

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 first half of 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 six month period ended 30 June 2015 (unaudited)

Item	General Takaful		% Change	Family Takaful		% Change	Total		% Change
	H1 2014	H1 2015		H1 2014	H1 2015		H1 2014	H1 2015	
Gross Contributions	11,092,694	12,595,078	13.54%	654,377	978,794	49.58%	11,747,071	13,573,872	15.55%
Net Retained Contributions	5,901,128	7,079,545	19.97%	213,605	251,385	17.69%	6,114,733	7,330,930	19.89%
Net Earned Contributions	5,223,923	6,549,259	25.37%	148,464	239,930	61.61%	5,372,387	6,789,189	26.37%
Net Claims Incurred	(2,821,477)	(4,297,677)	52.32%	(61,633)	(11,357)	-81.57%	(2,883,110)	(4,309,034)	49.46%
Surplus from Takaful Operations before Wakala Fees	2,219,319	2,080,645	-6.25%	43,510	179,385	312.28%	2,262,829	2,260,030	-0.12%
Investment Income	43,256	48,455	12.02%	-	489	NA	43,256	48,944	13.15%
Wakala Fees	(2,218,539)	(2,519,016)	13.54%	(130,875)	(195,759)	49.58%	(2,349,414)	(2,714,775)	15.55%
Mudharib Fee	(32,442)	(33,919)	4.55%	-	-342	NA	(32,442)	(34,261)	5.61%
Surplus / (Deficit) from Takaful Operations	11,594	(423,835)	-3755.64%	(87,365)	(16,227)	-81.43%	(75,771)	(440,062)	480.78%

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

Item	Shareholders		% Change
	H1 2014	H1 2015	
Investment Income	377,166	760,078	101.52%
Wakala Fees	2,349,414	2,714,775	15.55%
Mudharib Fee	32,442	34,261	5.61%
Net Profit before tax	803,571	1,485,221	84.83%
Provision for tax	-	(68,750)	NA
Net Profit and Surplus for the year (after Tax)	803,571	1,416,471	76.27%

- a) Company Gross Written contribution was higher at RO 13.57 million compared to RO 11.75 million in the previous year showing a growth of 15.55%.
- b) Incurred claims ratio of the Company increased from 53.6% in H1 FY14 to 63.4% in H1 FY15 reflected in the fall of underwriting income. The Company received number of court awards in the first half where the quantum of the award far exceeded the normal trend.
- c) Consolidated Investment income grew by 92.4 % due to improvement in the stock market and income from Sukuk and property rentals over the same period last year.
- d) Consolidated net profit grew by 34.1% to RO 976,409 in H1 FY15 as compared to RO 727,800 in H1FY14.

Looking ahead: The Company has a number of interesting initiatives that will be launched in the forthcoming quarters that will help in growth of businesses, overall profitability and strengthening the presence of Takaful in the Sultanate of Oman.

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 June 2015

	Notes	Shareholders		General takaful		Family takaful		Total	
		Unaudited 30 June 2015 RO	Audited 31 December 2014 RO	Unaudited 30 June 2015 RO	Audited 31 December 2014 RO	Unaudited 30 June 2015 RO	Audited 31 December 2014 RO	Unaudited 30 June 2015 RO	Audited 31 December 2014 RO
ASSETS									
Cash and bank balances	3	1,678,635	955,645	1,613,291	1,441,913	144,332	104,771	3,436,258	2,502,329
Bank deposits	4	2,165,854	2,176,154	4,251,416	4,251,416	22,084	22,084	6,439,354	6,449,654
Investment carried at fair value through profit or loss	5	4,949,405	5,437,139	-	-	-	-	4,949,405	5,437,139
Takaful and retakaful/reinsurance balance receivable	6	-	-	9,575,645	6,778,660	1,093,947	1,407,145	10,669,592	8,185,805
Receivable from participants –family takaful	7	988,251	4,812	-	801,925	-	-	988,251	806,737
Due from retakaful / reinsurance companies in connection with outstanding claims and deferred retakaful / reinsurance contribution	8	-	-	8,049,747	7,795,909	766,501	1,544,377	8,816,248	9,340,286
Deferred policy acquisition cost		-	-	832,440	817,760	46,167	41,820	878,607	859,580
Other receivables and takaful assets		944,321	699,655	203,421	407,631	-	-	1,147,742	1,107,286
Investments at fair value through equity	9	1,830,356	2,042,447	-	-	-	-	1,830,356	2,042,447
Investments carried at amortised cost	10	2,758,878	2,762,436	-	-	-	-	2,758,878	2,762,436
Deferred tax asset		205,363	274,113	-	-	-	-	205,363	274,113
Investment in real estate	11	6,235,111	6,235,111	-	-	-	-	6,235,111	6,235,111
Property and equipment	12	1,108,940	947,087	-	-	-	-	1,108,940	947,087
Total assets		22,865,114	21,534,599	24,525,960	22,295,214	2,073,031	3,120,197	49,464,105	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 June 2015 (continued)

