



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 nine months period ended 30 September 2016.

Operating Environment

Despite the tough economic environment and the pricing challenges prevailing in the insurance market, your company has been able to retain the Gross Written Contributions at nearly the same levels as last year. The company achieved a Gross Written Premium of RO 19.2 million in 2016 as against RO 19.6 million in 2015, thus ensuring linearity with a marginal decline of 2%.

Results from Operations

The company continues in its path of stable growth with strong reserves while maintaining the balance to ensure that the underwriting results are above operating expenses. This has reflected in the Surplus from Takaful operations in September 2016 at RO 3.25 million in excess of the Management expenses of RO 3.22 million (Sep 2015:- Surplus of RO 2.83 million & Management Expense of RO 3.08 million).

Investment Income

The 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 which has dented the Investment Income as compared to last year (RO 628 K), the company has been prudently managing its investments and has made an Investment Income of RO 481 K as at Sep 2016. The 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, the company reports a profit attributable to the shareholders of RO 1,008 K, though down from the previous year's profit of RO 1.462K.



Risk Management

The company constantly evaluates its risks associated with the insurance business as well as its Investments and adopts necessary measures to manage these risks.

Company's Outlook & Vision

The Company continues to maintain its excellent track record of having always been in compliance with the Omanization requirements. The 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. The company continuously invests in Information Technology (IT) and uses IT for improving customer service. Valuing its responsibility as the first Takaful Company in Oman, Al Madina Insurance has embarked upon a path of spreading Takaful awareness. In line with this, your company has participated in the Two Day Campaign carried out by Al Izz Bank during July 2016, highlighting the spirit of Islamic Finance.

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 SEPTEMBER 2016

	Note	Shareholders		Participants' fund					
		Unaudited 30 September 2016 RO	Audited 31 December 2015 RO	General takaful		Family takaful		Total participants' fund	
				Unaudited 30 September 2016 RO	Audited 31 December 2015 RO	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
ASSETS									
Cash and bank balances	5	1,099,933	2,438,183	644,726	1,390,669	79,949	460,910	724,675	1,851,579
Bank deposits	5	3,825,108	2,168,098	4,229,666	4,176,416	97,084	97,084	4,326,750	4,273,500
Investments carried at fair value through profit or loss	6	3,428,511	4,379,752	-	-	-	-	-	-
Takaful and retakaful / reinsurance balance receivable	7	-	-	7,489,119	6,910,562	891,811	1,009,018	8,380,930	7,919,580
Receivable from participants - family takaful	8	735,274	672,232	-	399,512	-	-	-	399,512
Due from retakaful / reinsurance companies in connection with outstanding claims and deferred retakaful / reinsurance contribution	9	-	-	11,652,466	7,326,666	1,927,092	1,253,579	13,579,558	8,580,245
Deferred policy acquisition cost		-	-	690,184	753,386	54,025	54,538	744,209	807,924
Other receivables and takaful assets		1,389,944	791,802	473,943	663,176	-	-	473,943	663,176
Investments at fair value through equity	10	2,105,457	2,386,283	-	-	-	-	-	-
Investments carried at amortised cost	11	4,249,497	2,755,228	-	-	-	-	-	-
Deferred tax asset		51,341	205,363	-	-	-	-	-	-
Investment in real estate	12	6,245,911	6,245,911	-	-	-	-	-	-
Property and equipment	13	1,127,288	1,229,759	-	-	-	-	-	-
Total assets		24,258,264	23,272,611	25,180,104	21,620,387	3,049,961	2,875,129	28,230,065	24,495,516

The notes on pages 8 to 18 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 SEPTEMBER 2016

