



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 31st March 2017.

Operating Environment

Despite the tough economic environment and the pricing challenges prevailing in the insurance market, your company has been able to show an impressive growth of 22% in the Gross Written Contributions compared to the corresponding period last year. The company achieved a Gross Written Premium of RO 7.9 million in 2017 as against RO 6.4 million in 2016.

Results from Operations

The 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 in March 2017 with an underwriting surplus of RO 1.03 million against a Management expenses of RO 0.99 million (March 2016:- Surplus of RO 1.027 million & Management Expense of RO 1.016).

Investment Income

Investment income was in-line with budget despite weak economic sentiments. 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, the company has been prudently managing its investments and has made an Investment Income of RO 261 K as at March 2017. 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 786K, compared to RO 463K for the corresponding period in 2016.

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. The Company is now adopting the Enterprise Risk Management Framework to measure and mitigate the 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 is in the final stages of conducting a major upgrade of its IT platforms which is expected to bring further efficiency in operations and will enhance customer experience.

The 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 31 MARCH 2017

	Note	Shareholders' fund		General takaful		Participants' fund		Total participants' fund		Grand total	
		Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
		31 March 2017 RO	31 December 2016 RO	31 March 2017 RO	31 December 2016 RO	31 March 2017 RO	31 December 2016 RO	31 March 2017 RO	31 December 2016 RO	31 March 2017 RO	31 December 2016 RO
ASSETS											
Cash and bank balances	5	1,538,402	864,092	1,554,019	1,232,305	200,488	252,720	1,754,507	1,485,025	3,292,909	2,349,117
Bank deposits	5	3,783,475	3,783,475	3,376,416	3,376,416	897,084	897,084	4,273,500	4,273,500	8,056,975	8,056,975
Investment carried at fair value through profit or loss	6	2,615,151	3,190,997	-	-	-	-	-	-	2,615,151	3,190,997
Takaful and retakaful/reinsurance balance receivable	7	-	-	11,850,527	8,989,284	599,728	950,680	12,450,255	9,939,964	12,450,255	9,939,964
Receivable from participants	8	838,299	1,976,829	-	-	-	-	-	-	838,299	1,976,829
Receivable from participants - family takaful		-	-	715,569	708,390	-	-	715,569	708,390	715,569	708,390
Qard hassan to participants	14	1,206,553	-	-	-	-	-	-	-	1,206,553	-
Due from retakaful / reinsurance companies in connection with outstanding claims and deferred retakaful / reinsurance contribution	9	-	-	11,195,285	9,463,577	1,609,639	1,009,251	12,804,924	10,472,828	12,804,924	10,472,828
Deferred policy acquisition cost		-	-	724,122	706,451	59,287	64,285	783,409	770,736	783,409	770,736
Other receivables and takaful assets		1,771,586	1,442,477	499,371	717,629	67,651	67,651	567,022	785,280	2,338,608	2,227,757
Investments at fair value through equity	10	2,091,733	1,887,733	-	-	-	-	-	-	2,091,733	1,887,733
Investments carried at amortised cost	11	4,244,805	4,247,215	-	-	-	-	-	-	4,244,805	4,247,215
Investment in real estate	12	6,245,911	6,245,911	-	-	-	-	-	-	6,245,911	6,245,911
Property and equipment	13	1,152,145	1,100,181	-	-	-	-	-	-	1,152,145	1,100,181
Total assets		25,488,060	24,738,910	29,915,309	25,194,052	3,433,877	3,241,671	33,349,186	28,435,723	58,837,246	53,174,633

The notes on pages 8 to 17 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017 (CONTINUED)

