

Dear Shareholders,

Assalamu alaikum wa rahamatullahi wa Barakatuh!

(May the Peace, Mercy and Blessing of Allah be with you)

It gives me great pleasure to report on the performance of your company for the nine months period ending Sep 2015.

The highlights of the performance are given in AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) format.

Interim Condensed Statement of participants' revenue and expenses for the Nine months period ended 30 September 2015 (unaudited)

Item	General Takaful		% Change	Family Takaful		% Change	Total		% Change
	30-Sep-2014	30-Sep-2015		30-Sep-2014	30-Sep-2015		30-Sep-2014	30-Sep-2015	
Gross Contributions	16,088,322	18,014,473	11.97%	1,122,653	1,631,464	45.32%	17,210,975	19,645,937	14.15%
Net Retained Contributions	9,779,280	10,030,739	2.57%	331,986	417,063	25.63%	10,111,266	10,447,802	3.33%
Net Earned Contributions	8,198,706	9,917,578	20.97%	234,160	390,339	66.70%	8,432,866	10,307,918	22.24%
Net Claims Incurred	(4,814,084)	(6,937,225)	44.10%	(108,323)	(103,834)	-4.14%	(4,922,407)	(7,041,059)	43.04%
Surplus from Takaful Operations before Wakala Fees	3,004,462	2,614,236	-12.99%	68,849	215,584	213.13%	3,073,311	2,829,820	-7.92%
Investment Income	68,134	73,084	7.27%	-	738	-	68,134	73,822	8.35%
Wakala Fees	(3,217,664)	(3,602,895)	11.97%	(224,531)	(326,293)	45.32%	(3,442,195)	(3,929,187)	14.15%
Mudharib Fee	(51,100)	(51,159)	0.12%	-	(517)	-	(51,100)	(51,676)	1.13%
Surplus / (Deficit) from Takaful Operations	(196,168)	(966,734)	392.81%	(155,682)	(110,488)	-29.03%	(351,850)	(1,077,221)	206.16%

Interim Condensed Statement of Profit or Loss and Other Comprehensive income for the six month period ended 30 June 2015 (unaudited)

Item	Shareholders		% Change
	30-Sep-14	30-Sep-15	
Investment Income	850,329	628,220	-26.12%
Wakala Fees	3,442,195	3,929,187	14.15%
Mudharib Fee	51,100	51,676	1.13%
Net Profit before tax	1,481,549	1,530,462	3.30%
Provision for tax	(128,901)	(68,750)	NA
Net Profit and Surplus for the year (after Tax)	1,352,649	1,461,712	8.06%

- a) Company Gross Written contribution was higher at RO 19.65 million compared to RO 17.21 million in the previous year showing a growth of 14.15%.
- b) Incurred claims ratio of the Company increased from 58.4% in September 2014 to 68.3% in September 2015. Deterioration of the Motor Insurance portfolio due to higher court awards and competitive pricing along with rise in property damage claims following heavy rains contributed to the higher claims ratio in 2015. Management has taken steps to address the imbalances in the Motor portfolio.
- c) Consolidated Investment Income decreased by 23.6% primarily due to change in stock market conditions. This was, however, offset by rental income which increased significantly by 53% over September 14.
- d) Consolidated net profit dropped by 61.6% to RO 384,492 in September 15 as compared to RO 1,000,798 in September 14.

Looking ahead: The Company is planning to expand its retail outlets by opening Kiosks in various locations. This is expected to provide a boost in its retail portfolio. The management is conscious of challenging industry conditions due to variance economic factors and is focused on becoming more cost efficient.

We extend our gratitude and appreciation to His Majesty Sultan Qaboos Bin Said for his vision and leadership. We also extend our thanks to Capital Market Authorities, our shareholders, business partners, valuable customers and staff members for their support.

May God Bless you all.

Dr. Mohammed Ali Al Barwani
Chairman of the Board.