	Notes	Shareholders		General takaful		Family takaful		Total	
		Unaudited 30 June 2015 RO	Audited 31 December 2014 RO	Unaudited 30 June 2015 RO	Audited 31 December 2014 RO	Unaudited 30 June 2015 RO	Audited 31 December 2014 RO	Unaudited 30 June 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		694,020	552,373	-	-	-	-	694,020	552,373
Contingency reserve	13	1,206,553	1,206,553	-	-	-	-	1,206,553	1,206,553
Investment fair value reserve		(391,151)	(193,189)	-	-	-	-	(391,151)	(193,189)
Retained earnings		1,774,093	499,269	-	-	-	-	1,774,093	499,269
Total shareholders' equity		22,163,666	20,945,157	-	-	-	-	22,163,666	20,945,157
Participants' fund									
Surplus / (deficit) in participants' fund		-	-	(901,489)	173,104	(208,512)	(167,150)	(1,110,001)	5,954
Contingency reserve		-	-	650,758	-	25,135	-	675,893	-
Total participants' fund		-	-	(250,731)	173,104	(183,377)	(167,150)	(434,108)	5,954
Liabilities									
End of service benefits		239,851	192,096	-	-	-	-	239,851	192,096
Gross outstanding claims	8	-	-	7,429,631	6,571,420	437,867	1,460,759	7,867,498	8,032,179
Unearned contributions reserve	8	-	-	10,387,019	9,710,946	576,529	361,224	10,963,548	10,072,170
Unearned retakaful/reinsurance commission		-	-	415,306	375,848	4,877	2,955	420,183	378,803
Retakaful/reinsurance payables		-	-	4,931,194	3,945,287	521,023	610,892	5,452,217	4,556,179
Accounts and other payables		461,597	397,346	1,285,312	1,518,609	56,090	44,780	1,802,999	1,960,735
Payable to shareholders	7	-	-	328,229	-	660,022	4,812	988,251	4,812
Payable to participants – general takaful	7	-	-	-	-	-	801,925	-	801,925
Total liabilities		701,448	589,442	24,776,691	22,122,110	2,256,408	3,287,347	27,732,547	25,998,899
Total shareholders' equity, participants' fund and liabilities		22,865,114	21,534,599	24,525,960	22,295,214	2,073,031	3,120,197	49,462,105	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 six month period ended 30 June 2015 (unaudited)