Note	Shareholders' fund				Participants' fund				Grand total	
	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	General takaful		Family takaful		Total participants' fund		Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
			Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO		
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES										
Shareholders' equity										
Capital and reserves										
	17,500,000	17,500,000	-	-	-	-	-	-	17,500,000	17,500,000
	1,380,151	1,380,151	-	-	-	-	-	-	1,380,151	1,380,151
	876,208	797,581	-	-	-	-	-	-	876,208	797,581
14	-	1,206,553	-	-	-	-	-	-	-	1,206,553
	235,478	307,968	-	-	-	-	-	-	235,478	307,968
	3,570,341	2,706,141	-	-	-	-	-	-	3,570,341	2,706,141
Total shareholders' equity	23,562,178	23,898,394	-	-	-	-	-	-	23,562,178	23,898,394
Participants' fund										
	-	-	(5,254,060)	(3,195,186)	(872,137)	(705,499)	(6,126,197)	(3,900,685)	(6,126,197)	(3,900,685)
	-	-	2,783,413	1,115,614	96,047	67,533	2,879,460	1,183,147	2,879,460	1,183,147
Total participants' fund	-	-	(2,470,647)	(2,079,572)	(776,090)	(637,966)	(3,246,737)	(2,717,538)	(3,246,737)	(2,717,538)
Liabilities										
	323,837	289,720	-	-	-	-	-	-	323,837	289,720
9	-	-	22,355,802	19,573,582	2,100,616	1,369,318	24,456,418	20,942,900	24,456,418	20,942,900
	-	-	(56,016)	43,496	(3,323)	647	(59,339)	44,143	(59,339)	44,143
	-	-	6,854,863	4,823,524	1,063,244	1,144,434	7,918,107	5,967,958	7,918,107	5,967,958
	1,602,045	550,796	1,327,519	1,339,696	192,797	173,345	1,520,316	1,513,041	3,122,361	2,063,837
8	-	-	719,832	1,493,326	118,467	483,503	838,299	1,976,829	838,299	1,976,829
8	-	-	1,183,956	-	22,597	-	1,206,553	-	1,206,553	-
8	-	-	-	-	715,569	708,390	715,569	708,390	715,569	708,390
Total liabilities	1,925,882	840,516	32,385,956	27,273,624	4,209,967	3,879,637	36,595,923	31,153,261	38,521,805	31,993,777
Total shareholders' equity, participants' fund and liabilities	25,488,060	24,738,910	29,915,309	25,194,052	3,433,877	3,241,671	33,349,186	28,435,723	58,837,246	53,174,633

Director

Director

The notes on pages 8 to 17 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 THREE MONTH PERIOD ENDED 31 MARCH 2017

	Note	General takaful		Family takaful		Total	
		Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Takaful revenue							
Gross contributions	15	7,259,128	5,590,996	591,663	835,421	7,850,791	6,426,417
Retakaful/reinsurance share	15	(3,226,573)	(2,263,843)	(408,889)	(730,184)	(3,635,462)	(2,994,027)
Retained contributions		4,032,555	3,327,153	182,774	105,237	4,215,329	3,432,390
Movement in unearned contributions	15	(317,431)	173,764	(48,965)	3,808	(366,396)	177,572
Net earned contributions		3,715,124	3,500,917	133,809	109,045	3,848,933	3,609,962
Net commission and other takaful income	15	(209,866)	18,091	(31,097)	70,992	(240,963)	89,083
Total takaful revenue		3,505,258	3,519,008	102,712	180,037	3,607,970	3,699,045
Takaful expenses							
Gross claims settled	16	(2,530,476)	(3,049,424)	(274,200)	(309,367)	(2,804,676)	(3,358,791)
Claims recovered from retakaful/reinsurance	16	808,209	334,036	233,532	269,018	1,041,741	603,054
Net movement in outstanding claims	16	(733,082)	109,540	(81,945)	(26,190)	(815,027)	83,350
Total takaful expenses		(2,455,349)	(2,605,848)	(122,613)	(66,539)	(2,577,962)	(2,672,387)
Surplus from takaful operations		1,049,909	913,160	(19,901)	113,498	1,030,008	1,026,658
Investment income		24,094	24,361	243	246	24,337	24,607
Mudarib share	17	(13,252)	(14,617)	(134)	(148)	(13,386)	(14,765)
Wakala fees	17	(1,451,826)	(1,118,199)	(118,332)	(167,084)	(1,570,158)	(1,285,283)
Deficit from takaful operations		(391,075)	(195,295)	(138,124)	(53,488)	(529,199)	(248,783)

The notes on pages 8 to 17 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 THREE MONTH PERIOD ENDED 31 MARCH 2017

