

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 30th June 2017.

Operating Environment

Despite the economic environment challenges and the pricing challenges prevailing in the insurance market, your company has been able to show an impressive growth of 8% in the Gross Written Contributions compared to the corresponding period last year. The company achieved a Gross Written Premium of RO 14.5 million in 2017 as against RO 13.5 million in 2016.

Results from Operations

The company continues in its path of stable growth with strong reserves. Despite the challenges, the Company continues to perform positively in all aspects of the operations – Loss Ratios, Combined Operating Ratio, Management Expense and Operating Ratio. Effective and optimum control on expenses resulted in the Management expense reducing by 7% compared to the same period last year. The Operations profit increase by 27% compared to the corresponding period last year.

Investment Income

Investment income was under pressure in H1FY17 due to weak equity markets and continuing pressure on rentals and occupancy in real estate market. MSM Sharia Index fell 12.3% in H1FY17. Over the last 1 year the company has increased its exposure to fixed income generating investments like sukuk and deposits due to increase in profit rates globally. Despite the continuing pressure on the stock markets, the company has been prudently managing its investments and has made an Investment Income of RO 353 K as at June 2017. The company will continue to look at stable income generating Sharia compliant investments for optimizing its investment income.

Shareholders' profit

In spite of the economic environments challenges affecting the insurance and stock markets, the company reports a profit attributable to the shareholders of RO 1.11mn, compared to RO 834K for the corresponding period in 2016.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Shareholders		General takaful		Family takaful		Total participants' fund		Grand total	
		Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
		30 June 2017 RO	31 December 2016 RO	30 June 2017 RO	31 December 2016 RO	30 June 2017 RO	31 December 2016 RO	30 June 2017 RO	31 December 2016 RO	30 June 2017 RO	31 December 2016 RO
ASSETS											
Cash and bank balances	5	658,161	864,092	3,024,063	1,232,305	471,477	252,720	3,495,540	1,485,025	4,153,701	2,349,117
Bank deposits	5	4,281,500	3,783,475	3,376,416	3,376,416	897,084	897,084	4,273,500	4,273,500	8,555,000	8,056,975
Investments carried at fair value through profit or loss	6	2,411,641	3,190,997	-	-	-	-	-	-	2,411,641	3,190,997
Takaful and retakaful / reinsurance balance receivable	7	-	-	8,662,264	8,989,284	752,199	950,680	9,414,463	9,939,964	9,414,463	9,939,964
Receivable from participants	8	944,089	1,976,829	-	-	-	-	-	-	944,089	1,976,829
Receivable from participants - family takaful		-	-	833,689	708,390	-	-	833,689	708,390	833,689	708,390
Qard Hassan to policyholders	14	1,206,553	-	-	-	-	-	-	-	1,206,553	-
Due from retakaful / reinsurance companies in connection with outstanding claims and deferred retakaful / reinsurance contribution	9	-	-	10,574,021	9,463,577	1,802,210	1,009,251	12,376,231	10,472,828	12,376,231	10,472,828
Deferred policy acquisition cost		-	-	698,030	706,451	103,725	64,285	801,755	770,736	801,755	770,736
Other receivables and takaful assets		810,148	1,442,477	160,250	717,629	75,226	67,651	235,476	785,280	1,045,624	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	4,994,296	4,247,215	-	-	-	-	-	-	4,994,296	4,247,215
Investment in real estate	12	6,245,911	6,245,911	-	-	-	-	-	-	6,245,911	6,245,911
Property and equipment	13	1,128,849	1,100,181	-	-	-	-	-	-	1,128,849	1,100,181
Total assets		24,772,881	24,738,910	27,328,733	25,194,052	4,101,921	3,241,671	31,430,654	28,435,723	56,203,535	53,174,633

The notes on pages 9 to 19 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2017

