,248,311	844,132	1,058,122	10,786,918	11,306,433	10,786,918	11,306,433
Retakaful / reinsurance balance receivable	8	-	-	653,981	531,791	128,970	181,449	782,951	713,240	782,951	713,240
Receivable from participants' fund - family takaful		-	-	844,565	971,948	-	-	844,565	971,948	844,565	971,948
Receivable from shareholders' fund		-	-	-	1,208,484	-	-	-	1,208,484	-	1,208,484
Receivable from participants' fund	9	1,669,272	1,638,393	-	-	-	-	-	-	1,669,272	1,638,393
Due from retakaful / reinsurance companies in connection with takaful liabilities	10	-	-	25,668,380	116,085,145	1,469,325	1,351,180	27,137,705	117,436,325	27,137,705	117,436,325
Deferred policy acquisition cost	11	-	-	717,611	702,786	75,474	103,974	793,085	806,760	793,085	806,760
Other receivables and takaful assets	12	1,466,311	924,023	381,388	419,630	214,827	132,025	596,215	551,655	2,062,526	1,475,678
Investments at fair value through equity	13	2,332,707	1,820,153	-	-	-	-	-	-	2,332,707	1,820,153
Bank deposits	6	4,781,500	4,781,500	5,476,416	3,476,416	947,084	947,084	6,423,500	4,423,500	11,205,000	9,205,000
Investments carried at amortised cost	14	4,985,312	4,989,600	-	-	-	-	-	-	4,985,312	4,989,600
Deferred tax asset		191,989	165,616	-	-	-	-	-	-	191,989	165,616
Investment in real estate	15	5,745,911	6,391,733	-	-	-	-	-	-	5,745,911	6,391,733
Property and equipment	16	999,794	1,080,640	-	-	-	-	-	-	999,794	1,080,640
<b>Total assets</b>		<b>24,748,296</b>	<b>25,444,569</b>	<b>44,298,732</b>	<b>136,020,883</b>	<b>3,753,132</b>	<b>4,268,854</b>	<b>48,051,864</b>	<b>140,289,737</b>	<b>72,800,160</b>	<b>165,734,306</b>

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

## AL MADINA INSURANCE COMPANY SAOG

### UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 30 JUNE 2018

	Note	Shareholders' fund		Participants' fund						Grand total	
		Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	General takaful		Family takaful		Total participants' fund		Unaudited 30 June 2018 RO	Audited 31 December 2017 RO
				Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO		
<b>LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY</b>											
<b>LIABILITIES</b>											
Takaful liabilities	10	-	-	<b>38,737,582</b>	128,194,278	<b>1,877,881</b>	1,795,063	<b>40,615,463</b>	129,989,341	<b>40,615,463</b>	129,989,341
Unearned retakaful commission	18	-	-	<b>106,669</b>	51,486	-	-	<b>106,669</b>	51,486	<b>106,669</b>	51,486
Retakaful/reinsurance payables		-	-	<b>5,568,317</b>	6,010,876	<b>915,644</b>	1,346,424	<b>6,483,961</b>	7,357,300	<b>6,483,961</b>	7,357,300
Accounts and other payables		<b>553,183</b>	687,196	<b>1,486,368</b>	2,397,120	<b>592,341</b>	329,037	<b>2,078,709</b>	2,726,157	<b>2,631,892</b>	3,413,353
Charity fund payable		<b>20,047</b>	20,047	-	-	-	-	-	-	<b>20,047</b>	20,047
Payable to shareholders	9	-	-	<b>1,357,111</b>	1,183,956	<b>312,161</b>	454,437	<b>1,669,272</b>	1,638,393	<b>1,669,272</b>	1,638,393
Payable to participants' fund - general takaful		-	1,208,484	-	-	<b>844,565</b>	971,948	<b>844,565</b>	971,948	<b>844,565</b>	2,180,432
Employees' end of service benefits		<b>356,566</b>	318,622	-	-	-	-	-	-	<b>356,566</b>	318,622
<b>Total liabilities</b>		<b>929,796</b>	2,234,349	<b>47,256,047</b>	137,837,716	<b>4,542,592</b>	4,896,909	<b>51,798,639</b>	142,734,625	<b>52,728,435</b>	144,968,974
<b>PARTICIPANTS' FUND</b>											
Deficit in participants' fund		-	-	<b>(6,437,468)</b>	(4,672,388)	<b>(929,761)</b>	(754,599)	<b>(7,367,229)</b>	(5,426,987)	<b>(7,367,229)</b>	(5,426,987)
Contingency reserve	17	-	-	<b>3,480,153</b>	2,855,555	<b>140,301</b>	126,544	<b>3,620,454</b>	2,982,099	<b>3,620,454</b>	2,982,099
<b>Total participants' fund</b>		-	-	<b>(2,957,315)</b>	(1,816,833)	<b>(789,460)</b>	(628,055)	<b>(3,746,775)</b>	(2,444,888)	<b>(3,746,775)</b>	(2,444,888)
<b>SHAREHOLDERS' EQUITY</b>											
<b>Capital and reserves</b>											
Share capital		<b>17,500,000</b>	17,500,000	-	-	-	-	-	-	<b>17,500,000</b>	17,500,000
Share premium		<b>1,380,151</b>	1,380,151	-	-	-	-	-	-	<b>1,380,151</b>	1,380,151
Legal reserve		<b>953,270</b>	837,275	-	-	-	-	-	-	<b>953,270</b>	837,275
Investment fair value reserve		<b>421,169</b>	148,901	-	-	-	-	-	-	<b>421,169</b>	148,901
Property fair value reserve		-	123,949	-	-	-	-	-	-	-	123,949
Retained earnings		<b>3,563,910</b>	3,219,944	-	-	-	-	-	-	<b>3,563,910</b>	3,219,944
<b>Total shareholders' equity</b>		<b>23,818,500</b>	23,210,220	-	-	-	-	-	-	<b>23,818,500</b>	23,210,220
<b>Total liabilities, participants' fund and shareholders' equity</b>		<b>24,748,296</b>	25,444,569	<b>44,298,732</b>	136,020,883	<b>3,753,132</b>	4,268,854	<b>48,051,864</b>	140,289,737	<b>72,800,160</b>	165,734,306