	Note	Shareholders' fund	
		Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Investment income (net)	18	237,087	238,870
Wakala fees	17	1,570,158	1,285,283
Mudarib share	17	13,386	14,765
		<u>1,820,631</u>	<u>1,538,918</u>
General and administrative expenses		(989,725)	(1,016,031)
Other income		368	230
		<u>(989,357)</u>	<u>(1,015,801)</u>
Profit before tax		831,274	523,117
Taxation		(45,000)	(60,000)
Profit for the period		786,274	463,117
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		(72,490)	(475)
Total comprehensive income for the period		713,784	462,642
Earnings per share - basic and diluted	21	0.004	0.003

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AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

	Note	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Operating activities			
Profit before tax for the period		831,274	523,117
Deficit from takaful operations		(529,199)	(248,783)
Adjustments for:			
Depreciation	13	59,666	64,974
Dividend income	18	(151,333)	(173,084)
Income from bank deposit	18	(29,283)	(11,886)
Amortisation of investments carried at amortised cost		2,410	1,861
End of service benefits charge for the period		34,117	25,814
Rental income on investment in real estate	18	(66,333)	(181,656)
Unrealised loss on investments at fair value through profit or loss	6	147,550	106,444
Realised gain on investments carried at fair value through profit or loss	6	(119,817)	(10,126)
		<u>179,052</u>	<u>96,675</u>
Working capital changes:			
Takaful and retakaful/reinsurance balance receivables		(2,510,291)	(1,734,050)
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		(2,332,096)	(109,883)
Other receivables, prepayments and other assets		(110,851)	(332,187)
Deferred policy acquisition cost		(12,673)	63,140
Outstanding claims and unearned premium reserve		3,513,518	(151,039)
Accounts and other payables		(36,476)	30,237
Due to retakaful / reinsurance		1,950,149	797,271
Unearned retakaful/reinsurance commission		(103,482)	22,334
Net cash generated from / (used in) operating activities		<u>536,850</u>	<u>(1,317,502)</u>
Investing activities			
Purchase of property and equipment	13	(111,630)	(22,360)
Proceeds from disposal of property and equipment	13	-	17,040
Purchases of investments carried at fair value through equity	10	(416,715)	-
Proceeds from disposal of investments at fair value through equity	10	268,975	-
Purchases of investments carried at fair value through profit or loss	6	-	(164,409)
Proceeds from disposal of investments at fair value through profit or loss	6	419,363	558,261
Placement of bank deposits - net		-	(750,000)
Rent on investment in real estate received		66,333	181,656
Profit on bank deposits received		29,283	11,886
Dividends received		151,333	173,084
Net cash generated from investing activities		<u>406,942</u>	<u>5,158</u>
Net change in cash and cash equivalents		943,792	(1,312,344)
Cash and cash equivalents at the beginning of the period	5	<u>2,349,117</u>	<u>4,424,385</u>
Cash and cash equivalents at the end of the period	5	<u><u>3,292,909</u></u>	<u><u>3,112,041</u></u>

The notes on pages 8 to 17 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

	Share capital RO	Share premium RO	Legal reserve RO	Contingency reserve RO	Fair value reserve RO	Retained earnings RO	Total RO
At 1 January 2017 (audited)	17,500,000	1,380,151	797,581	1,206,553	307,968	2,706,141	23,898,394
Comprehensive income:							
Profit for the period	-	-	-	-	-	786,274	786,274
Other comprehensive loss	-	-	-	-	(72,490)	-	(72,490)
	-	-	-	-	(72,490)	786,274	713,784
Transaction with owners:							
Transfer to legal reserve	-	-	78,627	-	-	(78,627)	-
Dividend paid	-	-	-	-	-	(1,050,000)	(1,050,000)
Transfer to contingency reserve	-	-	-	(1,206,553)	-	1,206,553	-
	-	-	78,627	(1,206,553)	-	77,926	(1,050,000)
At 31 March 2017 (unaudited)	17,500,000	1,380,151	876,208	-	235,478	3,570,341	23,562,178
	Share capital RO	Share premium RO	Legal reserve RO	Contingency reserve RO	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
Comprehensive income:							
Profit for the period	-	-	-	-	-	463,117	463,117
Other comprehensive loss	-	-	-	-	(475)	-	(475)
	-	-	-	-	(475)	463,117	462,642
Transaction with owners:							
Transfer to legal reserve	-	-	46,312	-	-	(46,312)	-
At 31 March 2016 (unaudited)	17,500,000	1,380,151	681,468	1,206,553	(649,926)	1,661,125	23,079,223