AL MADINA INSURANCE COMPANY SAOG

2

Interim condensed statement of financial position As at 30 September 2015

	Notes	Shareholders		General takaful		Family takaful		Total	
		Unaudited 30 September 2015 RO	Audited 31 December 2014 RO	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
ASSETS									
Cash and bank balances	3	1,237,047	955,645	1,978,429	1,441,913	110,845	104,771	3,326,321	2,502,329
Bank deposits	4	2,190,914	2,176,154	4,251,416	4,251,416	22,084	22,084	6,464,414	6,449,654
Investment carried at fair value through profit or loss	5	4,606,406	5,437,139	-	-	-	-	4,606,406	5,437,139
Takaful and retakaful/reinsurance balance receivable	6	-	-	7,922,116	6,778,660	1,212,195	1,407,145	9,134,311	8,185,805
Receivable from participants –family takaful	7	1,413,796	4,812	-	801,925	-	-	1,413,796	806,737
Due from retakaful / reinsurance companies in connection with outstanding claims and deferred retakaful / reinsurance contribution	8	-	-	7,896,343	7,795,909	1,083,223	1,544,377	8,979,566	9,340,286
Deferred policy acquisition cost		-	-	770,445	817,760	51,893	41,820	822,338	859,580
Other receivables and takaful assets		905,817	699,655	309,271	407,631	-	-	1,215,088	1,107,286
Investments at fair value through equity	9	2,306,086	2,042,447	-	-	-	-	2,306,086	2,042,447
Investments carried at amortised cost	10	2,757,049	2,762,436	-	-	-	-	2,757,049	2,762,436
Deferred tax asset		205,363	274,113	-	-	-	-	205,363	274,113
Investment in real estate	11	6,245,911	6,235,111	-	-	-	-	6,245,911	6,235,111
Property and equipment	12	1,238,126	947,087	-	-	-	-	1,238,126	947,087
Total assets		23,106,515	21,534,599	23,128,020	22,295,214	2,480,240	3,120,197	48,714,775	46,950,010

The accompanying notes form an integral part of these financial statements.

AL MADINA INSURANCE COMPANY SAOG

3

Interim condensed Statement of financial position as at 30 September 2015 (continued)

	Notes	Shareholders		General takaful		Family takaful		Total	
		Unaudited 30 September 2015 RO	Audited 31 December 2014 RO	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
EQUITY, PARTICIPANTS' FUND AND LIABILITIES									
Capital and reserves									
Share capital		17,500,000	17,500,000	-	-	-	-	17,500,000	17,500,000
Share premium		1,380,151	1,380,151	-	-	-	-	1,380,151	1,380,151
Legal reserve		698,544	552,373	-	-	-	-	698,544	552,373
Contingency reserve	13	1,206,553	1,206,553	-	-	-	-	1,206,553	1,206,553
Investment fair value reserve		(96,490)	(193,189)	-	-	-	-	(96,490)	(193,189)
Retained earnings		1,814,811	499,269	-	-	-	-	1,814,811	499,269
Total shareholders' equity		22,503,569	20,945,157	-	-	-	-	22,503,569	20,945,157
Participants' fund									
Surplus / (deficit) in participants' fund		-	-	(1,489,403)	173,104	(309,299)	(167,150)	(1,798,702)	5,954
Contingency reserve		-	-	695,774	-	31,662	-	727,436	-
Total participants' fund		-	-	(793,629)	173,104	(277,637)	(167,150)	(1,071,266)	5,954
Liabilities									
End of service benefits		255,443	192,096	-	-	-	-	255,443	192,096
Gross outstanding claims	8	-	-	7,118,563	6,571,420	773,236	1,460,759	7,891,799	8,032,179
Unearned contributions reserve	8	-	-	10,577,714	9,710,946	634,298	361,224	11,212,012	10,072,170
Unearned retakaful/reinsurance commission		-	-	416,191	375,848	5,328	2,955	421,519	378,803
Retakaful/reinsurance payables		-	-	3,555,038	3,945,287	841,311	610,892	4,396,349	4,556,179
Accounts and other payables		347,500	397,346	1,250,124	1,518,609	93,926	44,780	1,691,550	1,960,735
Payable to shareholders	7	-	-	1,004,020	-	409,781	4,812	1,413,801	4,812
Payable to participants – general takaful	7	-	-	-	-	-	801,925	-	801,925
Total liabilities		602,942	589,442	23,921,650	22,122,110	2,757,880	3,287,347	27,282,473	25,998,899
Total shareholders' equity, participants' fund and liabilities		23,106,512	21,534,599	23,128,021	22,295,214	2,480,243	3,120,197	48,714,775	46,950,010

Director

Director

The accompanying notes form an integral part of these financial statements.