	Note	Shareholders		General Takaful		Participants' fund Family Takaful		Total participants' fund		Grand total	
		Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES											
SHAREHOLDERS' EQUITY											
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		908,970	797,581	-	-	-	-	-	-	908,970	797,581
Contingency reserve	1, 14	-	1,206,553	-	-	-	-	-	-	-	1,206,553
Investment fair value reserve	4	235,478	307,968	-	-	-	-	-	-	235,478	307,968
Retained earnings		3,865,198	2,706,141	-	-	-	-	-	-	3,865,198	2,706,141
Total shareholders' equity		23,889,797	23,898,394	-	-	-	-	-	-	23,889,797	23,898,394
PARTICIPANTS' FUND											
Deficit in participants' fund		-	-	(5,391,760)	(3,195,186)	(1,008,446)	(705,499)	(6,400,206)	(3,900,685)	(6,400,206)	(3,900,685)
Contingency reserve		-	-	2,782,273	1,115,614	106,869	67,533	2,889,142	1,183,147	2,889,142	1,183,147
		-	-	(2,609,487)	(2,079,572)	(901,577)	(637,966)	(3,511,064)	(2,717,538)	(3,511,064)	(2,717,538)
LIABILITIES											
End of service benefits		316,363	289,720	-	-	-	-	-	-	316,363	289,720
Gross outstanding claims	9	-	-	10,746,122	8,793,710	1,270,169	710,740	12,016,291	9,504,450	12,016,291	9,504,450
Unearned contributions reserve	9	-	-	11,095,176	10,779,872	1,131,046	658,578	12,226,222	11,438,450	12,226,222	11,438,450
Unearned retakaful/reinsurance commission		-	-	(221,398)	43,496	(5,082)	647	(226,480)	44,143	(226,480)	44,143
Retakaful/reinsurance payables		-	-	5,459,698	4,823,524	1,159,198	1,144,434	6,618,896	5,967,958	6,618,896	5,967,958
Accounts and other payables		566,721	550,796	1,065,679	1,339,696	256,779	173,345	1,322,458	1,513,041	1,889,179	2,063,837
Payable to shareholders	8	-	-	608,987	1,493,326	335,102	483,503	944,089	1,976,829	944,089	1,976,829
Qard hassan payable to shareholders' fund	14	-	-	1,183,956	-	22,597	-	1,206,553	-	1,206,553	-
Payable to participants - general takaful	8	-	-	-	-	833,689	708,390	833,689	708,390	833,689	708,390
Total liabilities		883,084	840,516	29,938,220	27,273,624	5,003,498	3,879,637	34,941,718	31,153,261	35,824,802	31,993,777
Total shareholders' equity, participants' fund and liabilities		24,772,881	24,738,910	27,328,733	25,194,052	4,101,921	3,241,671	31,430,654	28,435,723	56,203,535	53,174,633

Director

Director

The notes on pages 9 to 19 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 SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Note	General takaful		Family takaful		Total	
		Unaudited 30 June 2017 RO	Unaudited 30 June 2016 RO	Unaudited 30 June 2017 RO	Unaudited 30 June 2016 RO	Unaudited 30 June 2017 RO	Unaudited 30 June 2016 RO
Takaful revenues							
Gross contributions	15	12,909,762	12,209,086	1,673,856	1,261,275	14,583,618	13,470,361
Retakaful/reinsurance share	15	(5,853,658)	(6,120,961)	(1,148,681)	(1,101,699)	(7,002,339)	(7,222,660)
Retained contributions		7,056,104	6,088,125	525,175	159,576	7,581,279	6,247,701
Movement in unearned contributions	15	(435,589)	446,139	(138,252)	11,539	(573,841)	457,678
Net earned contributions		6,620,515	6,534,264	386,923	171,115	7,007,438	6,705,379
Net commission and other takaful income	15	(389,872)	123,519	(94,378)	124,961	(484,250)	248,480
Total takaful revenue		6,230,643	6,657,783	292,545	296,076	6,523,188	6,953,859
Takaful expenses							
Gross claims settled	16	(4,382,920)	(5,914,214)	(727,351)	(888,463)	(5,110,271)	(6,802,677)
Claims recovered from retakaful/reinsurance	16	970,959	1,504,980	616,382	751,740	1,587,341	2,256,720
Net movement in outstanding claims	16	(721,683)	(162,455)	(100,686)	(10,728)	(822,369)	(173,183)
Provision for impairment of receivables	7.1	(80,000)	-	(10,000)	-	(90,000)	-
Net claims incurred and total takaful expenses		(4,213,644)	(4,571,689)	(221,655)	(147,451)	(4,435,299)	(4,719,140)
Surplus from takaful operations		2,016,999	2,086,094	70,890	148,625	2,087,889	2,234,719
Investment income		59,409	48,723	600	492	60,009	49,215
Mudarib share	17	(32,675)	(29,234)	(330)	(295)	(33,005)	(29,529)
Wakala fees	17	(2,573,648)	(2,441,817)	(334,771)	(252,255)	(2,908,419)	(2,694,072)
Deficit from takaful operations		(529,915)	(336,234)	(263,611)	(103,433)	(793,526)	(439,667)