The notes on pages 8 to 17 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN PARTICIPANT'S FUND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

	General takaful RO	Family takaful RO	Contingency reserve general takaful RO	Contingency reserve family takaful RO	Total RO
At 1 January 2017 (audited)	(3,195,186)	(705,499)	1,115,614	67,533	(2,717,538)
Deficit for the period	(391,075)	(138,124)	-	-	(529,199)
Transfer to contingency reserve (from shareholders' fund)	(1,183,956)	(22,597)	1,183,956	22,597	-
Transfer to contingency reserve	(483,843)	(5,917)	483,843	5,917	-
At 31 March 2017 (unaudited)	(5,254,060)	(872,137)	2,783,413	96,047	(3,246,737)
At 1 January 2016 (audited)	(1,988,354)	(426,587)	705,080	35,173	1,674,688
Deficit for the period	(195,295)	(53,488)	-	-	(248,783)
Transfer to contingency reserve	(406,255)	(8,354)	406,255	8,354	-
At 31 March 2016 (unaudited)	(2,589,904)	(488,429)	1,111,335	43,527	(1,923,471)

The notes on pages 8 to 17 form an integral part of this unaudited condensed interim financial information.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017****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 three month period ended 31 March 2017 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 2016.

(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 2016. In addition, results for the three month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial for the year ending 31 December 2017.

(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 2016.

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 2016. There have been no changes in the risk management policies since year end.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

5 Cash and cash equivalents

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
Cash and bank balances		
Cash in hand and at bank	3,230,762	2,047,228
Cash balances with investment managers	62,147	301,889
	<u>3,292,909</u>	<u>2,349,117</u>
Bank deposits		
Bank deposits with maturity of more than three months	<u>8,056,975</u>	<u>8,056,975</u>

5.1 Bank deposits amounting to RO 51,975 (31 December 2016 - RO 51,975) are denominated in foreign currencies. Bank deposits carry profit rates in range of 1.90 % to 4.00 % per annum (31 December 2016 - 1.90 % to 4.00 % per annum).

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 8,005,000 (31 December 2016 – RO 7,005,000) to the CMA. The Company can only transfer these assets with the prior approval of the Capital Market Authority.

6 Investments carried at fair value through profit or loss

	Unaudited Fair value 31 March 2017 RO	Unaudited Cost 31 March 2017 RO	Audited Fair value 31 December 2016 RO	Audited Cost 31 December 2016 RO
Service sector	1,203,381	1,323,013	1,565,938	1,676,343
Industrial sector	1,411,770	1,439,688	1,625,059	1,715,794
	<u>2,615,151</u>	<u>2,762,701</u>	<u>3,190,997</u>	<u>3,392,137</u>

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

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	3,190,997	4,379,752
Purchases during the period / year	-	164,431
Disposals during the period / year	(419,363)	(1,147,057)
Realised loss on disposal	(8,933)	(4,989)
Net change in fair value	<u>(147,550)</u>	<u>(201,140)</u>
At the end of the period / year	<u>2,615,151</u>	<u>3,190,997</u>

6.2 *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 investments with the carrying value of RO 903,937 (31 December 2016 - RO 1,992,434) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the Capital Market Authority.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

7 Takaful and retakaful/reinsurance contract receivables

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
Takaful receivable	12,355,615	9,827,382
Retakaful / reinsurance balances receivable	901,601	919,543
	<u>13,257,216</u>	<u>1,0746,925</u>
Less: provision for impairment of receivables	(806,961)	(806,961)
	<u>12,450,255</u>	<u>9,939,964</u>
Age analysis of the receivables balances is as under:		
Neither past due nor impaired	8,003,246	5,276,457
Past due but not impaired	4,447,009	4,663,507
Past due and impaired	806,961	806,961
	<u>13,257,216</u>	<u>10,746,925</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 31 March 2017, amounts past due above 120 days amounting to RO 4,447,009 (31 December 2016 - RO 4,663,507) 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 31 March 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	806,961	510,683
Charge for the year	-	296,476
Reversals during the year	-	(198)
At the end of the period / year	<u>806,961</u>	<u>806,961</u>