AL MADINA INSURANCE COMPANY SAOG

4

Interim condensed statement of participants' revenue and expenses for the nine month period ended 30 September 2015 (unaudited)

	Notes	General takaful		Family takaful		Total	
		30 September 2015 RO	30 September 2014 RO	30 September 2015 RO	30 September 2014 RO	30 September 2015 RO	30 September 2014 RO
Takaful revenues							
Gross contributions	14	18,014,473	16,088,322	1,631,464	1,122,653	19,645,937	17,210,975
Retakaful/reinsurance share	14	(7,983,734)	(6,309,042)	(1,214,401)	(790,667)	(9,198,135)	(7,099,709)
Retained contributions		10,030,739	9,779,280	417,063	331,986	10,447,802	10,111,266
Movement in unearned contributions	14	(113,161)	(1,580,574)	(26,724)	(97,826)	(139,885)	(1,678,400)
Net earned contributions		9,917,578	8,198,706	390,339	234,160	10,307,918	8,432,866
Net commission and other takaful income / (expense)	14	(366,117)	(380,160)	(70,922)	(56,988)	(437,039)	(437,148)
Total takaful revenue		9,551,461	7,818,546	319,417	177,172	9,870,878	7,995,718
Takaful expenses							
Gross claims settled	16	(7,791,091)	(5,107,754)	(577,833)	(771,366)	(8,368,924)	(5,879,120)
Claims recovered from retakaful/reinsurance	16	2,054,186	1,115,393	493,979	661,126	2,548,165	1,776,519
Net movement in outstanding claims	16	(1,200,320)	(821,723)	(19,980)	1,917	(1,220,300)	(819,806)
Net claims incurred		(6,937,225)	(4,814,084)	(103,834)	(108,323)	(7,041,059)	(4,922,407)
Provision for bad and doubtful debt		-	-	-	-	-	-
Total takaful expenses		(6,937,225)	(4,814,084)	(103,833)	(108,323)	(7,041,059)	(4,922,407)
Surplus from takaful operations		2,614,236	3,004,462	215,584	68,849	2,829,820	3,073,311
Investment income		73,084	68,134	738	-	73,822	68,134
Mudarib share	17	(51,159)	(51,100)	(517)	-	(51,676)	(51,100)
Wakala fees	17	(3,602,895)	(3,217,664)	(326,293)	(224,531)	(3,929,187)	(3,442,195)
Surplus / (deficit) from takaful operations		(966,734)	(196,168)	(110,488)	(155,682)	(1,077,221)	(351,850)

The accompanying notes form an integral part of these financial statements.

**Interim condensed statement of
profit or loss and other comprehensive income
for the nine month period ended 30 September 2015 (unaudited)**

	Notes	Shareholders' fund	
		30 September 2015 RO	30 September 2014 RO
Investment income (net)		628,220	850,329
Wakala fees	17	3,929,187	3,442,195
Mudarib share	17	51,676	51,100
		<hr/>	<hr/>
		4,609,083	4,343,624
General and administrative expenses		(3,078,741)	(2,872,589)
Other income		120	10,515
		<hr/>	<hr/>
		(3,078,521)	(2,862,074)
		<hr/>	<hr/>
Profit before tax		1,530,462	1,481,549
Taxation		(68,750)	(128,901)
		<hr/>	<hr/>
Profit for the period		1,461,712	1,352,648
		<hr/>	<hr/>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of investments at fair value through equity		96,699	31,034
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Total comprehensive income for the period		1,558,411	1,383,682
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Earnings per share	20	0.008	0.008
		<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

AL MADINA INSURANCE COMPANY SAOG

9

Interim condensed statement of cash flows for the nine month period ended 30 September 2015 (unaudited)

	30 September 2015 RO	30 September 2014 RO
Cash flows from operating activities		
Profit before tax for the period (including surplus / (deficit) from takaful operations)	453,242	1,129,699
Adjustments for :		
Depreciation (note 12)	155,485	138,340
Gain on disposal of fixed assets	-	(10,515)
Dividend income	(234,246)	(196,025)
Income from bank deposit	(106,319)	(97,853)
Profit from investments carried at amortized cost	(105,994)	-
Amortisation of investments carried at amortized cost	5,387	6,679
End of service benefits charge for the period	68,377	38,546
Rental income on investment in real estate	(426,000)	(246,000)
Unrealised gains on investments at fair value through equity	164,794	(202,487)
Realised gain on investments carried at fair value through profit or loss	(92,201)	(124,925)
Impairment loss on investments at fair value through equity	7,336	-
Realised profit on redemption of investments at fair value through equity	-	15,622
Working capital changes:		
Takaful and retakaful/reinsurance balance receivables	(948,506)	(2,720,836)
Retakaful / reinsurance share of outstanding claims and unearned premium reserve	360,719	(640,717)
Other receivables, prepayments and other assets	204,404	(419,597)
Deferred policy acquisition cost	37,242	(209,348)
Outstanding claims and unearned premium reserve	999,461	3,138,923
Accounts and other payables	(269,185)	81,553
Due to retakaful / reinsurance	(159,829)	843,623
Unearned retakaful/reinsurance commission	42,717	73,828
Cash generated from / (used in) operating activities	156,884	598,510
End of service benefits paid	(5,031)	(1,617)
Net cash from / (used in) operating activities	151,853	596,893

The accompanying notes form an integral part of these financial statements.