Director

Director

## AL MADINA INSURANCE COMPANY SAOG

### UNAUDITED CONDENSED INTERIM STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

	Note	General takaful		Family takaful		Total	
		Unaudited 30 June 2018 RO	Unaudited 30 June 2017 RO	Unaudited 30 June 2018 RO	Unaudited 30 June 2017 RO	Unaudited 30 June 2018 RO	Unaudited 30 June 2017 RO
<b>Takaful revenue</b>							
Gross contributions		13,348,029	12,909,762	1,375,757	1,673,856	14,723,786	14,583,618
Retakaful/reinsurance share		(5,683,125)	(5,853,658)	(982,640)	(1,148,681)	(6,665,765)	(7,002,339)
Retained contributions		7,664,904	7,056,104	393,117	525,175	8,058,021	7,581,279
Movement in unearned contributions reserve		(273,930)	(435,589)	28,815	(138,252)	(245,115)	(573,841)
Net earned contributions		7,390,974	6,620,515	421,932	386,923	7,812,906	7,007,438
Income earned from retakaful contracts		14,999	329,725	-	5,730	14,999	335,455
		<b>7,405,973</b>	<b>6,950,240</b>	<b>421,932</b>	<b>392,653</b>	<b>7,827,905</b>	<b>7,342,893</b>
<b>Takaful expenses</b>							
Gross claims settled	19	(66,760,853)	(4,382,920)	(1,153,436)	(727,351)	(67,914,289)	(5,110,271)
Claims recovered from retakaful/reinsurance	19	62,368,324	970,959	958,790	616,382	63,327,114	1,587,341
Net claims settled		(4,392,529)	(3,411,961)	(194,646)	(110,969)	(4,587,175)	(3,522,930)
Net movement in outstanding claims		(686,143)	(721,683)	6,512	(100,686)	(679,631)	(822,369)
Net claims incurred	19	(5,078,672)	(4,133,644)	(188,134)	(211,655)	(5,266,806)	(4,345,299)
Commission expense		(824,362)	(814,668)	(110,115)	(105,509)	(934,477)	(920,177)
		<b>(5,903,034)</b>	<b>(4,948,312)</b>	<b>(298,249)</b>	<b>(317,164)</b>	<b>(6,201,283)</b>	<b>(5,265,476)</b>
		<b>1,502,939</b>	<b>2,001,928</b>	<b>123,683</b>	<b>75,489</b>	<b>1,626,622</b>	<b>2,077,417</b>
Takaful income		119,513	135,351	212	5,901	119,725	141,252
Provision for impairment of receivable		(57,300)	(80,000)	(2,700)	(10,000)	(60,000)	(90,000)
Takaful expense		(86,391)	(40,280)	(16,904)	(500)	(103,295)	(40,780)
Surplus from takaful operations		1,478,761	2,016,999	104,291	70,890	1,583,052	2,087,889
Investment income – net		106,513	59,409	21,011	600	127,524	60,009
Mudarib share	20	(58,582)	(32,675)	(11,556)	(330)	(70,138)	(33,005)
Wakala fees	20	(2,667,174)	(2,573,648)	(275,151)	(334,771)	(2,942,325)	(2,908,419)
<b>Deficit from takaful operations</b>		<b>(1,140,482)</b>	<b>(529,915)</b>	<b>(161,405)</b>	<b>(263,611)</b>	<b>(1,301,887)</b>	<b>(793,526)</b>

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

## AL MADINA INSURANCE COMPANY SAOG

### UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

	Note	Shareholders' fund	
		Unaudited 30 June 2018 RO	Unaudited 30 June 2017 RO
Wakala fees	20	2,942,325	2,908,419
Investment income (net)	21	383,288	293,005
Mudarib share	20	70,138	33,005
		<b>3,395,751</b>	<b>3,234,429</b>
General and administrative expenses		(2,179,036)	(2,055,956)
Other income		152	420
		<b>(2,178,884)</b>	<b>(2,055,536)</b>
<b>Profit before tax</b>		<b>1,216,867</b>	<b>1,178,893</b>
Taxation		(56,906)	(65,000)
<b>Profit for the period</b>		<b>1,159,961</b>	<b>1,113,893</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of investments at fair value through equity		272,268	(72,490)
<b>Total comprehensive income for the period</b>		<b>1,432,229</b>	<b>1,041,403</b>
<b>Earnings per share attributable to shareholders - basic and diluted</b>	24	<b>0.008</b>	<b>0.006</b>

## AL MADINA INSURANCE COMPANY SAOG

### UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

	Share capital	Share premium	Legal reserve	Contingency reserve	Investment fair value reserve	Property fair value reserve	Retained earnings	Total
	RO	RO	RO	RO	RO	RO	RO	RO
<b>At 1 January 2018 (audited)</b>	<b>17,500,000</b>	<b>1,380,151</b>	<b>837,275</b>	-	<b>148,901</b>	<b>123,949</b>	<b>3,219,944</b>	<b>23,210,220</b>
<b>Comprehensive income:</b>								
Profit for the period	-	-	-	-	-	-	<b>1,159,961</b>	<b>1,159,961</b>
<b>Other comprehensive income:</b>								
Net change in fair value of investment at fair value through equity	-	-	-	-	<b>272,268</b>	-	-	<b>272,268</b>
Transfer to profit or loss on sale of investment in real estate	-	-	-	-	-	<b>(123,949)</b>	-	<b>(123,949)</b>
	-	-	-	-	<b>272,268</b>	<b>(123,949)</b>	<b>1,159,961</b>	<b>1,308,280</b>
<b>Transaction with owners:</b>								
Transfer to legal reserve	-	-	<b>115,995</b>	-	-	-	<b>(115,995)</b>	-
Dividend paid	-	-	-	-	-	-	<b>(700,000)</b>	<b>(700,000)</b>
	-	-	<b>115,995</b>	-	-	-	<b>(815,995)</b>	<b>(700,000)</b>
<b>At 30 June 2018 (unaudited)</b>	<b>17,500,000</b>	<b>1,380,151</b>	<b>953,270</b>	-	<b>421,169</b>	-	<b>3,563,910</b>	<b>23,818,500</b>
At 1 January 2017 (audited)	17,500,000	1,380,151	797,581	1,206,553	307,968	-	2,706,141	23,898,394
<b>Comprehensive income:</b>								
Profit for the period	-	-	-	-	-	-	1,113,893	1,113,893
<b>Other comprehensive income:</b>								
Net change in fair value of investment at fair value through equity	-	-	-	-	<b>(72,490)</b>	-	-	<b>(72,490)</b>
	-	-	-	-	<b>(72,490)</b>	-	1,113,893	1,041,403
<b>Transaction with owners:</b>								
Transfer to legal reserve	-	-	111,389	-	-	-	<b>(111,389)</b>	-
Dividend paid	-	-	-	-	-	-	<b>(1,050,000)</b>	<b>(1,050,000)</b>
Transfer to contingency reserve (to shareholders' fund)	-	-	-	<b>(1,206,553)</b>	-	-	1,206,553	-
	-	-	111,389	<b>(1,206,553)</b>	-	-	45,164	<b>(1,050,000)</b>
<b>At 30 June 2017 (unaudited)</b>	<b>17,500,000</b>	<b>1,380,151</b>	<b>908,970</b>	-	<b>235,478</b>	-	<b>3,865,198</b>	<b>23,889,797</b>