8 Receivable from participants 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-fund balances.

9 Outstanding claims and unearned contributions reserve

	Unaudited 31 March 2017			Audited 31 December 2016		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
General takaful						
Claims incurred but not settled	9,325,423	(5,663,696)	3,661,727	7,666,094	(4,401,826)	3,264,268
Claims incurred but not reported	1,499,848	(323,150)	1,176,698	1,127,616	(286,541)	841,075
	<u>10,825,271</u>	<u>(5,986,846)</u>	<u>4,838,425</u>	<u>8,793,710</u>	<u>(4,688,367)</u>	<u>4,105,343</u>
Unearned contributions reserve	11,530,531	(5,208,439)	6,322,092	10,779,872	(4,775,210)	6,004,662
	<u>22,355,802</u>	<u>(11,195,285)</u>	<u>11,160,517</u>	<u>19,573,582</u>	<u>(9,463,577)</u>	<u>10,110,005</u>
Family takaful						
Claims incurred but not settled	723,055	(605,000)	118,055	279,749	(225,986)	53,763
Claims incurred but not reported	448,643	(362,029)	86,614	430,991	(362,030)	68,961
	<u>1,171,698</u>	<u>(967,029)</u>	<u>204,669</u>	<u>710,740</u>	<u>(588,016)</u>	<u>122,724</u>
Unearned contributions reserve	928,918	(642,610)	286,308	658,578	(421,235)	237,343
	<u>2,100,616</u>	<u>(1,609,639)</u>	<u>490,977</u>	<u>1,369,318</u>	<u>(1,009,251)</u>	<u>360,067</u>
	<u>24,456,418</u>	<u>(12,804,924)</u>	<u>11,651,494</u>	<u>20,942,900</u>	<u>(10,472,828)</u>	<u>10,470,072</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

9 Outstanding claims and unearned contributions reserve (continued)

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

Unaudited 31 March 2017	% of overall portfolio	Basis of valuation RO	Number of securities RO	Fair Value RO
National Takaful Company (Watania) – listed	58	Fair value	14,303,596	1,207,252
Omani Unified Bureau Orange Card SAOC	12	Fair value	71,428	249,998
National Mass Housing Company SAOC	8	Fair value	150,000	160,650
Oman Telecommunications Company SAOG	5	Fair value	75,000	106,500
Dubai Islamic bank	4	Fair value	150,000	85,965
Oman Qatari Telecommunications Company SAOG	4	Fair value	150,000	81,000
Emirates REIT - listed	3	Fair value	175,000	72,765
Qatar Islamic Bank	3	Fair value	6,500	69,995
Al Anwar Ceramic Tiles	2	Fair value	211,234	32,108
Oman Cables	1	Fair value	15,000	25,500
	100			2,091,733

Audited 31 December 2016				
National Takaful Company (Watania) - listed	64	Fair value	14,303,596	1,207,252
Omani Unified Bureau Orange Card SAOC	12	Fair value	71,428	224,784
National Mass Housing Company SAOC	9	Fair value	150,000	172,200
Shaza Oman Company SAOC	9	Fair value	100,000	163,700
Dubai Islamic bank	4	Fair value	150,000	86,590
Emirates REIT – listed	2	Fair value	75,000	33,207
	100			1,887,733

10.1 Movement in investments at fair value through equity

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	1,887,733	2,386,283
Purchases	416,715	69,127
Net change in fair value	(11,289)	(343,443)
Disposal	(268,975)	(237,134)
Realised gain on disposal	67,549	12,900
At the end of the period / year	2,091,733	1,887,733

10.2 Movement in investments fair value reserve:

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	307,968	650,401
Transfer of fair value reserve on sale of investment	(61,201)	1,010
Movement of investment fair value adjustment at the end of the period	(11,289)	(343,443)
At the end of the period / year	235,478	307,968

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

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 in October 2018 and November 2018, respectively.

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	4,247,215	2,755,228
Purchased during the period / year	-	1,500,000
Amortised during the period / year	(2,410)	(8,013)
At the end of the period / year	<u>4,244,805</u>	<u>4,247,215</u>

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 1,525,000 units (31 December 2016 – 1,525,000 units) with the carrying value of RO 4,000,000 (31 December 2016 - RO 4,000,000) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the CMA.