**Interim condensed statement of cash flows
for the nine month period ended 30 September 2015 (unaudited) (continued)**

	Notes	30 September 2015 RO	30 September 2014 RO
Cash flows from investing activities			
Purchase of property and equipment	12	(446,524)	(175,687)
Purchases of investments carried at fair value through profit or loss		(122,364)	(3,650,922)
Purchase of investments at fair value through equity		(181,069)	-
Proceeds from disposal of fixed assets		-	10,522
Proceeds from disposal of investments carried at fair value through profit or loss		880,505	(1,884,656)
Proceeds from redemption of investment at fair value through equity		6,793	154,688
Movement in bank deposits		-	98,173
Rent on investment in real estate received		336,000	246,000
Profit from investments carried at amortized cost		62,456	-
Purchase of investment in real estate		(10,800)	(3,135,111)
Purchase of investments carried at amortized cost – net of income		-	(965,301)
Dividends received		161,901	196,025
		<hr/>	<hr/>
Net cash (used in) / generated from investing activities		686,898	(7,035,433)
Cash flows from financing activities			
Dividends paid		-	(833,333)
		<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents		838,751	(7,271,873)
Cash and cash equivalents at the beginning of the period		2,645,008	9,563,981
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Cash and cash equivalents at the end of period		3,483,759	2,292,108
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The accompanying notes form an integral part of these financial statements.

AL MADINA INSURANCE COMPANY SAOG

6

Interim condensed statement of changes in owners' equity for the nine month period ended 30 September 2015 (unaudited)

	Share capital RO	Share premium RO	Legal reserve RO	Special reserve RO	Contingency reserve RO	Investment fair value reserve RO	(Accumulated losses) / retained earnings RO	Total RO
At 1 January 2015 (Audited)	17,500,000	1,380,151	552,373	-	1,206,553	(193,189)	499,269	20,945,157
Profit for the period	-	-	-	-	-	-	1,461,712	1,461,712
Other comprehensive income	-	-	-	-	-	96,699	-	96,699
Total comprehensive income for the period	-	-	-	-	-	96,699	1,461,712	1,558,411
Transaction with owner								
Dividends paid	-	-	-	-	-	-	-	-
Transfer from share premium as free shares	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
Transfer to contingency reserve	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	146,171	-	-	-	(146,171)	-
At 30 September 2015	17,500,000	1,380,151	698,544	-	1,206,553	(96,490)	1,814,810	22,503,568

The accompanying notes form an integral part of these financial statements.

AL MADINA INSURANCE COMPANY SAOG

7

Interim condensed statement of changes in owners' equity for the nine month period ended 30 September 2015 (unaudited) (continued)

	Share capital RO	Share premium RO	Legal reserve RO	Proposed dividend RO	Contingency reserve RO	Investment fair value reserve RO	(Accumulated losses) / retained earnings RO	Total RO
At 1 January 2014 (audited)	16,666,667	2,213,484	450,716	-	421,767	141,282	1,202,477	21,096,393
Profit for the period							1,352,648	1,352,648
Other comprehensive income						31,034		31,034
Total comprehensive income for the period						31,034	1,352,648	1,383,682
Transaction with owner								
Dividends paid	-	-	-	-	-	-	(833,333)	(833,333)
Transfer from share premium as free shares	833,333	(833,333)	-	-	-	-	-	-
Total transactions with owners	833,333	(833,333)	-	-	-	-	(833,333)	(833,333)
Transfer to contingency reserve	-	-	-	-	784,786	-	(784,786)	-
Transfer to legal reserve	-	-	135,265	-	-	-	(135,265)	-
At 30 September 2014	17,500,000	1,380,151	585,981	-	1,206,553	172,316	801,741	21,646,742

The accompanying notes form an integral part of these financial statements.