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



## AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN PARTICIPANTS' FUND  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

	Deficit in participants' fund		Contingency reserve		Total
	General takaful RO	Family takaful RO	General takaful RO	Family takaful RO	RO
<b>At 1 January 2018 (audited)</b>	<b>(4,672,388)</b>	<b>(754,599)</b>	<b>2,855,555</b>	<b>126,544</b>	<b>(2,444,888)</b>
Deficit for the period	(1,140,482)	(161,405)	-	-	(1,301,887)
Transfer to contingency reserve	(624,598)	(13,757)	624,598	13,757	-
<b>At 30 June 2018 (unaudited)</b>	<b>(6,437,468)</b>	<b>(929,761)</b>	<b>3,480,153</b>	<b>140,301</b>	<b>(3,746,775)</b>
At 1 January 2017 (audited)	(3,195,186)	(705,499)	1,115,614	67,533	(2,717,538)
Deficit for the period	(529,915)	(263,611)	-	-	(793,526)
Transfer to contingency reserve (from shareholders' fund)	(1,183,956)	(22,597)	1,183,956	22,597	-
Transfer to contingency reserve	(482,703)	(16,739)	482,703	16,739	-
At 30 June 2017 (unaudited)	(5,391,760)	(1,008,446)	2,782,273	106,869	(3,511,064)

## AL MADINA INSURANCE COMPANY SAOG

### UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

	Note	Unaudited 30 June 2018 RO	Unaudited 30 June 2017 RO
<b>Operating activities</b>			
Profit before tax for the period		1,216,867	1,178,893
Deficit from takaful operations		(1,301,887)	(793,526)
<b>Adjustments for:</b>			
Depreciation		126,317	125,307
Dividend income		(164,325)	(177,829)
Profit on wakala deposits		(227,995)	(65,543)
Profit from investments carried out at amortised cost		(151,366)	(80,659)
Amortisation of investments carried at amortised cost		30,433	4,419
End of service benefits charge for the year		37,944	55,324
Rental income on investment in real estate		(200,405)	(294,857)
Fair value loss on investments carried at fair value through profit or loss		383,163	333,205
Provision for bad and doubtful debt		(60,000)	90,000
Realised gain on sale of investments		(33,896)	(64,350)
Gain on Real Estate		(216,666)	-
<b>Operating cash flows before payment of end of service benefits</b>		<b>(561,816)</b>	310,384
End of service benefits paid		-	(28,861)
<b>Operating cash flows before working capital changes</b>		<b>(561,816)</b>	281,703
<b>Working capital changes:</b>			
Takaful and retakaful/reinsurance balance receivables		389,804	435,501
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		90,298,620	(1,903,403)
Other receivables, prepayments and other assets		(586,848)	1,052,933
Deferred policy acquisition cost		13,675	(31,019)
Outstanding claims and unearned premium reserve		(89,373,878)	3,299,613
Accounts and other payables		(838,367)	(239,658)
Due to retakaful / reinsurance		(873,339)	650,938
Unearned retakaful/reinsurance commission		55,183	(270,623)
<b>Net cash (used in) / generated from operating activities</b>		<b>(1,476,966)</b>	3,275,985
<b>Cash flows from Investing activities</b>			
Purchase of property and equipment		(45,471)	(153,975)
Purchase of investments carried at fair value through profit or loss		(202,659)	-
Purchase of investments carried at fair value through equity		(806,985)	(416,715)
Purchase of investment carried at amortised cost		-	(751,500)
Proceeds from disposal of fixed assets		-	-
Proceeds from investment in real estate		716,666	-
Proceeds from disposal of investments at fair value through profit or loss		79,521	442,952
Proceeds from redemption of investment at fair value through equity		595,288	207,776
Movement in bank deposits		(2,000,000)	(498,025)
Rent on investment in real estate received		340,288	257,822
Profit on bank deposits received		328,830	312,435
Dividends received		164,325	177,829
<b>Net cash used in investing activities</b>		<b>(830,197)</b>	(421,401)
<b>Cash flow from Financing activity</b>			
Dividends paid		(700,000)	(1,050,000)
<b>Net change in cash and cash equivalents</b>		<b>(3,007,163)</b>	1,804,584
Cash and cash equivalents at the beginning of the year		4,425,902	2,349,117
<b>Cash and cash equivalents at the end of the year</b>	5	<b>1,418,739</b>	4,153,701

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018****1 Legal status and principal activities**

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

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

**2 Summary of significant accounting policies**

(a) This unaudited condensed interim financial information for the six month period ended 30 June 2018 has been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI, for matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards (IFRS). Accordingly, the interim condensed financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

(b) This unaudited condensed interim financial information do not contain all information and disclosures required for full financial statements prepared in accordance with FAS issued by AAOIFI and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2017.

(c) The accounting policies adopted in the preparation of this unaudited condensed interim financial information is consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2017. In addition, results for the six month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial for the year ending 31 December 2018.

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

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

**3 Critical accounting estimates and judgements**

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

In preparing this unaudited condensed interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017.

**4 Financial risk factors**

The Company’s activities expose it to a variety of financial risks: market risk (including currency exchange rate risk, profit rate risk and price risk), credit risk and liquidity risk. The unaudited condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2017. There have been no changes in the risk management policies since year end.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

**5 Cash and cash equivalents**

	Shareholders	Participants		
	RO	General RO	Family RO	Total RO
<b>30 June 2018 (Unaudited)</b>				
Cash at bank in current accounts	51,425	303,257	16,786	320,043
Cash at bank in call accounts	583,719	309,791	56,534	366,325
Cash balances with investment managers	93,682	-	-	-
Cash in hand	2,988	557	-	557
	<b>731,814</b>	<b>613,605</b>	<b>73,320</b>	<b>686,925</b>
<b>31 December 2017 (audited)</b>				
Cash at bank in current accounts	108,508	1,704,750	418,354	2,123,104
Cash at bank in call accounts	1,119,761	660,272	76,638	736,910
Cash balances with investment managers	323,472	-	-	-
Cash in hand	2,769	11,350	28	11,378
	<b>1,554,510</b>	<b>2,376,372</b>	<b>495,020</b>	<b>2,871,392</b>

**6 Bank deposits**

	Shareholders	Participants		
	RO	General RO	Family RO	Total RO
<b>30 June 2018 (Unaudited)</b>				
Bank deposits with maturity of more than three months	<b>4,781,500</b>	<b>5,476,416</b>	<b>947,084</b>	<b>6,423,500</b>
<b>31 December 2017 (audited)</b>				
Bank deposits with maturity of more than three months	<b>4,781,500</b>	<b>3,476,416</b>	<b>947,084</b>	<b>4,423,500</b>

(a) Bank deposits carry profit rates in range of 3.5% to 4.2% per annum (31 December 2017 – 3.5% to 4.2% per annum).