	Notes	General takaful		Family takaful		Total	
		30 June 2015 RO	30 June 2014 RO	30 June 2015 RO	30 June 2014 RO	30 June 2015 RO	30 June 2014 RO
Takaful revenues							
Gross contributions	14	12,595,078	11,092,694	978,794	654,377	13,573,872	11,747,071
Retakaful/reinsurance share	14	(5,515,533)	(5,191,566)	(727,408)	(440,772)	(6,242,941)	(5,632,338)
Retained contributions		7,079,545	5,901,128	251,385	213,605	7,330,931	6,114,733
Movement in unearned contributions	14	(530,286)	(677,205)	(11,455)	(65,141)	(541,742)	(742,346)
Net earned contributions		6,549,259	5,223,923	239,930	148,464	6,789,189	5,372,387
Net commission and other takaful income / (expense)	14	(170,937)	(183,127)	(49,188)	(43,321)	(220,125)	(226,448)
Total takaful revenue		6,378,322	5,040,796	190,742	105,143	6,569,064	5,145,939
Takaful expenses							
Gross claims settled	16	(5,319,054)	(3,505,700)	(342,066)	(500,967)	(5,661,120)	(4,006,667)
Claims recovered from retakaful/reinsurance	16	1,771,535	878,340	289,543	424,695	2,061,078	1,303,035
Net movement in outstanding claims	16	(750,159)	(194,117)	41,167	14,639	(708,992)	(179,478)
Net claims incurred		(4,297,677)	(2,821,477)	(11,357)	(61,633)	(4,309,034)	(2,883,110)
Provision for bad and doubtful debt		-	-	-	-	-	-
Total takaful expenses		(4,297,677)	(2,821,477)	(11,357)	(61,633)	(4,309,034)	(2,883,110)
Surplus from takaful operations		2,080,645	2,219,319	179,385	43,510	2,260,030	2,262,829
Investment income		48,455	43,256	489	-	48,944	43,256
Mudarib share	17	(33,919)	(32,442)	(342)	-	(34,261)	(32,442)
Wakala fees	17	(2,519,016)	(2,218,539)	(195,759)	(130,875)	(2,714,775)	(2,349,414)
Surplus / (deficit) from takaful operations		(423,835)	11,594	(16,227)	(87,365)	(440,062)	(75,771)

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

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

	Notes	Shareholders' fund	
		30 June 2015 RO	30 June 2014 RO
Investment income (net)		760,078	377,166
Wakala fees	17	2,714,775	2,349,414
Mudarib share	17	34,261	32,442
		<u>3,509,114</u>	<u>2,759,022</u>
General and administrative expenses		(2,024,013)	(1,963,966)
Other income		120	8,515
		<u>(2,023,893)</u>	<u>(1,955,451)</u>
Profit before tax		1,485,221	803,571
Taxation		(68,750)	-
Profit for the period		1,416,471	803,571
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		(197,962)	-
Total comprehensive income for the period		1,218,509	803,571
Earnings per share	20	0.008	0.005

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 six month period ended 30 June 2015 (unaudited)

	30 June 2015 RO	30 June 2014 RO
Cash flows from operating activities		
Profit before tax for the period (including surplus / (deficit) from takaful operations)	1,045,159	727,800
Adjustments for :		
Depreciation (note 12)	98,877	93,285
Gain on disposal of fixed assets	-	(8,515)
Dividend income	(234,246)	(177,225)
Income from bank deposit	(21,586)	(62,065)
Profit from investments carried at amortized cost	(70,274)	-
Amortisation of investments carried at amortized cost	3,558	4,253
End of service benefits charge for the period	47,755	27,685
Rental income on investment in real estate	(287,750)	(104,000)
Unrealised gains on investments at fair value through equity	(135,291)	44,374
Realised gain on investments carried at fair value through profit or loss	(69,364)	(86,253)
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	(2,483,787)	(1,862,580)
Retakaful / reinsurance share of outstanding claims and unearned premium reserve	524,038	(49,641)
Other receivables, prepayments and other assets	(40,456)	(111,959)
Deferred policy acquisition cost	(19,027)	(99,664)
Outstanding claims and unearned premium reserve	726,697	971,465
Accounts and other payables	(157,733)	(285,432)
Due to retakaful / reinsurance	896,037	1,715,518
Unearned retakaful/reinsurance commission	41,379	42,015
Cash generated from / (used in) operating activities	(128,678)	794,683
End of service benefits paid	-	(1,617)
Net cash from / (used in) operating activities	(128,678)	793,066