	Shareholders		Participants' fund					
	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO	General Takaful		Family Takaful		Total participants' fund	
			Unaudited 30 September 2016 RO	Audited 31 December 2015 RO	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
Note								
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES								
SHAREHOLDERS' EQUITY								
Capital and reserves								
Share capital	17,500,000	17,500,000	-	-	-	-	-	-
Share premium	1,380,151	1,380,151	-	-	-	-	-	-
Legal reserve	735,923	635,156	-	-	-	-	-	-
Contingency reserve	14 1,206,553	1,206,553	-	-	-	-	-	-
Investment fair value reserve	465,734	650,401	-	-	-	-	-	-
Retained earnings	2,151,223	1,244,320	-	-	-	-	-	-
Total shareholders' equity	23,439,584	22,616,581	-	-	-	-	-	-
PARTICIPANTS' FUND								
Deficit in participants' fund	-	-	(2,887,238)	(1,988,354)	(532,666)	(426,586)	(3,419,904)	(2,414,940)
Contingency reserve	-	-	1,117,663	705,080	54,690	35,173	1,172,353	740,253
	-	-	(1,769,575)	(1,283,274)	(477,976)	(391,413)	(2,247,551)	(1,674,687)
LIABILITIES								
End of service benefits	284,276	268,215	-	-	-	-	-	-
Gross outstanding claims	9 -	-	11,746,247	7,118,026	1,500,983	996,465	13,247,230	8,114,491
Unearned contributions reserve	9 -	-	9,652,493	9,980,207	806,647	615,587	10,459,140	10,595,794
Unearned retakaful/reinsurance commission	-	-	421,537	413,259	7,617	4,027	429,154	417,286
Retakaful/reinsurance payables	-	-	3,195,163	4,000,287	891,000	482,569	4,086,163	4,482,856
Accounts and other payables	534,404	387,815	1,395,072	1,391,882	125,583	96,150	1,520,655	1,488,032
Payable to shareholders	8 -	-	539,167	-	196,107	672,232	735,274	672,232
Payable to participants - general takaful	8 -	-	-	-	-	399,512	-	399,512
Total liabilities	818,680	656,030	26,949,679	22,903,661	3,527,937	3,266,542	30,477,616	26,170,203
Total shareholders' equity, participants' fund and liabilities	24,258,264	23,272,611	25,180,104	21,620,387	3,049,961	2,875,129	28,230,065	24,495,516

Director

Director

The notes on pages 8 to 18 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	Note	General takaful		Family takaful		Total	
		Unaudited 30 September 2016 RO	Unaudited 30 September 2015 RO	Unaudited 30 September 2016 RO	Unaudited 30 September 2015 RO	Unaudited 30 September 2016 RO	Unaudited 30 September 2015 RO
Takaful revenues							
Gross contributions	15	17,286,219	18,014,473	1,951,650	1,631,464	19,237,869	19,645,937
Retakaful/reinsurance share	15	(8,098,593)	(7,983,734)	(1,684,841)	(1,214,401)	(9,783,434)	(9,198,135)
Retained contributions		9,187,626	10,030,739	266,809	417,063	9,454,435	10,447,802
Movement in unearned contributions	15	379,401	(113,161)	32,504	(26,724)	411,905	(139,885)
Net earned contributions		9,567,027	9,917,578	299,313	390,339	9,866,340	10,307,917
Net commission and other takaful income / (expense)	15	76,062	(366,117)	238,311	(70,922)	314,373	(437,039)
Total takaful revenue		9,643,089	9,551,461	537,624	319,417	10,180,713	9,870,878
Takaful expenses							
Gross claims settled	16	(8,201,820)	(7,791,091)	(1,163,995)	(577,833)	(9,365,815)	(8,368,924)
Claims recovered from retakaful/reinsurance	16	1,905,015	2,054,186	984,412	493,979	2,889,427	2,548,165
Net movement in outstanding claims	16	(404,682)	(1,200,320)	(54,570)	(19,980)	(459,252)	(1,220,300)
Net claims incurred and total takaful expenses		(6,701,487)	(6,937,225)	(234,153)	(103,834)	(6,935,640)	(7,041,059)
Surplus from takaful operations		2,941,602	2,614,236	303,471	215,583	3,245,073	2,829,819
Investment income		73,352	73,084	742	738	74,094	73,822
Mudarib share	17	(44,011)	(51,159)	(445)	(517)	(44,456)	(51,676)
Wakala fees	17	(3,457,244)	(3,602,895)	(390,330)	(326,293)	(3,847,574)	(3,929,188)
Deficit from takaful operations		(486,301)	(966,734)	(86,562)	(110,489)	(572,863)	(1,077,223)