(b) *Restrictions on transfer of assets*

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific bank deposits with carrying value of RO 11,155,000 (31 December 2017 - RO 8,655,000) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

(c) The Company has kept a deposit of RO 50,000 (31 December 2017 - RO 50,000) which is under lien with Omani Unified Bureau for Orange Card Company SAOC in the Sultanate of Oman, against settlement of claims.

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

	Shareholders		Shareholders	
	Unaudited 30 June 2018		Audited 31 December 2017	
	Fair value	Cost	Fair value	Cost
<i>Local quoted</i>	RO	RO	RO	RO
Service sector	149,300	146,312	790,905	1,438,237
Industrial sector	1,058,110	1,240,380	1,304,988	1,017,463
Financial sector	636,276	840,157	2,508	2,508
<b>Total investments</b>	<b>1,843,686</b>	<b>2,226,849</b>	<b>2,098,401</b>	<b>2,458,208</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

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

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

	<b>Shareholders</b>	
	<b>Unaudited 30 June 2018 RO</b>	<b>Audited 31 December 2017 RO</b>
<b>At 1 January</b>	<b>2,098,401</b>	3,190,997
Purchases during the year	<b>202,659</b>	146,155
Disposals during the year	<b>(79,521)</b>	(826,946)
Realised gain / (loss) on disposal	<b>5,310</b>	(51,998)
Net change in fair value	<b>(383,163)</b>	(359,807)
<b>At 30 June / 31 December</b>	<b>1,843,686</b>	2,098,401

(b) Details of the Company's investments carried at fair value through profit or loss for which the Company's holding exceeds 10% of the fair value of investments held at fair value through profit or loss at 30 June 2018 / 31 December 2017 are:

	<b>% of Portfolio</b>	<b>Number of Securities</b>	<b>Fair value RO</b>	<b>Cost RO</b>
<b>30 June 2018 (unaudited)</b>				
Salalah Mills Company SAOG	<u>15</u>	<u>256,556</u>	<u>275,798</u>	<u>341,219</u>
<b>31 December 2017 (audited)</b>				
Salalah Mills Company SAOG	<u>16</u>	<u>256,556</u>	<u>341,219</u>	<u>378,420</u>
Oman Oil Marketing Company SAOG	<u>10</u>	<u>144,410</u>	<u>209,395</u>	<u>268,603</u>
Oman Refreshment Company SAOG	<u>10</u>	<u>99,802</u>	<u>204,594</u>	<u>214,540</u>

(c) *Restrictions on transfer of assets*

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific investments with the carrying value of RO 1,803,796 (31 December 2017 - RO 347,030) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

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

	<b>Participants</b>		
	<b>General RO</b>	<b>Family RO</b>	<b>Total RO</b>
<b>30 June 2018 (Unaudited)</b>			
Takaful receivable including due from related parties	<b>10,558,698</b>	<b>911,367</b>	<b>11,470,065</b>
Less: specific and portfolio provision for impairment	<b>(615,912)</b>	<b>(67,235)</b>	<b>(683,147)</b>
	<b>9,942,786</b>	<b>844,132</b>	<b>10,786,918</b>
Retakaful / reinsurance balances receivable	<b>890,720</b>	<b>166,045</b>	<b>1,056,765</b>
Less: specific and portfolio provision for impairment	<b>(236,739)</b>	<b>(37,075)</b>	<b>(273,814)</b>
	<b>653,981</b>	<b>128,970</b>	<b>782,951</b>
	<b>10,596,767</b>	<b>973,102</b>	<b>11,569,869</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

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

	Participants		
	General RO	Family RO	Total RO
31 December 2017 (Audited)			
Takaful receivable including due from related parties	10,806,923	1,122,657	11,929,580
Less: specific and portfolio provision for impairment	(558,612)	(64,535)	(623,147)
	<u>10,248,311</u>	<u>1,058,122</u>	<u>11,306,433</u>
Retakaful / reinsurance balances receivable	768,530	218,524	987,054
Less: specific and portfolio provision for impairment	(236,739)	(37,075)	(273,814)
	<u>531,791</u>	<u>181,449</u>	<u>713,240</u>
	<u>10,780,102</u>	<u>1,239,571</u>	<u>12,019,673</u>

Normal credit period allowed to takaful debtors and retakaful / reinsurance companies is 120 days after which amounts are considered as past due. As at 30 June 2018, receivables past due above 121 days amounting to RO 5,635,900 (31 December 2017 – RO 3,577,647) are not considered impaired as these are due from government, quasi-government entities, brokers and corporate clients with which the Company deals in the normal course of business and with which there is no recent history of default.

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

	Participants		
	General RO	Family RO	Total RO
<b>30 June 2018 (Unaudited)</b>			
Neither past due nor impaired	5,246,657	687,312	5,933,969
Past due but not impaired	5,350,110	285,790	5,635,900
Past due and impaired	852,651	104,310	956,961
	<u>11,449,418</u>	<u>1,077,412</u>	<u>12,526,830</u>
31 December 2017 (Audited)			
Neither past due nor impaired	7,465,378	976,648	8,442,026
Past due but not impaired	3,314,724	262,923	3,577,647
Past due and impaired	795,351	101,610	896,961
	<u>11,575,453</u>	<u>1,341,181</u>	<u>12,916,634</u>

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

	Participants		
	General RO	Family RO	Total RO
<b>30 June 2018 (Unaudited)</b>			
<b>At 1 January 2018</b>	795,351	101,610	896,961
Charge for the period	57,300	2,700	60,000
<b>At 30 June 2018</b>	<u>852,651</u>	<u>104,310</u>	<u>956,961</u>
31 December 2017 (Audited)			
At 1 January 2017	715,351	91,610	806,961
Charge for the year	80,000	10,000	90,000
At 31 December 2017	<u>795,351</u>	<u>101,610</u>	<u>896,961</u>

(c) At 30 June 2018, 49% of the Company's takaful receivable is from 5 customers (31 December 2017- 50% from 5 customers).