AL MADINA INSURANCE COMPANY SAOG

Interim condensed statement of changes in participants' fund for the nine month period ended 30 September 2015 (unaudited)

	General takaful RO	Family takaful RO	Contingency reserve general takaful RO	Contingency reserve family takaful RO	Total RO
As at 1 January 2015 (audited)	173,104	(167,150)	-	-	5,954
Surplus / (deficit) for the period	(966,734)	(110,487)	-	-	(1,077,220)
Contingency reserve (note 13)	(695,774)	(31,662)	695,774	31,662	-
Takaful reserve (note 19)	-	-	-	-	-
As at 30 September 2015	(1,489,403)	(309,299)	695,774	31,662	(1,071,266)
As at 1 January 2014 (audited)	-	-	-	-	-
Surplus / (deficit) for the period	(196,168)	(155,682)	-	-	(351,850)
Takaful reserve (note 19)	-	-	-	-	-
As at 30 September 2014	(196,168)	(155,682)	-	-	(351,850)

The accompanying notes form an integral part of these financial statements.

**Notes to the financial statements
for the nine month period ended 30 September 2015****1 General**

Al Madina Insurance Company SAOG (formerly Al Madina Insurance Company SAOC) (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 has become 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’a 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. Basis of preparation

The interim condensed financial statements for the nine month period ended 30 September 2015 have 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 statement has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company’s annual financial statements as at 31 December 2014.

The interim condensed financial statements are prepared in Rial Omani (RO), rounded to the nearest thousand except when otherwise indicated.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2014.

Accounting estimates

The basis and the methods used for critical accounting estimates and judgments adopted in the preparation of this interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2014.

Financial risk management

The financial risk management objective and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended 31 December 2014.

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

3. Cash and bank balances

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
Cash and bank balances		
Cash and bank balances	2,800,878	1,910,842
Cash balances with investment managers	525,442	591,487
	<u>3,326,320</u>	<u>2,502,329</u>

4. Bank deposits

Bank deposits

Bank deposits with maturity of less than three months from the date of placement	157,439	142,679
Bank deposits with maturity of more than three months from the date of placement	6,306,975	6,306,975
	<u>6,464,414</u>	<u>6,449,654</u>

Bank deposit amounting to RO 263,589 (31 December 2014 – RO 263,589) is allocated for payment to be made to retakaful/reinsurance reserve.

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 6,105,000 (31 December 2014 - RO 6,105,000) to the CMA. The Company can only transfer these assets with the prior approval of the Capital Market Authority.

5. Investments carried at fair value through profit or loss

Investments held for trading

	Fair value Unaudited 30 September 2015 RO	Cost Unaudited 30 September 2015 RO	Fair value Audited 31 December 2014 RO	Cost Audited 31 December 2014 RO
Service sector	2,539,258	2,602,537	2,959,186	2,917,495
Industrial sector	2,019,645	2,116,469	2,277,067	2,516,621
Financial sector	47,503	52,113	200,886	225,174
	<u>4,606,406</u>	<u>4,771,119</u>	<u>5,437,139</u>	<u>5,659,290</u>

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

The above investments are local and foreign quoted investments.

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

The cost and fair value of the foreign investments at the period-end as follows:

	Unaudited 30 September 2015 Fair value RO	Unaudited 30 September 2015 Cost RO	Audited 31 December 2014 Fair value RO	Audited 31 December 2014 Cost RO
Foreign investments	1,108,179	1,217,874	1,745,889	1,764,437

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 2,803,051 (31 December 2014 - RO 900,280) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the Capital Market Authority.

6. Takaful and retakaful/reinsurance contract receivables

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
Takaful receivable	8,273,497	7,323,452
Retakaful / reinsurance balances receivable	1,212,195	1,213,734
Gross receivables	9,485,692	8,537,186
Less: provision for impairment of receivables	(351,381)	(351,381)
	9,134,311	8,185,805
Not due	4,996,410	5,134,396
Past due but not impaired: Above 121 days	4,137,901	3,051,409
Past due and impaired: Above 121 days	351,381	351,381
	9,485,692	8,537,186

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

6. Takaful and retakaful / reinsurance contract receivables (continued)

The 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 September 2015, past due receivables above 121 days of RO 4,137,901 (31 December 2014 - RO 3,051,409) were considered recoverable, as these are due from government and quasi-government entities, brokers and corporate with which the Company deals in the normal course of takaful business and with which there is no recent history of default.

At 30 September 2015, takaful debtors of RO 351,381 (31 December 2014 - RO 351,381) were impaired and provided for fully.

Movement in the provision for impairment of receivables during the period is as follows:

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
At the beginning of the period	351,381	328,821
Provision made during the period	-	22,560
At the end of the period	351,381	351,381

7. Receivable from shareholders' and payable to shareholders'

Receivable from participants includes due from General takaful and Family takaful policyholders' on account of wakala fees, mudarib share and inter-entity balances.