The notes on pages 8 to 18 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	Note	Shareholders' fund	
		Unaudited 30 September 2016 RO	Unaudited 30 September 2015 RO
Investment income - net	18	480,500	628,220
Wakala fees	17	3,847,574	3,929,187
Mudarib share	17	44,456	51,676
		4,372,530	4,609,083
General and administrative expenses		(3,215,657)	(3,078,741)
Other income		4,819	120
		(3,210,838)	(3,078,621)
Profit before tax		1,161,692	1,530,462
Taxation		(154,022)	(68,750)
Profit for the period		1,007,670	1,461,712
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of investments at fair value through equity		(184,667)	96,699
Total comprehensive income for the period		823,003	1,558,411
Earnings per share - basic and diluted	21	0.006	0.008

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AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	Note	Unaudited 30 September 2016 RO	Unaudited 30 September 2015 RO
Operating activities			
Profit before tax for the period		588,829	453,242
Adjustments for:			
Depreciation	13	187,338	155,485
Gain on disposal of fixed assets		(4,818)	-
Dividend income	18	(209,943)	(234,246)
Income from bank deposit	18	(52,112)	(106,319)
Profit from investments carried out at amortised cost		-	(105,994)
Amortisation of investments carried at amortised cost		5,731	5,387
End of service benefits charge for the period		64,538	68,377
Rental income on investment in real estate		(503,940)	(426,000)
Unrealised gains on investments at fair value through profit or loss	6	211,470	164,794
Realised gain on investments carried at fair value through profit or loss	6	(7,549)	(92,201)
Impairment loss on investments at fair value through equity		-	7,336
Realised profit on redemption of investments at fair value through equity		(3,475)	-
		276,069	(110,139)
Payment of end of service benefits		(48,477)	(5,031)
Operating cash flows before working capital changes		227,592	(115,170)
Working capital changes:			
Takaful and retakaful/reinsurance balance receivables		(461,350)	(948,506)
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		(4,999,313)	360,719
Other receivables, prepayments and other assets		(408,909)	204,404
Deferred policy acquisition cost		63,715	37,242
Outstanding claims and unearned premium reserve		4,996,085	999,461
Accounts and other payables		179,212	(269,185)
Due to retakaful / reinsurance		(396,693)	(159,829)
Unearned retakaful/reinsurance commission		11,868	42,717
Net cash used in operating activities		(787,793)	151,853
Investing activities			
Purchase of property and equipment	13	(101,907)	(446,524)
Purchase of investments carried at fair value through profit or loss	6	(164,431)	(122,364)
Purchase of investments carried at fair value through equity		(69,128)	(181,069)
Purchase of investment in real estate		-	(10,800)
Proceeds from disposal of property and equipment	13	21,858	-
Proceeds from disposal of investments at fair value through profit or loss	6	911,751	880,505
Proceeds from redemption of investment at fair value through equity		168,760	6,793
Movement in bank deposits		(1,750,000)	-
Rent on investment in real estate received		503,940	336,000
Profit on bank deposits received		52,112	62,456
Purchase of investments carried at amortized cost – net of income		(1,500,000)	-
Dividends received		209,943	161,901
Net cash (used in)/generated from investing activities		(1,717,102)	686,898
Net change in cash and cash equivalents		(2,504,895)	838,751
Cash and cash equivalents at the beginning of the period	5	4,424,385	2,645,008
Cash and cash equivalents at the end of period	5	1,919,490	3,483,759

The notes on pages 8 to 18 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	Share capital RO	Share premium RO	Legal reserve RO	Contingency reserve RO	Investment fair value reserve RO	Retained earnings RO	Total RO
At 1 January 2016 (audited)	17,500,000	1,380,151	635,156	1,206,553	650,401	1,244,320	22,616,581
Profit for the period	-	-	-	-	-	1,007,670	1,007,670
Other comprehensive loss for the period	-	-	-	-	(184,667)	-	(184,667)
Total comprehensive (loss) / income for the period	-	-	-	-	(184,667)	1,007,670	823,003
Transaction with owner							
Transfer to legal reserve	-	-	100,767	-	-	(100,767)	-
At 30 September 2016 (unaudited)	17,500,000	1,380,151	735,923	1,206,553	465,734	2,151,223	23,439,584
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							
Transfer to legal reserve	-	-	146,171	-	-	(146,171)	-
At 30 September 2015 (unaudited)	17,500,000	1,380,151	698,544	1,206,553	(96,490)	1,814,810	22,503,568