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

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

	Notes	30 June 2015 RO	30 June 2014 RO
Cash flows from investing activities			
Purchase of property and equipment	12	(260,730)	(138,671)
Purchases of investments carried at fair value through profit or loss		(122,364)	(3,262,294)
Proceeds from disposal of fixed assets		-	8,522
Proceeds from disposal of investments carried at fair value through profit or loss		826,039	1,447,111
Proceeds from redemption of investment at fair value through equity		6,793	154,688
Movement in bank deposits		10,300	84,982
Rent on investment in real estate received		287,750	104,000
Profit from investments carried at amortized cost		70,274	-
Purchase of investment in real estate		-	(3,135,111)
Purchase of investments carried at amortized cost – net of income		-	(965,301)
Dividends received		234,246	177,225
		<hr/>	<hr/>
Net cash (used in) / generated from investing activities		1,052,308	(5,524,849)
		<hr/>	<hr/>
Cash flows from financing activities			
Dividends paid		-	(833,333)
		<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents		923,630	(5,565,116)
Cash and cash equivalents at the beginning of the period		2,645,008	9,541,640
		<hr/>	<hr/>
Cash and cash equivalents at the end of period		3,568,638	3,976,524
		<hr/> <hr/>	<hr/> <hr/>

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 six month period ended 30 June 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	-	-	-	-	-	-	1,416,471	1,416,471
Other comprehensive income	-	-	-	-	-	(197,962)	-	(197,962)
Total comprehensive income for the period	-	-	-	-	-	(197,962)	1,416,471	1,218,509
Transaction with owner								
Dividends paid	-	-	-	-	-	-	-	-
Transfer from share premium as free shares	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
Transfer to contingency reserve	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	141,647	-	-	-	(141,647)	-
At 30 June 2015	17,500,000	1,380,151	694,020	-	1,206,553	(391,151)	1,774,093	22,163,666

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 six month period ended 30 June 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							803,571	803,571
Other comprehensive income								
Total comprehensive income for the period							803,571	803,571
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	-	-	80,357	-	-	-	(80,357)	-
At 30 June 2014	17,500,000	1,380,151	531,073	-	1,206,553	141,282	307,572	21,066,631

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

AL MADINA INSURANCE COMPANY SAOG

8

**Interim condensed statement of changes in participants' fund
for the six month period ended 30 June 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	(423,835)	(16,227)	-	-	(440,062)
Contingency reserve (note 13)	-	-	-	-	-
Takaful reserve (note 19)	(650,758)	(25,135)	650,758	25,135	-
As at 30 June 2015	(901,489)	(208,512)	650,758	25,135	(434,108)
As at 1 January 2014 (audited)	-	-	-	-	-
Surplus / (deficit) for the period	11,594	(87,365)	-	-	(75,771)
Takaful reserve (note 19)	-	-	-	-	-
As at 30 June 2014	11,594	(87,365)	-	-	(75,771)

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

Notes to the financial statements for the six month period ended 30 June 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 six month period ended 30 June 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 six month period ended 30 June 2015 (continued)**

3. Cash and bank balances

	Unaudited 30 June 2015 RO	Audited 31 December 2014 RO
Cash and bank balances		
Cash and bank balances	2,459,544	1,910,842
Cash balances with investment managers	976,714	591,487
	<u>3,436,258</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	132,379	142,679
Bank deposits with maturity of more than three months from the date of placement	6,306,975	6,306,975
	<u>6,439,354</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 June 2015 RO	Cost Unaudited 30 June 2015 RO	Fair value Audited 31 December 2014 RO	Cost Audited 31 December 2014 RO
Service sector	2,665,683	2,602,537	2,959,186	2,917,495
Industrial sector	2,231,964	2,159,383	2,277,067	2,516,621
Financial sector	51,758	52,113	200,886	225,174
	<u>4,949,405</u>	<u>4,814,033</u>	<u>5,437,139</u>	<u>5,659,290</u>

The above investments are local and foreign quoted investments.