The notes on pages 9 to 19 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Note	Shareholders' fund	
		Unaudited 30 June 2017 RO	Unaudited 30 June 2016 RO
Income			
Investment income - net	18	293,005	379,921
Wakala fees	17	2,908,419	2,694,072
Mudarib share	17	33,005	29,529
		3,234,429	3,103,522
Expenses			
General and administrative expenses		(2,055,956)	(2,209,764)
Other income		420	319
		(2,055,536)	(2,209,445)
Profit before tax		1,178,893	894,077
Taxation		(65,000)	(60,000)
Profit for the period		1,113,893	834,077
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	10.2	(72,490)	(187,301)
Total comprehensive income for the period		1,041,403	646,776
Earnings per share - basic and diluted	21	0.006	0.005

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AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	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 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	-	-	-	-	-	1,113,893	1,113,893
Other comprehensive loss	-	-	-	-	(72,490)	-	(72,489)
	-	-	-	-	(72,490)	1,113,893	1,041,403
Transaction with owners:							
Transfer to legal reserve	-	-	111,389	-	-	(111,389)	-
Dividend paid	-	-	-	-	-	(1,050,000)	(1,050,000)
Transfer to contingency reserve (note 14)	-	-	-	(1,206,553)	-	1,206,553	-
	-	-	111,389	(1,206,553)	-	45,164	(1,050,000)
At 30 June 2017 (unaudited)	17,500,000	1,380,151	908,970	-	235,478	3,865,198	23,889,797
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	-	-	-	-	-	834,077	834,077
Other comprehensive loss	-	-	-	-	(187,301)	-	(187,301)
	-	-	-	-	(187,301)	834,077	646,776
Transaction with owners:							
Transfer to legal reserve	-	-	83,408	-	-	(83,408)	-
At 30 June 2016 (unaudited)	17,500,000	1,380,151	718,564	1,206,553	463,100	1,994,989	23,263,357

The notes on pages 9 to 19 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN PARTICIPANTS' FUND
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	General takaful RO	Family takaful RO	Contingency reserve general takaful RO	Contingency reserve family takaful RO	Total RO
At 1 January 2017	(3,195,186)	(705,499)	1,115,614	67,533	(2,717,538)
Deficit for the period	(529,915)	(263,611)	-	-	(793,526)
Transfer to contingency reserve (from shareholders' fund)	(1,183,956)	(22,597)	1,183,956	22,597	-
Contingency reserve (note 14)	(482,703)	(16,739)	482,703	16,739	-
At 30 June 2017	(5,391,760)	(1,008,446)	2,782,273	106,869	(3,511,064)
At 1 January 2016 (audited)	(1,988,354)	(426,587)	705,080	35,173	(1,674,688)
Deficit for the period	(336,234)	(103,433)	-	-	(439,667)
Contingency reserve (note 14)	(433,455)	(12,613)	433,455	12,613	-
At 30 June 2016 (unaudited)	(2,758,043)	(542,633)	1,138,535	47,786	(2,114,355)