The notes on pages 8 to 18 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	General takaful RO	Family takaful RO	Contingency reserve general takaful RO	Contingency reserve family takaful RO	Total RO
At 1 January 2016 (audited)	(1,988,354)	(426,587)	705,080	35,173	(1,674,688)
Deficit for the period	(486,301)	(86,562)	-	-	(572,863)
Contingency reserve (note 14)	(412,583)	(19,517)	412,583	19,517	-
At 30 September 2016 (unaudited)	(2,887,238)	(532,666)	1,117,663	54,690	(2,247,551)
At 1 January 2015 (audited)	173,104	(167,150)	-	-	5,954
Deficit for the period	(966,734)	(110,487)	-	-	(1,077,220)
Contingency reserve (note 14)	(695,774)	(31,662)	695,774	31,662	-
At 30 September 2015 (unaudited)	(1,489,403)	(309,299)	695,774	31,662	(1,071,266)

The notes on pages 8 to 18 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016****1 Legal status and principal activities**

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 Summary of significant accounting policies

(a) This unaudited condensed interim financial information for the nine months period ended 30 September 2016 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).

(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 2015.

(c) The accounting policies adopted in the preparation of this unaudited condensed interim financial information are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2015. In addition, results for the nine months period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

(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 carried at fair value through profit or loss, investment 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 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 2015.

4 Financial risk factors

The Company’s activities expose it to a variety of financial risks: market risk (including currency risk and interest rate 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 2015. There have been no changes in the risk management policies since year end.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

5 Cash and cash equivalents

	Unaudited 30 September 2016		Audited 31 December 2015	
	Shareholders RO	Participants RO	Shareholders RO	Participants RO
Cash and bank balances				
Cash in hand and at bank	886,185	724,675	1,934,023	1,851,579
Cash balances with investment managers	213,748	-	504,160	-
	1,099,933	724,675	2,438,183	1,851,579
Bank deposits				
Bank deposits with maturity of less than three months	41,633	53,250	134,623	-
Bank deposits with maturity of more than three months	3,783,475	4,273,500	2,033,475	4,273,500
	3,825,108	4,326,750	2,168,098	4,273,500
Less: Bank deposits with maturity of more than three months	(3,783,475)	(4,273,500)	(2,033,475)	(4,273,500)
	1,141,565	777,925	2,572,806	1,851,579

5.1 Bank deposits amounting to RO 51,975 (31 December 2015 - RO 51,975) are denominated in foreign currencies. Bank deposits carry profit rates in range of 1.9% to 4.0% per annum (31 December 2015 - 1.2% to 2.5% per annum). Bank deposit amounting to RO 269,787 (31 December 2015 - RO 269,787) is allocated for payment to be made to retakaful / reinsurance reserve.

5.2 *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 7,005,000 (31 December 2015 - RO 6,255,000) to the Capital Market Authority (CMA). The Company can only transfer these assets with the prior approval of the CMA.

6 Investments carried at fair value through profit or loss

	Unaudited 30 September 2016		Audited 31 December 2015	
	Fair value RO	Cost RO	Fair value RO	Cost RO
Local and foreign quoted:				
Service sector	1,731,881	1,883,819	2,402,730	2,602,546
Industrial sector	1,696,630	1,756,144	1,934,035	2,109,132
Financial sector	-	-	42,987	52,185
	3,428,511	3,639,963	4,379,752	4,763,863

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

	Unaudited 30 September 2016		Audited 31 December 2015	
	Fair value RO	Cost RO	Fair value RO	Cost RO
Foreign investments	259,443	314,361	1,047,580	1,217,883

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

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

6.2 *Movement in investments at fair value through profit or loss*

	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
At the beginning of the period / year	4,379,752	5,437,139
Purchases during the period / year	164,431	127,036
Disposals during the period / year	(911,751)	(875,328)
Realised gain on disposal	7,549	75,016
Net change in fair value	(211,470)	(384,111)
At the end of the period / year	3,428,511	4,379,752

6.3 *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 2,856,800 (31 December 2015 - RO 2,453,878) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the Capital Market Authority.