**Notes to the financial statements
for the six month period ended 30 June 2015 (continued)**

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 June 2015 Fair value RO	Unaudited 30 June 2015 Cost RO	Audited 31 December 2014 Fair value RO	Audited 31 December 2014 Cost RO
Foreign investments	1,239,272	1,240,438	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 June 2015 RO	Audited 31 December 2014 RO
Takaful receivable	9,996,332	7,323,452
Retakaful / reinsurance balances receivable	1,024,641	1,213,734
Gross receivables	11,020,973	8,537,186
Less: provision for impairment of receivables	(351,381)	(351,381)
	10,669,592	8,185,805
Not due	6,793,498	5,134,396
Past due but not impaired:		
Above 121 days	3,876,094	3,051,409
Past due and impaired:		
Above 121 days	351,381	351,381
	11,020,973	8,537,186

**Notes to the financial statements
for the six month period ended 30 June 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 June 2015, past due receivables above 121 days of RO 3,876,094 (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 June 2014, 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 June 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 three month period ended 30 June 2015 (continued)**

8. Outstanding claims and unearned contributions reserve

	Unaudited 30 June 2015			Audited 31 December 2014		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
A) General Takaful						
Claims outstanding	7,102,173	(3,624,401)	3,477,772	6,299,915	(3,520,609)	2,779,306
Claims incurred but not reported	327,458	(176,365)	151,093	271,505	(172,105)	99,400
	<u>7,429,631</u>	<u>(3,800,766)</u>	<u>3,628,865</u>	<u>6,571,420</u>	<u>(3,692,714)</u>	<u>2,878,706</u>
Unearned contributions reserve	<u>10,387,019</u>	<u>(4,248,981)</u>	<u>6,138,038</u>	<u>9,710,946</u>	<u>(4,103,195)</u>	<u>5,607,751</u>
	<u>17,816,650</u>	<u>(8,049,747)</u>	<u>9,766,903</u>	<u>16,282,366</u>	<u>(7,795,909)</u>	<u>8,486,457</u>
B) Family Takaful						
Claims outstanding	224,926	(185,219)	39,707	277,121	(236,016)	41,105
Claims incurred but not reported	212,941	(151,732)	61,209	1,183,638	(1,082,661)	100,977
	<u>437,867</u>	<u>(336,951)</u>	<u>100,915</u>	<u>1,460,759</u>	<u>(1,318,677)</u>	<u>142,082</u>
Unearned contributions reserve	<u>576,529</u>	<u>(429,550)</u>	<u>146,979</u>	<u>361,224</u>	<u>(225,700)</u>	<u>135,524</u>
	<u>1,014,396</u>	<u>(766,501)</u>	<u>247,895</u>	<u>1,821,983</u>	<u>(1,544,377)</u>	<u>277,606</u>
	<u>18,831,046</u>	<u>(8,816,248)</u>	<u>10,014,798</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 period ended 30 June 2015 (continued)**

9. Investments at fair value through equity

Un-audited 30 June 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>				
Omani Unified Bureau for the				
Orange Card SAOC	11	Fair value	71,428	200,141
National Mass Housing	9	Fair value	150,000	172,200
Shazah Hotel, Muscat	6	Fair value	100,000	108,900
National Takaful Company (Watania)	74	Fair value	14,303,596	1,349,115
	<hr/>			
	100			1,830,356
	<hr/> <hr/>			<hr/> <hr/>
 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
	<hr/>			
	100			2,042,447
	<hr/> <hr/>			<hr/> <hr/>

**Notes to the financial statements
for the period ended 30 June 2015 (continued)**

9. Investments at fair value through equity (continued)

Movement in investments at fair value through equity

	Unaudited 30 June 2015 RO	Audited 31 December 2014 RO
At the beginning of the period	2,042,447	629,445
Purchases	-	1,890,207
Net change in fair value	(197,962)	(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	1,830,356	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 June 2014, the units in Tilal Fund were redeemed in full.

Currently the percentage of National Takaful Company (Watania) investment in relation to overall investments of the Company is 5.26% which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by CMA. As per the Regulation, investments in any one listed company should not exceed 5% 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.