(d) At 30 June 2018, 71% of the Company's due from retakaful / reinsurance companies are from 5 retakaful / reinsurance companies (31 December 2017 - 62% from 5 retakaful / reinsurance companies).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

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

	<b>Shareholders</b>	
	<b>Unaudited 30 June 2018 RO</b>	<b>Audited 31 December 2017 RO</b>
<b>At 1 January</b>	<b>1,638,393</b>	1,976,829
Wakala fee income for the year (note 25)	<b>2,942,325</b>	4,159,961
Mudarib share for the year (note 25)	<b>70,138</b>	77,358
Amount received from policyholders	<b>(3,708,207)</b>	(5,954,707)
Net movement in policyholders' account	<b>726,623</b>	172,399
Receivable from participants	<b>1,669,272</b>	431,840
Qard hassan provided to participants' fund during the year	<b>-</b>	1,206,553
<b>At 30 June / 31 December</b>	<b>1,669,272</b>	1,638,393

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

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

	<b>Shareholders</b>	
	<b>Unaudited 30 June 2018 RO</b>	<b>Audited 31 December 2017 RO</b>
On account of qard hassan		
- From general takaful	<b>1,183,956</b>	1,183,956
- From family takaful	<b>22,597</b>	22,597
	<b>1,206,553</b>	1,206,553
On account of wakala fees, mudarib share and inter-fund balances		
- From general takaful	<b>173,155</b>	-
- From family takaful	<b>289,564</b>	431,840
	<b>462,719</b>	431,840
	<b>1,669,272</b>	1,638,393

(c) During the year ended 31 December 2017, the Company has obtained approval from the CMA and Shari'a Supervisory Committee and transferred the balance in the contingency reserve amounting to RO 1,206,553 from the shareholders' fund to the participants' fund through retained earnings by way of granting Qard hassan (loan to participants' fund).

**10 Takaful liabilities**

	<b>Unaudited 30 June 2018 Retakaful / reinsurance</b>			<b>Audited 31 December 2017 Retakaful / reinsurance</b>		
	<b>Gross RO</b>	<b>RO</b>	<b>Net RO</b>	<b>Gross RO</b>	<b>RO</b>	<b>Net RO</b>
<b>General takaful</b>						
Claims incurred but not settled	<b>23,561,181</b>	<b>(19,092,553)</b>	<b>4,468,628</b>	113,710,973	(109,478,424)	4,232,549
Claims incurred but not reported	<b>3,163,510</b>	<b>(1,386,149)</b>	<b>1,777,361</b>	2,660,341	(1,333,040)	1,327,301
	<b>26,724,691</b>	<b>(20,478,702)</b>	<b>6,245,989</b>	116,371,314	(110,811,464)	5,559,850
Unearned contributions reserve	<b>12,012,891</b>	<b>(5,189,678)</b>	<b>6,823,213</b>	11,822,964	(5,273,681)	6,549,283
	<b>38,737,582</b>	<b>(25,668,380)</b>	<b>13,069,202</b>	128,194,278	(116,085,145)	12,109,133

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)

10 Takaful liabilities (continued)

	Unaudited 30 June 2018			Audited 31 December 2017		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
<b>Family takaful</b>						
Claims incurred but not settled	366,472	(297,480)	68,992	397,311	(321,807)	75,504
Claims incurred but not reported	642,155	(543,920)	98,235	642,155	(543,920)	98,235
	<b>1,008,627</b>	<b>(841,400)</b>	<b>167,227</b>	1,039,466	(865,727)	173,739
Unearned contributions reserve	869,254	(627,925)	241,329	755,597	(485,453)	270,144
	<b>1,877,881</b>	<b>(1,469,325)</b>	<b>408,556</b>	1,795,063	(1,351,180)	443,883
	<b>40,615,463</b>	<b>(27,137,705)</b>	<b>13,477,758</b>	129,989,341	(117,436,325)	12,553,016

During the year ended 31 December 2017, the Company received a significant claim from one of its customers, which was adequately reinsured as per the Company's risk management policies, resulting in significant increase in 'gross claims incurred but not settled' and the corresponding retakaful / reinsurance share.

Substantially all of the claims are expected to be paid within twelve months of the statement of financial position date. The amounts due from retakaful / reinsurance are contractually due within a maximum of six months from the date of payment of the claims.

(a) Claims and loss adjustment expenses

	Unaudited 30 June 2018			Audited 31 December 2017		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
<b>General takaful</b>						
Notified claims	113,710,973	(109,478,424)	4,232,549	7,666,094	(4,401,826)	3,264,268
Incurred but not reported	2,660,341	(1,333,040)	1,327,301	1,127,616	(286,541)	841,075
<b>Total at the beginning of the period / year</b>	<b>116,371,314</b>	<b>(110,811,464)</b>	<b>5,559,850</b>	8,793,710	(4,688,367)	4,105,343
Cash paid for claims settled during the period / year	66,760,853	(62,368,324)	4,392,529	(43,990,996)	36,567,112	(7,423,884)
Increase in liabilities arising from current and prior period claims	(22,885,770)	27,964,438	5,078,668	151,568,600	(142,690,209)	8,878,391
<b>Total at the end of the period / year</b>	<b>26,724,691</b>	<b>(20,478,698)</b>	<b>6,245,989</b>	116,371,314	(110,811,464)	5,559,850
Notified claims	23,561,181	(19,092,553)	4,468,628	113,710,973	(109,478,424)	4,232,549
Incurred but not reported	3,163,510	(1,386,149)	1,777,361	2,660,341	(1,333,040)	1,327,301
<b>Total at the end of the period / year</b>	<b>26,724,691</b>	<b>(20,478,702)</b>	<b>6,245,989</b>	16,371,314	(110,811,464)	5,559,850
<b>Family takaful</b>						
Notified claims	397,311	(321,807)	75,504	279,749	(225,986)	53,763
Incurred but not reported	642,155	(543,920)	98,235	430,991	(362,030)	68,961
<b>Total at the beginning of the period / year</b>	<b>1,039,466</b>	<b>(865,727)</b>	<b>173,739</b>	710,740	(588,016)	122,724
Cash paid for claims settled during the period / year	1,153,436	(958,790)	194,646	(1,734,693)	1,460,215	(274,478)
Increase in liabilities arising from current and prior period claims	1,122,597	(934,463)	188,134	2,063,419	(1,737,926)	325,493
<b>Total at the end of the period / year</b>	<b>1,008,627</b>	<b>(841,400)</b>	<b>167,227</b>	1,039,466	(865,727)	173,739
Notified claims	366,472	(297,480)	68,992	397,311	(321,807)	75,504
Incurred but not reported	642,155	(543,920)	98,235	642,155	(543,920)	98,235
<b>Total at the end of the period / year</b>	<b>1,008,627</b>	<b>(841,400)</b>	<b>167,227</b>	1,039,466	(865,727)	173,739