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

8. Outstanding claims and unearned contributions reserve

	Unaudited 30 September 2015			Audited 31 December 2014		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
A) General Takaful						
Claims outstanding	6,796,240	(2,890,909)	3,905,331	6,299,915	(3,520,609)	2,779,306
Claims incurred but not reported	322,322	(148,627)	173,695	271,505	(172,105)	99,400
	<u>7,118,562</u>	<u>(3,039,536)</u>	<u>4,079,026</u>	<u>6,571,420</u>	<u>(3,692,714)</u>	<u>2,878,706</u>
Unearned contributions reserve	<u>10,577,714</u>	<u>(4,856,807)</u>	<u>5,720,907</u>	<u>9,710,946</u>	<u>(4,103,195)</u>	<u>5,607,751</u>
	<u>17,696,276</u>	<u>(7,896,343)</u>	<u>9,799,933</u>	<u>16,282,366</u>	<u>(7,795,909)</u>	<u>8,486,457</u>
B) Family Takaful						
Claims outstanding	407,353	(342,688)	64,665	277,121	(236,016)	41,105
Claims incurred but not reported	365,883	(268,485)	97,398	1,183,638	(1,082,661)	100,977
	<u>773,236</u>	<u>(611,173)</u>	<u>162,062</u>	<u>1,460,759</u>	<u>(1,318,677)</u>	<u>142,082</u>
Unearned contributions reserve	<u>634,298</u>	<u>(472,050)</u>	<u>162,248</u>	<u>361,224</u>	<u>(225,700)</u>	<u>135,524</u>
	<u>1,407,534</u>	<u>(1,083,223)</u>	<u>324,310</u>	<u>1,821,983</u>	<u>(1,544,377)</u>	<u>277,606</u>
	<u>19,103,810</u>	<u>(8,979,567)</u>	<u>10,124,243</u>	<u>18,104,349</u>	<u>(9,340,286)</u>	<u>8,764,063</u>

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

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

9. Investments at fair value through equity

Un-audited 30 September 2015	%	Basis of	Number of	Cost / fair
	of overall	valuation	securities	value
	portfolio	RO	RO	RO
Investment from shareholders' fund				
<u>Investment in equity</u>				
Orange Card	9%	Fair Value	71,428	223,712
National Mass Housing	8%	Fair Value	150,000	172,200
Shazah Hotel Muscat	5%	Fair Value	100,000	108,900
National Takaful Company (Watania)	71%	Fair Value	14,303,596	1,618,938
Dubai Islamic Bank	2%	Fair Value	62,000	43,534
Al Rajhi	5%	Fair Value	18,850	105,556
Emirates REIT	1%	Fair Value	75,000	33,245
	100			2,306,086
Audited 31 December 2014				
Investment from shareholders' fund				
<u>Investment in equity</u>				
Omani Unified Bureau for the				
Orange Card SAOC	10	Fair value	71,428	200,141
National Mass Housing	8	Fair value	150,000	172,200
Shazah Hotel, Muscat	5	Fair value	100,000	108,900
National Takaful Company (Watania)	76	Fair value	14,303,596	1,547,077
<u>Investment in unit</u>				
U.S. Residential Condominium Fund II	1	Cost	1,750	14,129
	100			2,042,447

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

9. Investments at fair value through equity (continued)

Movement in investments at fair value through equity

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
At the beginning of the period	2,042,447	629,445
Purchases	181,069	1,890,207
Net change in fair value	96,699	(334,471)
Redemption of investment	(6,793)	(154,688)
Realized profit/(loss) on redemption of investment	-	11,954
Impairment loss on investment	(7,336)	-
	<hr/>	<hr/>
At the end of the period	2,306,086	2,042,447
	<hr/> <hr/>	<hr/> <hr/>

Included in investments at fair value through equity are unquoted local and foreign investments that are carried at fair value / cost and comprise amounts invested in certain real estate funds. On 30 September 2015, the units in Tilal Fund were redeemed in full.

Movement in investments fair value reserve:

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
At the beginning of the period	(193,189)	141,154
Add / (less) movement for the period		
Reversal of investment of fair value reserve of during the period	-	(27,576)
Movement of investment fair value adjustment at the end of the period	96,699	(306,767)
	<hr/>	<hr/>
Total movement for the period	96,699	(334,343)
	<hr/>	<hr/>
At the end of the period	(96,490)	(193,189)
	<hr/> <hr/>	<hr/> <hr/>

10. Instruments carried at amortised cost

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

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

10. Instruments carried at amortised cost (continued)

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
At the beginning of the period	2,762,436	1,754,112
Purchased during the period	-	1,015,161
Amortized during the period	(5,387)	(6,837)
	<hr/>	<hr/>
At the end of the period	2,757,049	2,762,436
	<hr/> <hr/>	<hr/> <hr/>

The fair value of local and foreign sukus as at 30 September 2015 is of RO 2,757,049 (31 December 2014 – RO 2,762,436).

Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified 25,000 units (31 December 2014 -25,000 units) with the carrying value of RO 2,513,297 (31 December 2014 - RO 2,515,205) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the CMA.

11. Investment in real estate

Movement of carrying amounts of investment in real estate:

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
At the beginning of the period	6,235,111	2,600,000
Addition during the period	10,800	3,635,111
	<hr/>	<hr/>
At the end of the period	6,245,911	6,235,111
	<hr/> <hr/>	<hr/> <hr/>

As of 30 September 2015, the Company has investment in investment real estate of RO 6,245,911 which is 28% 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 approval from CMA to purchase this investment with the condition that total investments by end of the period will be adjusted to comply as per the Regulation.

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

12. Property and equipment

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
Net book value	947,087	912,762
Additions	446,524	222,859
Disposal	-	(44,007)
Depreciation for the period	(155,485)	(144,527)
	<hr/>	<hr/>
Net book value	1,238,126	947,087
	<hr/> <hr/>	<hr/> <hr/>

13. 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.

The movement in contingency reserve is the catch up amount for the reserve that should have been recognized from 31 December 2014 to 30 September 2015. No amounts were recognized in the previous period in view of the accumulated losses in those periods. The above regulation requires such deficit in reserve to be made up in the period when there are available retained earnings.

CMA has issued the Draft Takaful Law, however, the detailed rules and regulations are not available for the calculation of the Contingency reserve for Takaful Business operations. Management understands that once the basis the rules and regulations are framed by CMA the Contingency / Takaful reserve will be recorded in the financial statements in accordance with the rules and regulations.

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

14. Takaful revenue / insurance income

	Unaudited 30 September 2015	Unaudited 30 September 2014
Gross contributions	19,645,937	17,210,975
Movement in unearned contributions reserve	(1,139,842)	(1,809,352)
Contributions before retakaful / reinsurance, net	18,506,095	15,401,623
Contributions ceded to retakaful/reinsurance, Movement in unearned contributions reserve	(9,198,135) 999,962	(7,099,709) 130,952
Contributions ceded to retakaful/reinsurance, net	(8,198,173)	(6,968,757)
Net contributions earned	10,307,918	8,432,866
Commission received on business ceded to retakaful / reinsurance	762,144	667,201
Commissions paid	(1,386,655)	(1,469,421)
Movement in unearned commission reserve	(79,968)	135,520
Net commission expense	(704,479)	(666,700)
Takaful policy expenses (technical)	(78,058)	(43,150)
Policy fee and other takaful / insurance related income	345,489	272,702
Total takaful revenue	9,870,870	7,995,715

15. Takaful / insurance revenue analysis

	Unaudited 30 September 2015		Unaudited 30 September 2014	
	Net contributions RO	Contributions revenue before retakaful / reinsurance RO	Net contributions RO	Contributions revenue before retakaful / reinsurance RO
Motor	6,687,834	6,416,294	6,500,242	7,676,818
Fire, general accidents, engineering and others	884,206	7,440,572	759,162	5,119,960
Marine cargo and hull	83,864	574,902	62,151	1,006,956
Medical	2,261,675	3,582,704	877,151	2,284,587
Life	390,339	1,631,464	234,160	1,122,654
	10,307,918	19,645,937	8,432,866	17,210,975

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.

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

16. Net claims incurred

	Unaudited 30 September 2015			Unaudited 30 September 2014		
	Gross RO	Retakaful / reinsurances' share RO	Net RO	Gross RO	Retakaful / reinsurances' share RO	Net RO
Claims outstanding	7,203,597	(3,233,599)	3,969,998	6,798,539	(3,865,069)	2,933,470
IBNR	688,204	(417,111)	271,093	761,233	(399,085)	362,138
Outstanding at end of the period	7,891,801	(3,650,710)	4,241,091	7,559,762	(4,264,154)	3,295,608
Takaful claims paid during the period	8,368,927	(2,548,164)	5,820,763	5,879,120	(1,776,519)	4,102,601
Claims outstanding	6,577,038	(3,756,624)	2,820,414	5,457,132	(3,133,574)	2,323,558
IBNR	1,455,142	(1,254,765)	200,377	773,059	(620,815)	152,244
Outstanding at beginning of the period	8,032,180	(5,011,389)	3,020,791	6,230,191	(3,754,389)	2,475,802
Claims incurred	8,228,548	(1,187,485)	7,041,063	7,208,691	(2,286,283)	4,922,407

17. Wakala fees and mudharaba share

The shareholders manage the General and Family Takaful operations for the participants and charge 20% and 20% respectively of gross contributions as a Wakala fee. The shareholders also manage the participants fund as a Mudharab and charge 70% and 70% 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 Board, are 20% and 70% respectively.