Movement in investments fair value reserve:

	Unaudited 30 June 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	(197,962)	(306,767)
	<hr/>	<hr/>
Total movement for the period	(197,962)	(334,343)
	<hr/>	<hr/>
At the end of the period	(391,151)	(193,189)
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements
for the period ended 30 June 2015 (continued)**

10. Instruments carried at amortised cost

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

	Unaudited 30 June 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	(3,558)	(6,837)
	<hr/>	<hr/>
At the end of the period	2,758,878	2,762,436
	<hr/> <hr/>	<hr/> <hr/>

The fair value of local and foreign sukuku as at 30 June 2015 is of RO 2,758,878 (31 December 2014 – RO 2,762,906).

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 June 2015 RO	Audited 31 December 2014 RO
At the beginning of the period	6,235,111	2,600,000
Addition during the period	-	3,635,111
	<hr/>	<hr/>
At the end of the period	6,235,111	6,235,111
	<hr/> <hr/>	<hr/> <hr/>

As of 31 December 2014, the Company has investment in investment real estate of RO 6,235,111 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 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 period ended 30 June 2015 (continued)**

12. Property and equipment

	Unaudited 30 June 2015 RO	Audited 31 December 2014 RO
Net book value	947,087	912,762
Additions	260,730	222,859
Disposal	-	(44,007)
Depreciation for the period	(98,877)	(144,527)
	<hr/>	<hr/>
Net book value	1,108,940	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 2007 to 30 June 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. Accordingly, no transfer for contingency reserves has been recorded in these financial statements. 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 period ended 30 June 2015 (continued)**

14. Takaful revenue / insurance income

	Unaudited 30 June 2015	Unaudited 30 June 2014
Gross contributions	13,573,872	11,747,071
Movement in unearned contributions reserve	(891,378)	(615,319)
Contributions before retakaful / reinsurance, net	12,682,494	11,131,752
Contributions ceded to retakaful/reinsurance,	(6,242,941)	(5,632,338)
Movement in unearned contributions reserve	349,636	(127,027)
Contributions ceded to retakaful/reinsurance, net	(5,893,305)	(5,759,365)
Net contributions earned	6,789,189	5,372,387
Commission received on business ceded to retakaful / reinsurance	589,875	497,904
Commissions paid	(1,007,856)	(965,580)
Movement in unearned commission reserve	(22,352)	57,649
Net commission expense	(440,333)	(410,027)
Takaful policy expenses (technical)	37,117	(11,629)
Policy fee and other takaful / insurance related income	183,091	195,208
Total takaful revenue	6,569,064	5,145,939

15. Takaful / insurance revenue analysis

	Unaudited 30 June 2015		Unaudited 30 June 2014	
	Net contributions RO	Contributions revenue before retakaful / reinsurance RO	Net contributions RO	Contributions revenue before retakaful / reinsurance RO
Motor	4,419,449	4,542,029	4,112,542	4,683,293
Fire, general accidents, engineering and others	801,929	5,380,230	651,057	4,122,554
Marine cargo and hull	64,059	386,898	41,757	923,943
Medical	1,263,822	2,285,921	418,567	1,362,904
Life	239,930	978,794	148,464	654,377
	6,789,189	13,573,872	5,372,387	11,747,071

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 period ended 30 June 2015 (continued)**