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

**10 Takaful liabilities (continued)**

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

	Unaudited 30 June 2018			Audited 31 December 2017		
	Gross RO	Reinsurance RO	Net RO	Gross RO	Reinsurance RO	Net RO
Unearned contributions reserves	11,822,964	(5,273,681)	6,549,283	10,779,872	(4,775,210)	6,004,662
Mathematical reserves	755,597	(485,453)	270,144	658,578	(421,235)	237,343
<b>Total at the beginning of the period / year</b>	<b>12,578,561</b>	<b>(5,759,134)</b>	<b>6,819,427</b>	11,438,450	(5,196,445)	6,242,005
Gross contributions during the period / year	14,723,786	(6,665,765)	8,058,021	29,914,628	(14,300,483)	15,614,145
Net (release) / increase during the period / year	(14,420,202)	6,607,296	(7,812,906)	(28,774,517)	13,737,794	(15,036,723)
<b>Total at the end of the period / year</b>	<b>12,882,145</b>	<b>(5,817,603)</b>	<b>7,064,542</b>	12,578,561	(5,759,134)	6,819,427
Unearned contributions reserves	12,012,891	(5,189,678)	6,823,213	11,822,964	(5,273,681)	6,549,283
Mathematical reserves	869,252	(627,923)	241,329	755,597	(485,453)	270,144
<b>Total at the end of the period / year</b>	<b>12,882,145</b>	<b>(5,817,603)</b>	<b>7,064,542</b>	12,578,561	(5,759,134)	6,819,427

**11 Deferred policy acquisition cost**

	General takaful RO	Family takaful RO	Total RO
At 1 January 2018 (Audited)	702,786	103,974	806,760
Cost incurred during the period	839,187	81,614	920,801
Amortised during the period	(824,362)	(110,114)	(934,476)
<b>At 30 June 2018 (Unaudited)</b>	<b>717,611</b>	<b>75,474</b>	<b>793,085</b>

	General takaful RO	Family takaful RO	Total RO
At 1 January 2017 (Audited)	706,451	64,285	770,736
Cost incurred during the year	1,561,746	231,053	1,792,799
Amortised during the year	(1,565,411)	(191,364)	(1,756,775)
At 31 December 2017 (Audited)	702,786	103,974	806,760

**12 Other receivables and takaful assets**

	Shareholders	Participants		Total RO
	RO	General takaful RO	Family takaful RO	
Unaudited 30 June 2018				
Rent receivable	190,607	-	-	-
Accrued profit on bank deposits	422,225	-	-	-
Advances	63,187	14,914	6,637	21,551
Prepayments	35,050	-	-	-
Others	755,242	366,474	208,190	574,664
	<b>1,466,311</b>	<b>381,388</b>	<b>214,827</b>	<b>596,215</b>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)

12 Other receivables and takaful assets (continued)

	Shareholders		Participants	
		General takaful	Family takaful	Total
Audited	RO	RO	RO	RO
31 December 2017				
Rent receivable	330,490	-	-	-
Accrued profit on bank deposits	321,390	-	-	-
Advances	143,985	-	132,025	132,025
Prepayments	64,683	14,914	-	14,914
Other	63,475	404,716	-	404,716
	<u>924,023</u>	<u>419,630</u>	<u>132,025</u>	<u>551,655</u>

13 Investments at fair value through equity

	Shareholders			
	Unaudited 30 June 2018 Fair value RO	Unaudited 30 June 2018 Cost RO	Audited 31 December 2017 Fair value RO	Audited 31 December 2017 Cost RO
<i>Local quoted</i>				
Service sector	213,600	280,400	169,275	203,632
Industrial sector	36,345	60,165	43,007	60,165
	<u>249,945</u>	<u>340,565</u>	<u>212,282</u>	<u>263,797</u>
<i>Local unquoted</i>				
Service sector	272,569	71,428	272,569	71,428
Industrial sector	157,200	157,200	157,200	157,500
	<u>429,769</u>	<u>228,928</u>	<u>429,769</u>	<u>228,928</u>
<b>Total local</b>	<b>679,714</b>	<b>569,493</b>	<b>642,051</b>	<b>492,725</b>
<i>Foreign quoted</i>				
Financial sector	203,955	233,817	853,653	859,830
Service sector	1,244,245	845,388	170,170	167,019
Real estate development	154,537	216,495	100,895	99,308
Food and beverages	50,256	46,345	53,384	52,445
	<u>1,652,993</u>	<u>1,342,045</u>	<u>1,178,102</u>	<u>1,178,602</u>
<b>Total foreign</b>	<b>1,652,993</b>	<b>1,342,045</b>	<b>1,178,102</b>	<b>1,178,602</b>
<b>Total investments</b>	<b>2,332,707</b>	<b>1,911,538</b>	<b>1,820,153</b>	<b>1,671,327</b>

(a) Movement in investments at fair value through equity

	Shareholders	
	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO
At the beginning of the period / year	1,820,153	1,887,733
Purchases	806,985	915,120
Disposals	(595,288)	(468,023)
Realised gain on disposal	28,589	22,220
Net change in fair value	272,268	(102,182)
Impairment loss on investment	-	(434,715)
At the end of the period / year	<u>2,332,707</u>	<u>1,820,153</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

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

(b) At the reporting date, details of the Company's investments at fair value through equity for which the Company's holding exceeds 10% of investments held at fair value through equity at 30 June 2018 / 31 December 2017 are:

	% of portfolio	Basis of valuation	Number of securities	Fair Value RO
<b>Unaudited 30 June 2018</b>				
<b>Investment from shareholders' fund</b>				
National Takaful Company (Watania) – listed	47	Fair value	14,303,596	1,093,238
Omani Unified Bureau Orange Card SAOC	12	Fair value	71,428	272,569
<b>Audited 31 December 2017</b>				
<b>Investment from shareholders' fund</b>				
National Takaful Company (Watania) – listed	38	Fair value	14,303,596	698,548
Omani Unified Bureau Orange Card SAOC	15	Fair value	71,428	272,569

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

	Shareholders	
	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO
At the beginning of the period / year	148,901	307,968
Transfer of fair value reserve on sale of investment	(3,106)	(56,960)
Net change in fair value of investment during the period / year - net of tax	275,374	(102,107)
	272,268	(159,067)
At the end of the period / year	421,169	148,901

(d) Investments classified as 'investments at fair value through equity' consists of investments in equity securities.

(e) *Restrictions on transfer of assets*

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific investments with the carrying value of RO 249,945 (31 December 2017 - RO 103,286) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

**14 Investments carried at amortised cost**

The Company has invested in sukuks listed in the local and international markets. The Company has a positive intention and ability to hold sukuks until their maturity in October 2018 and June 2021, respectively.