12 Investment in real estate

Movement of carrying amounts of investment in real estate:

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
At the beginning and end of the period / year	<u>6,245,911</u>	<u>6,245,911</u>

12.1 As of 31 March 2017, the Company has investment in investment real estate of RO 6,245,911 (31 December 2016 – RO 6,245,911) which is 23.53% 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.

13 Property and equipment

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO
Net book value		
At beginning of the period / year	1,100,181	1,229,759
Additions during the period / year	111,630	136,029
Disposals during the period / year	-	(17,041)
Depreciation for the period / year	(59,666)	(248,566)
At the end of the period / year	<u>1,152,145</u>	<u>1,100,181</u>

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

14 Contingency reserve (continued)

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 489,760 (2016 - RO 414,609) to the contingency reserve, with respect to the general takaful business. This amount has been charged to the participants' fund.

During the period ended 31 March 2017, the Company has obtained approval from the CMA and Sharia' Supervisory Board 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.

15 Takaful revenue / insurance income

	Unaudited Quarter ended 31 March 2017 RO	Unaudited Quarter ended 31 March 2016 RO
Gross contributions	7,850,791	6,426,417
Movement in unearned contributions reserve	(1,021,000)	(4,304)
Contributions before retakaful / reinsurance - net	6,829,791	6,422,113
Contributions ceded to retakaful/reinsurance	(3,635,462)	(2,994,027)
Movement in unearned contributions reserve	654,604	181,876
Contributions ceded to retakaful/reinsurance - net	(2,980,858)	(2,812,151)
Net contributions earned	3,848,933	3,609,962
Commission received on business ceded to retakaful / reinsurance	42,658	272,638
Commissions paid	(411,666)	(383,500)
Movement in unearned commission reserve	116,164	(85,473)
Net commission expense	(252,844)	(196,335)
Takaful policy expenses (technical)	(13,837)	(14,024)
Policy fee and other takaful / insurance related income	25,718	299,442
Total takaful revenue	3,607,970	3,699,045

15.1 Takaful / insurance revenue analysis

	Unaudited 31 March 2017		Unaudited 31 March 2016	
	Net contributions RO	Contributions revenue before retakaful / reinsurance RO	Net contributions RO	Contributions revenue before retakaful / reinsurance RO
Motor	2,055,410	745,700	2,217,961	608,653
Fire, accidents, engineering and others	519,567	519,890	396,332	2,097,611
Marine cargo and hull	64,714	320,080	24,368	(49,855)
Medical	1,075,433	8,703	862,255	2,849
Life	133,809	(448,888)	109,046	398,185
	3,848,933	1,145,484	3,609,962	3,057,443

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

16 Net claims incurred

	Unaudited 31 March 2017 Retakaful / reinsurances'			Unaudited 31 March 2016 Retakaful / reinsurances'		
	Gross RO	share RO	Net RO	Gross RO	share RO	Net RO
Claims notified and not settled	10,048,478	(6,268,696)	3,779,782	6,453,029	(2,841,422)	3,611,607
Claims incurred but not reported	1,948,491	(685,179)	1,263,312	1,055,182	(831,294)	223,888
Outstanding at end of the period	11,996,969	(6,953,875)	5,043,094	7,508,211	(3,672,716)	3,835,495
Takaful claims paid	2,804,676	(1,041,741)	1,762,935	3,358,791	(603,054)	2,755,737
Claims notified and not settled	7,945,843	(4,627,812)	3,318,031	6,667,087	(2,945,940)	3,721,147
Claims incurred but not reported	1,558,607	(648,571)	910,036	996,466	(798,768)	197,698
Outstanding at beginning of the period	9,504,450	(5,276,383)	4,228,067	7,663,553	(3,744,708)	3,918,845
Claims incurred	5,297,195	(2,719,233)	2,577,962	3,203,449	(531,061)	2,672,388

17 Wakala fees and mudharaba share

The shareholders manage the general and family takaful operations for the participants and charge 20% (31 December 2016 - 20%) and 20% (31 December 2016 - 20%) respectively of gross contributions as a wakala fee. The shareholders also manage the participants fund as a mudharab and charge 55% (31 December 2016 - 60%) and 55% (31 December 2016 - 60%) 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 55% (31 December 2016 – 20% and 60%) respectively.