The notes on pages 9 to 19 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Note	Unaudited 30 June 2017 RO	Unaudited 30 June 2016 RO
Operating activities			
Profit before tax for the period		385,367	454,410
Adjustments for:			
Depreciation	13	125,307	126,096
Gain on disposal of fixed assets		-	319
Dividend income	18	(177,829)	(197,083)
Income from bank deposit	18	(65,543)	(29,996)
Profit from investments carried out at amortised cost	18	(80,659)	(71,695)
Amortisation of investments carried at amortised cost	11	4,419	3,762
End of service benefits charge for the period		55,324	45,528
Rental income on investment in real estate	18	(294,857)	(236,325)
Unrealised loss on investments at fair value through profit or loss	6.2	333,205	124,026
Realised (loss) / gain on investments carried at fair value through profit or loss	6.2	3,199	(18,422)
Provision for impairment of takaful and retakaful receivables	7.1	90,000	-
Realised profit on redemption of investments at fair value through equity	10.1	(67,549)	(12,492)
Operating cash flows before payment of end of service benefits		310,384	188,128
End of service benefits paid		(28,681)	(48,477)
Operating cash flows before working capital changes		281,703	139,651
Working capital changes:			
Takaful and retakaful/reinsurance balance receivables		435,501	(1,465,413)
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		(1,903,403)	(974,535)
Other receivables, prepayments and other assets		1,052,933	(83,419)
Deferred policy acquisition cost		(31,019)	56,534
Outstanding claims and unearned premium reserve		3,299,613	690,040
Accounts and other payables		(239,658)	(115,485)
Due to retakaful / reinsurance		650,938	1,051,086
Unearned retakaful/reinsurance commission		(270,623)	34,362
Net cash generated from / (used in) operating activities		3,275,985	(667,179)
Investing activities			
Purchase of property and equipment	13	(153,975)	(82,878)
Purchases of investments carried at fair value through profit or loss	6	-	(164,368)
Purchase of investment at fair value through equity		(416,715)	-
Purchase of investments carried at amortised cost		(751,500)	(1,500,000)
Proceeds from disposal of property and equipment	13	-	24,617
Proceeds from disposal of investments at fair value through profit or loss	6	442,952	660,968
Proceeds from redemption of investment at fair value through equity		207,776	101,983
Movement in bank deposits		(498,025)	(750,000)
Rental income on investment in real estate received		257,822	236,325
Profit on bank deposits and investment income received		312,435	98,580
Dividends received		177,829	190,723
Net cash used in investing activities		(421,401)	(1,184,050)
Financing activity			
Dividends paid		(1,050,000)	-
Net change in cash and cash equivalents		1,804,584	(1,851,229)
Cash and cash equivalents at the beginning of the period		2,349,117	4,424,385
Cash and cash equivalents at the end of period	5	4,153,701	2,573,156

The notes on pages 9 to 19 form an integral part of this unaudited condensed interim financial information.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017****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 six months period ended 30 June 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).

(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 are 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 six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial 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 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 2016.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017** (continued)

5 Cash and cash equivalents

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO
Cash and bank balances		
Cash in hand and at bank	4,020,137	2,047,228
Cash balances with investment managers	133,564	301,889
	<u>4,153,701</u>	<u>2,349,117</u>
Bank deposits		
Bank deposits with maturity of more than three months	8,555,000	8,056,975

5.1 As at 30 June 2017 there are no Bank deposits denominated in foreign currencies (31 December 2016 - RO 51,975). Bank deposits carry profit rates in range of 3.5% to 4.2% per annum (31 December 2016 – 1.9% to 3.5% 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 8,505,000 (31 December 2016 - RO 7,005,000) 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 June 2017		Audited 31 December 2016	
	Fair value RO	Cost RO	Fair value RO	Cost RO
Local and foreign quoted:				
Service sector	1,113,266	1,322,995	1,565,938	1,676,343
Industrial sector	1,298,375	1,421,833	1,625,059	1,715,794
	<u>2,411,641</u>	<u>2,744,828</u>	<u>3,190,997</u>	<u>3,392,137</u>

6.2 Movement in investments at fair value through profit or loss

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	3,190,997	4,379,751
Purchases during the period / year	-	164,431
Disposals during the period / year	(442,952)	(1,147,057)
Realised gain on disposal	(3,199)	(4,989)
Net change in fair value	(333,205)	(201,140)
At the end of the period / year	<u>2,411,641</u>	<u>3,190,997</u>

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 1,199,376 (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 SIX MONTHS PERIOD ENDED 30 JUNE 2017** (continued)

7 Takaful and retakaful / reinsurance balance receivable

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO
Takaful receivable	9,318,694	9,827,382
Retakaful / reinsurance balances receivable	992,730	919,543
	10,311,424	10,746,925
Less: provision for impairment of receivables	(896,961)	(806,961)
	9,414,463	9,939,964
Age analysis of the receivables balances is as under:		
Neither past due nor impaired	5,394,770	5,276,457
Past due but not impaired	4,019,693	4,663,507
Past due and impaired	896,961	806,961
	10,311,424	10,746,925

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 2017, receivables past due above 121 days amounting to RO 4,019,693 (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 30 June 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	806,961	510,683
Charge for the period / year	90,000	296,278
At the end of the period / year	896,961	806,961