7 Takaful and retakaful / reinsurance balance receivable

	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
Takaful receivable	7,958,950	6,794,989
Retakaful / reinsurance balances receivable	932,464	1,635,274
	8,891,414	8,430,263
Less: provision for impairment of receivables	(510,484)	(510,683)
	8,380,930	7,919,580
Age analysis of the receivables balances is as under:		
Neither past due nor impaired	4,968,785	4,452,220
Past due but not impaired	3,412,145	3,467,360
Past due and impaired	510,484	510,683
	8,891,414	8,430,263

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 2016, receivables past due above 121 days amounting to RO 3,412,145 (31 December 2015 – RO 3,467,360) 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.

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

	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
At the beginning of the period / year	510,683	351,381
(Reversal) / charge for the period / year	(199)	159,302
At the end of the period / year	510,484	510,683

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

8 Receivable from participants and payable to participants / shareholders

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

9 Outstanding claims and unearned contributions reserve

	Unaudited 30 September 2016			Audited 31 December 2015		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
General Takaful						
Claims incurred but not settled	10,445,581	(6,823,416)	3,622,165	6,734,664	(2,799,225)	3,935,439
Claims incurred but not reported	1,300,666	(396,639)	904,027	383,362	(146,717)	236,645
	11,746,247	(7,220,055)	4,526,192	7,118,026	(2,945,942)	4,172,084
Unearned contributions reserve	9,652,493	(4,432,411)	5,220,082	9,980,207	(4,380,724)	5,599,483
	21,398,740	(11,652,466)	9,746,274	17,098,233	(7,326,666)	9,771,567
Family Takaful						
Claims incurred but not settled	822,768	(693,731)	129,037	528,592	(452,690)	75,902
Claims incurred but not reported	678,215	(554,985)	123,230	467,873	(346,078)	121,795
	1,500,983	(1,248,716)	252,267	996,465	(798,768)	197,697
Unearned contributions reserve	806,647	(678,376)	128,271	615,587	(454,811)	160,776
	2,307,630	(1,927,092)	380,538	1,612,052	(1,253,579)	358,473
	23,706,370	(13,579,558)	10,126,812	18,710,285	(8,580,245)	10,130,040

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.

10 Investments at fair value through equity

	% of overall portfolio	Basis of valuation RO	Number of securities RO	Fair Value RO
Unaudited 30 September 2016				
Investment from shareholders' fund				
National Takaful Company (Watania)	69	Fair value	14,303,596	1,460,627
Omani Unified Bureau Orange Card SAOC	11	Fair value	71,428	224,784
National Mass Housing Company SAOC	8	Fair value	150,000	172,200
Shaza Oman Company SAOC	5	Fair value	100,000	108,900
Dubai Islamic bank	3	Fair value	97,000	54,378
Agthia Group PJSC	2	Fair value	80,000	52,517
Emirates REIT	2	Fair value	75,000	32,051
	100			2,105,457
Audited 31 December 2015				
Investment from shareholders' fund				
National Takaful Company (Watania)	67	Fair value	14,303,596	1,609,669
Omani Unified Bureau Orange Card SAOC	9	Fair value	71,428	224,784
National Mass Housing Company SAOC	7	Fair value	150,000	172,200
Dubai Islamic bank	6	Fair value	212,000	134,530
Shaza Oman Company SAOC	5	Fair value	100,000	108,900
Al Rajhi	4	Fair value	18,850	99,827
Emirates REIT	2	Fair value	75,000	36,373
	100			2,386,283

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

10 Investments at fair value through equity (continued)

Currently the percentage of National Takaful Company (Watania) investment in relation to overall investments of the Company is 5.62% which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by the Capital Market Authority (CMA). As per the Regulation, investments in any one listed company should not exceed 5% of the total investments of the insurer. The Company is in the process of renewing the approval obtained last year from CMA.

10.1 Movement in investments at fair value through equity

	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
At the beginning of the period / year	2,386,283	2,042,447
Purchases	69,128	280,318
Net change in fair value	(186,738)	843,590
Disposals	(166,691)	(6,793)
Realised gain	3,475	-
Impairment loss on investment	-	(773,279)
At the end of the period / year	2,105,457	2,386,283

10.2 Movement in investments fair value reserve:

	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
At the beginning of the period / year	650,401	(193,189)
Transfer of fair value reserve on sale of investment	2,071	-
Net change in fair value of investment during the period / year	(186,738)	843,590
At the end of the period / year	465,734	650,401

11 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 which ranges from October 2018 to June 2021.