16. Net claims incurred

	Unaudited 30 June 2015			Unaudited 30 June 2014		
	Gross RO	Retakaful / reinsurances' share RO	Net RO	Gross RO	Retakaful / reinsurances' share RO	Net RO
Claims outstanding IBNR	7,327,101 540,398	(3,809,620) (328,096)	3,517,481 212,302	6,092,536 493,801	(3,571,217) (359,840)	2,521,319 133,961
Outstanding at end of the period	<u>7,867,499</u>	<u>(4,137,716)</u>	<u>3,729,783</u>	<u>6,586,337</u>	<u>(3,931,057)</u>	<u>2,655,280</u>
Takaful claims paid during the period	<u>5,661,120</u>	<u>(2,061,078)</u>	<u>3,600,042</u>	<u>4,006,667</u>	<u>(1,303,035)</u>	<u>2,703,632</u>
Claims outstanding IBNR	6,577,038 1,455,142	(3,756,624) (1,254,765)	2,820,414 200,377	5,457,132 773,059	(3,133,574) (620,815)	2,323,558 152,244
Outstanding at beginning of the period	<u>8,032,180</u>	<u>(5,011,389)</u>	<u>3,020,791</u>	<u>6,230,191</u>	<u>(3,754,389)</u>	<u>2,475,802</u>
Claims incurred	<u><u>5,496,439</u></u>	<u><u>(1,187,405)</u></u>	<u><u>4,309,034</u></u>	<u><u>4,362,813</u></u>	<u><u>(1,479,703)</u></u>	<u><u>2,883,110</u></u>

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 period ended 30 June 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 June 2015 RO	Unaudited 30 June 2014 RO
Profit for the period	1,416,471	803,571
Weighted average number of shares outstanding during the period	175,000,000	172,123,289
Earnings per share	0.008	0.005

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 period ended 30 June 2015 (continued)**

21. Related parties (continued)

a) Transactions with related parties

	Unaudited 30 June 2015 RO	Unaudited 30 June 2014 RO
Premium	1,416,198	1,275,173
Retakaful/reinsurance premium	68,549	18,973
Claims	(1,110,913)	(241,094)
Retakaful/reinsurance claims	5,350	4,845
Board sitting fees	38,700	32,100
Rental income	104,000	104,000
Professional & consultancy	7,662	27,210
Sharia committee fee	16,750	10,750
Management consultancy fee	3,609	21,000

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 June 2015 RO	Audited 31 December 2014 RO
Takaful and retakaful / reinsurance contract receivables		
Premium balances receivables from other related parties	383,027	263,243
Net claim recoverable from related parties	3,609	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 June 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 period ended 30 June 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 June 2015 RO	Unaudited 30 June 2014 RO
Short-term benefits	268,312	244,906
Employee end of service benefits	20,116	47,453
	<u>288,428</u>	<u>292,260</u>

22. Contingencies

Contingent liabilities

At 30 June 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 122,379 (31 December 2014 - RO 142,679).

Capital commitment

At 30 June 2015, the Company had capital commitment in respect of design and interior fit-out work at head office of RO 62,641 (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 period ended 30 June 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 June 2015	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	6,378,322	190,742	6,569,064
Takaful expenses (net of retakaful / reinsurance)	(4,297,677)	(11,357)	(4,309,034)
Segment results	<u>2,080,645</u>	<u>179,385</u>	<u>2,260,030</u>
Investment income	48,455	489	48,944
Mudarib share	(33,919)	(342)	(34,261)
Wakala fees	(2,519,016)	(195,759)	(2,714,775)
Surplus / (deficit) for the period	<u>(423,835)</u>	<u>(16,227)</u>	<u>(440,062)</u>
Segment assets			26,596,991
Assets allocated to shareholders'			22,865,114
Total assets			<u>49,462,105</u>
Segment liabilities			26,596,991
Liabilities allocated to shareholders'			22,865,114
Total liabilities			<u>49,462,105</u>

**Notes to the financial statements
for the period ended 30 June 2015 (continued)**

23. Segment information (continued)

Operating segments (continued)

Unaudited 30 June 2014	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	5,040,796	105,143	5,145,939
Takaful expenses (net of retakaful / reinsurance)	(2,821,477)	(61,633)	(2,883,110)
Segment results	2,219,319	43,510	2,262,829
Investment income	43,256	-	43,256
Mudarib share	(32,442)	-	(32,442)
Wakala fees	(2,218,539)	(130,875)	(2,349,414)
Surplus / (deficit) for the period	11,594	(87,365)	(75,771)
Audited 31 December 2014			
Segment assets			25,415,411
Assets allocated to shareholders'			21,534,599
Total assets			46,950,010
Segment liabilities			25,415,411
Liabilities allocated to shareholders'			21,534,599
Total liabilities			46,950,010

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.