	Shareholders	
	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO
At the beginning of the period / year	4,989,600	4,247,215
Purchased during the period / year	-	751,500
Amortised during the period / year	(4,288)	(9,115)
At the end of the period / year	4,985,312	4,989,600

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

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

(a) *Restrictions on transfer of assets*

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified 2,275,000 units (31 December 2017 – 2,275,000 units) with the carrying value of RO 4,750,000 (31 December 2017 - RO 4,750,000) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the CMA.

**15 Investment in real estate**

Movement of carrying amounts of investment in real estate:

	<b>Shareholders</b>	
	<b>Unaudited 30 June 2018 RO</b>	<b>Audited 31 December 2017 RO</b>
At the beginning of the period	<b>6,391,733</b>	6,245,911
Realised gain during the period	<b>70,844</b>	145,822
Disposal during the period	<b>(716,666)</b>	-
At the end of the period / year	<b><u>5,745,911</u></b>	<u>6,391,733</u>

As of 30 June 2018, the Company has investment in investment real estate of RO 5,745,911 (31 December 2017 – RO 6,391,733) which is 20.87% of overall investments of the Company, which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by CMA. As per the Regulation, investments in real estate should not exceed 20% of the total investments of the insurer. The Company has obtained the approval from CMA for this investment.

**16 Property and equipment**

	<b>Shareholders</b>	
	<b>Unaudited 30 June 2018 RO</b>	<b>Audited 31 December 2017 RO</b>
<b>Net book value</b>		
At beginning of the period / year	<b>1,080,640</b>	1,100,181
Additions during the period / year	<b>45,471</b>	239,135
Depreciation for the period / year	<b>(126,317)</b>	(258,676)
At the end of the period / year	<b><u>999,794</u></b>	<u>1,080,640</u>

**17 Contingency reserve**

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

CMA has issued the Takaful Insurance Law, however, the detailed rules and regulations are not available for the calculation of the contingency reserve for takaful business operations. During the current period, the Company has added an amount of RO 638,355 (30 June 2017 - RO 499,442) to the contingency reserve, with respect to the general and family takaful business. This amount has been charged to the participants' fund.

During the year 2017, the Company had obtained approval from the CMA and Sharia' Supervisory Committee and transferred the balance in the contingency reserve amounting to RO 1,206,553 from the shareholders' fund to the participants' fund through retained earnings by a way of granting of Qard hassan (loan to participants' fund) for the same amount of RO 1,206,553.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

**18 Unearned retakaful commission**

Movement in unearned retakaful commission is shown below:

	Participants		
	General takaful RO	Family takaful RO	Total RO
<b>At 1 January 2018 - Audited</b>	51,486	-	51,486
Income from retakaful contracts accrued during the year	70,182	-	70,182
Amortised during the period	(14,999)	-	(14,999)
<b>At 30 June 2018 - Unaudited</b>	<b>106,669</b>	<b>-</b>	<b>106,669</b>

  

	General takaful RO	Family takaful RO	Total RO
At 1 January 2017 - Audited	43,496	647	44,143
Income from retakaful contracts accrued during the year	114,419	-	114,419
Amortised during the year	(106,429)	(647)	(107,076)
At 31 December 2017- Audited	51,486	-	51,486

**19 Net claims incurred**

	Unaudited 30 June 2018 Retakaful / Reinsurances <sup>1</sup>			Unaudited 30 June 2017 Retakaful / reinsurances <sup>1</sup>		
	Gross RO	share RO	Net RO	Gross RO	share RO	Net RO
Claims notified and not settled	23,927,653	(19,390,031)	4,537,622	9,944,006	(6,122,172)	3,821,834
Claims incurred but not reported	3,805,665	(1,930,071)	1,875,594	2,072,285	(843,683)	1,228,602
Outstanding at end of the period	<b>27,733,318</b>	<b>(21,320,102)</b>	<b>6,413,216</b>	12,016,291	(6,965,855)	5,050,436
Takaful claims paid	67,914,289	(63,327,114)	4,587,175	5,110,271	(1,587,341)	3,522,930
Claims notified and not settled	114,108,282	(109,800,233)	4,308,049	7,945,843	(4,627,812)	3,318,031
Claims incurred but not reported	3,302,498	(1,876,962)	1,425,536	1,558,607	(648,571)	910,036
Outstanding at beginning of the period	117,410,780	(111,677,195)	5,733,585	9,504,450	(5,276,383)	4,228,067
Claims incurred	<b>(21,763,173)</b>	<b>27,029,979</b>	<b>5,266,806</b>	7,622,112	(3,276,813)	4,345,299

(a) Takaful / insurance revenue analysis

	Unaudited 30 June 2018 Contributions revenue before retakaful / reinsurance RO		Unaudited 30 June 2017 Contributions revenue before retakaful / reinsurance RO	
	Net contributions RO	reinsurance RO	Net contributions RO	reinsurance RO
Motor	3,811,649	1,324,654	3,581,847	1,485,374
Fire, accidents, engineering and others	1,292,233	34,079,608	1,015,619	3,371,276
Marine cargo and hull	112,703	61,977	116,104	505,200
Medical	2,174,389	(303,916)	1,906,945	177,665
Life	421,932	14,454	386,923	(185,486)
	<b>7,812,906</b>	<b>35,176,777</b>	7,007,438	5,354,029

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

**19 Net claims incurred (continued)**

*(a) Takaful / insurance revenue analysis (continued)*

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

**20 Wakala fees and mudharaba share**

The shareholders manage the general and family takaful operations for the participants and charge 20% (31 December 2017 - 14%) and 20% (31 December 2017 - 14%) respectively of gross contributions as a wakala fee except for business from a specific customer for which the wakala fee is charged at 5% (31 December 2017 - 5%) as approved by the Board of Directors. The shareholders also manage the participants fund as a mudharab and charge 55% (31 December 2017 - 55%) and 55% (31 December 2017 - 55%) of the general takaful and family takaful investment income earned by the participants' investment funds, respectively. The maximum chargeable wakala fee and mudharaba share as approved by the Sharia Supervisory Committee, are 20% and 55% (31 December 2017 - 14% and 55%) respectively.