	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
At the beginning of the period / year	2,755,228	2,762,436
Purchased during the period	1,500,000	-
Amortised during the period / year	(5,731)	(7,208)
At the end of the period / year	4,249,497	2,755,228

11.1 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified 625,000 units (31 December 2015 - 25,000 units) with total face value of RO 3,100,000 (31 December 2015 - RO 2,500,000) to the Capital Market Authority (CMA). The Company can only transfer these assets with the prior approval of the CMA.

11.2 Currently the percentage of Modern Sukuk investment in relation to overall investments of the Company is 9.65% which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by the Capital Market Authority (CMA). As per the Regulation, investments in any one listed company should not exceed 5% of the total investments of the insurer. The Company also has investment in foreign bond which has rating below "BBB" as at 30 September 2016. The Company is in the process of renewing the approvals obtained last year from CMA.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

12 Investment in real estate

12.1 Movement of carrying amounts of investment in real estate:

	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
At the beginning of the period / year	6,245,911	6,235,111
Purchases during the year	-	10,800
At the end of the period / year	6,245,911	6,245,911

12.2 At 30 September 2016, the Company has investment in investment real estate of RO 6,245,911 (31 December 2015 – RO 6,245,911) which is 24% 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 is in the process of renewing the approval obtained last year from CMA.

13 Property and equipment

	Unaudited 30 September 2016 RO	Audited 31 December 2015 RO
Net book value		
At 1 January	1,229,759	947,087
Additions during the period / year	101,907	493,527
Disposals during the period / year	(17,040)	-
Depreciation for the period / year	(187,338)	(210,855)
At the end of the period / year	1,127,288	1,229,759

14 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).

The CMA has issued 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 period, the Company has added an amount of RO 432,100 (30 September 2015 - RO 727,436) to the contingency reserve, with respect to the general and family takaful business. This amount has been charged to the participants' fund.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

15 Takaful revenue / insurance income

	Unaudited 30 September 2016 RO	Unaudited 30 September 2015 RO
Gross contributions	19,237,869	19,645,937
Movement in unearned contributions reserve	136,654	(1,139,842)
Contributions before retakaful / reinsurance - net	19,374,523	18,506,095
Contributions ceded to retakaful / reinsurance	(9,783,434)	(9,198,135)
Movement in unearned contributions reserve	275,251	999,962
Contributions ceded to retakaful / reinsurance - net	(9,508,183)	(8,198,173)
Net contributions earned	9,866,340	10,307,922
Commission received on business ceded to retakaful / reinsurance	788,515	762,144
Commissions paid	(1,245,067)	(1,386,655)
Movement in unearned commission reserve	(75,582)	(79,968)
Net commission expense	(532,134)	(704,479)
Takaful policy expenses (technical)	(60,059)	(78,058)
Policy fee and other takaful / insurance related income	906,566	345,489
Total takaful revenue	10,180,713	9,870,874

15.1 Takaful / insurance revenue analysis

	Unaudited 30 September 2016		Unaudited 30 September 2015	
	Net contributions RO	Contributions revenue before retakaful / reinsurance RO	Net contributions RO	Contributions revenue before retakaful / reinsurance RO
Motor	5,669,341	1,773,785	6,687,834	1,457,176
Fire, accidents, engineering and others	910,391	1,335,682	884,206	5,709,303
Marine cargo and hull	103,224	298,520	83,864	740,407
Medical	2,884,071	638,046	2,261,675	450,494
Life	299,313	317,087	390,339	878,599
	9,866,340	4,363,120	10,307,918	9,235,979

15.2 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.

16 Net claims incurred

	Unaudited 30 September 2016			Unaudited 30 September 2015		
	Gross RO	share RO	Net RO	Gross RO	share RO	Net RO
Claims outstanding	10,867,986	(7,517,147)	3,350,839	7,203,597	(3,233,599)	3,969,998
IBNR	1,978,880	(951,623)	1,027,257	688,204	(417,111)	271,093
Outstanding at end of the period	12,846,866	(8,468,770)	4,378,096	7,891,801	(3,650,710)	4,241,091
Add: Takaful claims paid during the period	9,365,815	(2,889,427)	6,476,388	8,368,927	(2,548,164)	5,820,763
Claims outstanding	6,812,318	(3,251,914)	3,560,404	6,577,038	(3,756,624)	2,820,414
IBNR	851,234	(492,794)	358,440	1,455,142	(1,254,765)	200,377
Less: Outstanding at beginning of the period	7,663,552	(3,744,708)	3,918,844	8,032,180	(5,011,389)	3,020,791
Claims incurred	14,549,129	(7,613,489)	6,935,640	8,228,548	(1,187,485)	7,041,063