18 Investment income - net

	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Investment property rental income	66,333	35,331
Profit from investment carried at amortised cost	114,825	146,325
Dividend income	151,333	173,084
Fair value loss on investments held at fair value through profit or loss	(147,550)	(106,444)
Profit on Wakala deposits	29,283	11,886
Realised gain on sale of investments	58,616	10,126
Investment management costs	(35,753)	(31,439)
	237,087	238,870

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 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.

20 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

21 Earnings per share

	Unaudited 31 March 2017	Unaudited 31 March 2016
Profit for the period - RO	<u>786,274</u>	463,117
Weighted average number of shares outstanding - number	<u>175,000,000</u>	175,000,000
Earnings per share – basic and diluted - RO	<u>0.004</u>	0.003

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.

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 profit or loss and comprehensive income are as follows:

	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Premium	<u>614,652</u>	461,046
Retakaful/reinsurance premium	<u>40,348</u>	30,904
Claims	<u>115,030</u>	314,473
Retakaful/reinsurance claims	<u>-</u>	602
Board sitting fees	<u>14,400</u>	11,800
Rental income	<u>33,600</u>	56,325
Sharia committee fee	<u>1,500</u>	8,375
Management consultancy fee	<u>1,750</u>	3,549

(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 31 March 2017 RO	Audited 31 December 2016 RO
Takaful and retakaful / reinsurance contract receivables		
Premium balances receivables from other related parties	<u>2,143,704</u>	2,217,542
Other receivable	<u>120,133</u>	160,155
Investment receivables		
Rental income receivable	<u>186,755</u>	169,780
Accrued interest on investment in Modern Sukuk Company SAOC	<u>51,854</u>	20,948
Investment in Modern Sukuk SAOC	<u>2,506,544</u>	2,507,972
Investment in Mohammed Al Barwani Sukuk Issue SAOC	<u>1,500,000</u>	1,500,000
Investment in real estate	<u>500,000</u>	500,000
Investments at fair value through equity	<u>1,367,902</u>	1,543,152

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

22 Related parties (continued)

(b) Balances with related parties (continued)

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 31 March 2017, 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.

(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 31 March 2017 RO	Unaudited 31 March 2016 RO
Short-term benefits	148,476	127,804
Employee end of service benefits	26,816	9,545
	<u>175,292</u>	<u>137,349</u>

23 Contingencies

Contingent liabilities

At 31 March 2017, 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 144,747 (31 December 2016 - RO 120,047).

Capital commitment

At 31 March 2017, the company has capital commitments of RO 50,000 (31 December 2016 - RO 76,147) in respect of its 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:

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 THREE MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

24 Segment information (continued)

31 March 2017 - unaudited	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	3,505,258	102,712	3,607,970
Takaful expenses (net of retakaful / reinsurance)	(2,455,349)	(122,613)	(2,577,962)
Segment results	1,049,909	(19,901)	1,030,008
Investment income	24,094	243	24,337
Mudarib share	(13,252)	(134)	(13,386)
Wakala fees	(1,451,826)	(118,332)	(1,570,158)
Deficit for the period	(391,075)	(138,124)	(529,199)
Segment assets	29,915,309	3,433,877	33,349,186
Assets allocated to shareholders	-	-	25,488,060
Total assets	29,915,309	3,433,877	58,837,246
Segment liabilities	32,385,956	4,209,967	36,595,923
Liabilities allocated to shareholders	-	-	1,925,882
Total liabilities	32,385,956	4,209,967	38,521,805

31 March 2016 - unaudited	General Takaful RO	Family Takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	3,519,008	180,037	3,699,045
Takaful expenses (net of retakaful / reinsurance)	(2,605,848)	(66,539)	(2,672,387)
Segment results	913,160	113,498	1,026,658
Investment income	24,361	246	24,607
Mudarib share	(14,617)	(148)	(14,765)
Wakala fees	(1,118,199)	(167,084)	(1,285,283)
Deficit for the period	(195,295)	(53,488)	(248,783)
Segment assets	22,241,928	2,742,877	24,984,805
Assets allocated to shareholders	-	-	23,813,194
Total assets	22,575,895	2,742,877	48,797,998
Segment liabilities	23,720,496	3,187,779	26,908,275
Liabilities allocated to shareholders	-	-	733,971
Total liabilities	23,720,496	3,187,779	27,642,246

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.

25 Corresponding figures

Certain corresponding 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.