**21 Investment income - net**

	<b>Unaudited 30 June 2018 RO</b>	<b>Unaudited 30 June 2017 RO</b>
Realised gain on sale of investment in real estate	70,844	-
Transfer of gain from property fair value reserve (including deferred tax of RO 21,873)	145,822	-
Investment property rental income	200,405	294,857
Dividend income	164,325	177,829
Profit from investment carried at amortised cost	151,366	80,659
Profit on wakala deposits	100,471	65,543
Realised gain on sale of investments	33,896	64,350
Investment management costs	(100,678)	(57,028)
Fair value loss on investments held at fair value through profit or loss	(383,163)	(333,205)
	<b>383,288</b>	<b>293,004</b>

**22 Sharia Supervisory Committee**

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

**23 Takaful reserve**

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

**24 Earnings per share**

	<b>Unaudited 30 June 2018</b>	<b>Unaudited 30 June 2017</b>
Profit for the period - RO	1,159,961	1,113,893
Weighted average number of shares outstanding - number	175,000,000	175,000,000
Earnings per share attributable to shareholders – basic and diluted - RO	0.007	0.006

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

**25 Related parties**

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

*(a) Transactions with related parties*

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

	<b>Unaudited 30 June 2018 RO</b>	<b>Unaudited 30 June 2017 RO</b>
Gross contributions	<u>2,847,015</u>	2,154,625
Retakaful/reinsurance contribution ceded	<u>59,264</u>	112,183
Claims	<u>101,086</u>	111,140
Board sitting fees	<u>34,800</u>	27,000
Rental income	<u>-</u>	79,500
Professional & consultancy	<u>-</u>	3,500
Sharia supervisory committee fee	<u>14,250</u>	17,167
Dividend paid to shareholders	<u>700,000</u>	1,050,000

*(b) Balances with related parties*

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

	<b>Unaudited 30 June 2018 RO</b>	<b>Audited 31 December 2017 RO</b>
<b>Takaful and retakaful / reinsurance contract receivables</b>		
Contribution balances receivables from other related parties	<u>3,184,450</u>	2,494,477
<b>Investment receivables</b>		
Rental income receivable and Net of Edara Management exp payable	<u>107,690</u>	222,980
Receivable from Al Madina Investment Co SAOG (Sale of Land)	<u>695,000</u>	-
Accrued interest on investment in Modern Sukuk Company SAOC	<u>26,043</u>	62,499
Investment in Modern Sukuk Company SAOC	<u>2,501,158</u>	2,503,168
Investment in Mohammed Al Barwani Sukuk Issue SAOC	<u>1,500,000</u>	1,500,000
Investment in real estate	<u>-</u>	645,420
Investments at fair value through equity	<u>1,523,007</u>	1,119,317
Investment at fair value through profit or loss	<u>-</u>	403,045

Outstanding balances at period-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the period ended 30 June 2018, the Company has not established any provision for doubtful debts relating to amounts owed by related parties as the payment history has been good. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Amount due to, and from, related parties are income free and payable on demand.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

**25 Related parties (continued)**

(c) Compensation of key management personnel of the Company

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

	<b>Unaudited 30 June 2018 RO</b>	<b>Unaudited 30 June 2017 RO</b>
Short-term benefits	231,322	245,145
Employee end of service benefits	<u>118,841</u>	<u>29,846</u>
	<u><b>350,163</b></u>	<u><b>274,991</b></u>

**26 Contingencies**

**Contingent liabilities**

At 30 June 2018, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business amounts to RO 31,833 (31 December 2017 - RO 66,864).

**Legal claims**

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

**27 Segment information**

**Business segments – primary reporting segment**

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

**Operating segments**

The Company has the following operating segments:

*General takaful*

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

*Family takaful*

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



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

**27 Segment information (continued)**

**Operating segments (continued)**

<b>30 June 2018 - unaudited</b>	<b>General takaful RO</b>	<b>Family takaful RO</b>	<b>Total RO</b>
Takaful revenue (net of retakaful / reinsurance)	7,405,973	421,932	7,827,905
Takaful expenses (net of retakaful / reinsurance)	(5,903,034)	(298,249)	(6,201,283)
<b>Segment results</b>	<b>1,502,939</b>	<b>123,683</b>	<b>1,626,622</b>
Takaful income	119,513	212	119,725
Provision for impairment of receivables	(57,300)	(2,700)	(60,000)
Takaful expense	(86,391)	(16,904)	(103,295)
Investment income	106,513	21,011	127,524
Mudarib share	(58,582)	(11,556)	(70,138)
Wakala fees	(2,667,174)	(275,151)	(2,942,325)
<b>Deficit for the period</b>	<b>(1,140,482)</b>	<b>(161,405)</b>	<b>(1,301,887)</b>
<b>Segment assets</b>	<b>44,298,732</b>	<b>3,753,132</b>	<b>48,051,864</b>
Assets allocated to shareholders			24,748,296
<b>Total assets</b>			<b>72,800,160</b>
<b>Segment liabilities</b>	<b>44,298,732</b>	<b>3,753,132</b>	<b>48,051,864</b>
Liabilities allocated to shareholders			24,748,296
<b>Total liabilities</b>			<b>728,001,160</b>

<b>30 June 2017 - Unaudited</b>	<b>General takaful RO</b>	<b>Family takaful RO</b>	<b>Total RO</b>
Takaful revenue (net of retakaful / reinsurance)	6,950,240	392,653	7,342,893
Takaful expenses (net of retakaful / reinsurance)	(4,948,312)	(317,164)	(5,265,476)
<b>Segment results</b>	<b>2,001,928</b>	<b>75,489</b>	<b>2,077,417</b>
Takaful income	135,351	5,901	141,252
Provision for impairment of receivables	(80,000)	(10,000)	(90,000)
Takaful expense	(40,280)	(500)	(40,780)
Investment income - net	59,409	600	60,009
Mudarib share	(32,675)	(330)	(33,005)
Wakala fees	(2,573,648)	(334,771)	(2,908,419)
Surplus for the year	(529,915)	(263,611)	(793,526)
<b>31 December 2017 – Audited</b>			
<b>Segment assets</b>	<b>136,020,883</b>	<b>4,268,854</b>	<b>140,289,737</b>
Assets allocated to shareholders			25,444,569
<b>Total assets</b>			<b>165,734,306</b>
<b>Segment liabilities</b>	<b>137,837,716</b>	<b>4,896,909</b>	<b>142,734,625</b>
Liabilities allocated to shareholders			2,234,349
<b>Total liabilities</b>			<b>144,968,974</b>

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

**Geographical segments – secondary reporting segment**

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 (CONTINUED)****28 Earnings prohibited under Sharia'a**

Earnings retained during the previous year from transactions which are not permitted under Sharia'a are recorded as part of accounts and other payables amounted to RO 20,047 (31 December 2017 – RO 20,047). As there is no earining prohibited under Sharia'a during the current period, 'statement of sources and uses of funds in the charity fund' is not presented in this interim financial information.

**29 Corresponding figures**

The corresponding figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported net profit / (loss), net assets or equity.