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

17 Wakala fees and mudharaba share

The shareholders manage the general and family takaful operations for the participants and charge 20% (2015 - 20%) and 20% (2015 - 20%) respectively of gross contributions as a Wakala fee. The shareholders also manage the participants fund as a Mudharab and charge 60% (2015 - 70%) and 60% (2015 - 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 60% (2015 - 20% and 70%) respectively.

18 Investment income - net

	Unaudited 30 September 2016 RO	Unaudited 30 September 2015 RO
Investment property rental income	503,940	531,994
Dividend income	209,943	234,246
Fair value (loss) / gain on investments carried at fair value through profit or loss	(211,470)	(164,794)
Profit on wakala deposits	52,112	32,377
Realised gain on sale of investments	23,516	78,246
Impairment of investment	-	(7,337)
Investment management costs	(97,541)	(76,512)
	480,500	628,220

19 Sharia supervisory board

The Company business activities are subject to the supervision of a Sharia Supervisory Board consisting of three members appointed by the shareholders at Annual General Meeting. 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.

20 Takaful reserve

Sharia Supervisory 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 to takaful reserve in lieu of deficit in the participants' fund.

21 Earnings per share

	Unaudited 30 September 2016	Unaudited 30 September 2015
Profit for the period - RO	1,007,670	1,461,712
Weighted average number of shares outstanding - number	175,000,000	175,000,000
Earnings per share – basic and diluted - RO	0.006	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. 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

22 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 comprehensive income are as follows:

	Unaudited 30 September 2016 RO	Unaudited 30 September 2015 RO
Premium	2,470,702	1,515,776
Retakaful/reinsurance premium	63,216	74,938
Claims	657,504	(1,488,826)
Retakaful/reinsurance claims	431	5,350
Board sitting fees	36,400	67,100
Rental income	121,075	104,000
Professional & consultancy	5,850	4,260
Sharia committee fee	15,750	25,125
Management consultancy fee	4,824	12,248

(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 2016 RO	Audited 31 December 2015 RO
Takaful and retakaful / reinsurance contract receivables		
Premium balances receivables from other related parties	1,455,277	1,832,733
Other receivable	-	99,682
Investment receivables		
Rental income receivable	171,255	101,100
Accrued interest on investment in Modern Sukuk Company SAOC	52,541	20,948
Investment in Modern Sukuk SAOC	2,508,901	2,511,592
Investment in Mohammed Al Barwani Sukuk Issue SAOC	1,500,000	-
Investment in real estate	-	500,000
Investments at fair value through equity	172,200	1,890,769

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 2016, 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

22 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 2016 RO	Unaudited 30 September 2015 RO
Short-term benefits	396,410	415,100
Employee end of service benefits	21,460	37,327
	417,870	452,427

23 Contingencies

Contingent liabilities

At 30 September 2016, 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 94,833 (31 December 2015 - RO 134,623).

Capital commitment

At 30 September 2016, the Company has capital commitment of RO 76,147 (31 December 2015 - RO 37,580) in respect of office renovation work.

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.

24 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:

(a) *General takaful*

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

(b) *Family takaful*

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (continued)**

24 Segment information (continued)

Operating segments (continued)

Unaudited 30 September 2016	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	9,643,089	537,624	10,180,713
Takaful expenses (net of retakaful / reinsurance)	(6,701,487)	(234,153)	(6,935,640)
Segment results	2,941,602	303,471	3,245,073
Investment income	73,352	742	74,094
Mudarib share	(44,011)	(445)	(44,456)
Wakala fees	(3,457,244)	(390,330)	(3,847,574)
Deficit for the period	486,301	86,5462	572,863
Segment assets	25,180,104	3,049,961	28,230,065
Assets allocated to shareholders			24,258,264
Total assets			52,488,329
Segment liabilities	25,180,104	3,049,961	28,230,065
Liabilities allocated to shareholders			24,258,264
Total liabilities			52,488,329

Unaudited 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

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.