18. Sharia supervisory board

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

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

19. 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 period the Company has not transferred any amount from Takaful Surplus to Takaful Reserve.

20. Earnings per share

	Unaudited 30 September 2015 RO	Unaudited 30 September 2014 RO
Profit for the period	1,416,712	1,481,549
Weighted average number of shares outstanding during the period	175,000,000	175,000,000
Earnings per share	0.008	0.008

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period.

21. Related parties

These represent transactions with related parties, i.e. parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Company and companies of which they are key management personnel. Related parties comprise the shareholders, directors, 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 period 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:

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

21. Related parties (continued)

a) Transactions with related parties

	Unaudited 30 September 2015 RO	Unaudited 30 September 2014 RO
Premium	1,515,776	1,991,126
Retakaful/reinsurance premium	74,938	9,090
Claims	(1,488,826)	(261,697)
Retakaful/reinsurance claims	5,350	8,283
Board sitting fees	67,100	57,838
Rental income	104,000	156,000
Professional & consultancy	4,260	4,110
Sharia committee fee	25,125	38,488
Management consultancy fee	12,248	25,000

b) Balances with related parties

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

	Unaudited 30 September 2015 RO	Audited 31 December 2014 RO
Takaful and retakaful / reinsurance contract receivables		
Premium balances receivables from other related parties	237,527	263,243
Net claim recoverable from related parties	5,303	2,954
Investment receivables		
Rental income receivable	104,000	104,000
Investment in real estate	500,000	500,000
Accounts and other payables		
Tilal Development Company SAOC	97,441	97,441

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 September 2015, the Company has not established any provision for doubtful debts relating to amounts owed by related parties as the payment history has been good (2014: same terms and conditions). 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 financial statements
for the nine month period ended 30 September 2015 (continued)**

21. 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:

	Unaudited 30 September 2015 RO	Unaudited 30 September 2014 RO
Short-term benefits	415,100	365,737
Employee end of service benefits	37,327	51,868
	<u>452,427</u>	<u>417,605</u>

22. Contingencies

Contingent liabilities

At 30 September 2015, 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 157,439 (31 December 2014 - RO 142,679).

Capital commitment

At 30 September 2015, the Company had capital commitment in respect of design and interior fit-out work of RO 13,000 (31 December 2014 – 109,500).

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.

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

23. 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.

Operating segments

Un-audited 30 September 2015	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	9,551,465	319,418	9,870,883
Takaful expenses (net of retakaful / reinsurance)	(6,937,229)	(103,833)	(7,041,062)
Segment results	2,614,236	215,584	2,829,821
Investment income	73,084	738	73,822
Mudarib share	(51,159)	(517)	(51,676)
Wakala fees	(3,602,895)	(326,293)	(3,929,188)
Surplus / (deficit) for the period	(966,734)	(110,488)	(1,077,221)
Segment assets	23,128,020	2,480,240	25,608,260
Assets allocated to shareholders'			23,106,515
Total assets			48,714,775
Segment liabilities	23,921,650	2,757,880	26,679,530
Liabilities allocated to shareholders'			602,942
Total liabilities			27,282,472

**Notes to the financial statements
for the nine month period ended 30 September 2015 (continued)**

23. Segment information (continued)

Operating segments (continued)

Unaudited 30 September 2014	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	7,818,546	177,172	7,995,718
Takaful expenses (net of retakaful / reinsurance)	(4,814,084)	(108,323)	(4,922,407)
Segment results	3,004,462	68,849	3,073,311
Investment income	68,134	-	68,134
Mudarib share	(51,100)	-	(51,100)
Wakala fees	(3,217,664)	(224,531)	(3,442,195)
Surplus / (deficit) for the period	(196,168)	(155,682)	(351,850)
Audited 31 December 2014			
Segment assets	21,567,277	2,492,394	24,059,671
Assets allocated to shareholders'			22,347,522
Total assets			46,407,193
Segment liabilities	21,763,445	2,648,076	24,411,521
Liabilities allocated to shareholders'			700,780
Total liabilities			25,112,301

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.

24. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the current period. Such reclassifications do not affect previously reported results or equity.