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 June 2017 Retakaful / reinsurance			Audited 31 December 2016 Retakaful / reinsurance		
	Gross RO	RO	Net RO	Gross RO	RO	Net RO
General Takaful						
Claims incurred but not settled	9,274,258	(5,570,226)	3,704,032	7,666,094	(4,401,826)	3,264,268
Claims incurred but not reported	1,471,864	(348,870)	1,122,994	1,127,616	(286,541)	841,075
	10,746,122	(5,919,096)	4,827,026	8,793,710	(4,688,367)	4,105,343
Unearned contributions reserve	11,095,176	(4,654,925)	6,440,251	10,779,872	(4,775,210)	6,004,662
	21,841,298	(10,574,021)	11,267,277	19,573,582	(9,463,577)	10,110,005
Family Takaful						
Claims incurred but not settled	669,748	(551,946)	117,802	279,749	(225,986)	53,763
Claims incurred but not reported	600,421	(494,813)	105,608	430,991	(362,030)	68,961
	1,270,169	(1,046,759)	223,410	710,740	(588,016)	122,724
Unearned contributions reserve	1,131,046	(755,451)	375,595	658,578	(421,235)	237,343
	2,401,215	(1,802,210)	599,005	1,369,318	(1,009,251)	360,067
	24,242,513	(12,376,231)	11,866,282	20,942,900	(10,472,828)	10,470,072

9 Outstanding claims and unearned contributions reserve (continued)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017** (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 30 June 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
	<u>100</u>			<u>2,091,733</u>
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
	<u>100</u>			<u>1,887,733</u>

10.1 Movement in investments at fair value through equity

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	1,887,733	2,386,283
Purchases during the period / year	416,715	69,127
Disposals during the period / year	(268,975)	(237,134)
Realised gain on sale of investments	67,549	12,900
Net change in fair value	(11,289)	(343,443)
At the end of the period / year	<u>2,091,733</u>	<u>1,887,733</u>

10.2 Movement in investments fair value reserve:

	Unaudited 30 June 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
Net change in fair value of investment during the period / year	(11,289)	(343,443)
	<u>(72,490)</u>	<u>(342,433)</u>
At the end of the period / year	<u>235,478</u>	<u>307,968</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 which ranges from October 2018 to June 2021.

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	4,247,215	2,755,228
Purchased during the period	751,500	1,500,000
Amortised during the period / year	(4,419)	(8,013)
At the end of the period / year	4,994,296	4,247,215

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

12 Investment in real estate

12.1 Movement of carrying amounts of investment in real estate:

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO
At the beginning of the period / year	6,245,911	6,245,911
Purchases during the year	-	-
At the end of the period / year	6,245,911	6,245,911

12.2 At 30 June 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 30 June 2017 RO	Audited 31 December 2016 RO
Net book value		
At 1 January	1,100,181	1,229,759
Additions during the period / year	153,975	136,029
Disposals during the period / year	-	(17,041)
Depreciation for the period / year	(125,307)	(248,566)
At the end of the period / year	1,128,849	1,100,181

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017** (continued)

14 Contingency reserve (continued)

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 499,442 (30 June 2016 - RO 446,068) to the contingency reserve, with respect to the general and family takaful business. This amount has been charged to the participants' fund.

During the period ended 30 June 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 30 June 2017 RO	Unaudited 30 June 2016 RO
Gross contributions	14,583,618	13,470,361
Movement in unearned contributions reserve	(787,772)	(4,239)
Contributions before retakaful / reinsurance - net	13,795,846	13,466,122
Contributions ceded to retakaful / reinsurance	(7,002,339)	(7,222,660)
Movement in unearned contributions reserve	213,931	461,917
Contributions ceded to retakaful / reinsurance - net	(6,788,408)	(6,760,743)
Net contributions earned	7,007,438	6,705,379
Commission received on business ceded to retakaful / reinsurance	64,823	666,228
Commissions paid	(951,195)	(882,260)
Movement in unearned commission reserve	301,651	(90,895)
Net commission expense	(584,721)	(306,927)
Takaful policy expenses (technical)	(40,780)	(37,496)
Policy fee and other takaful / insurance related income	141,251	592,903
Total takaful revenue	6,523,188	6,953,859

15.1 Takaful / insurance revenue analysis

	Unaudited 30 June 2017		Unaudited 30 June 2016	
	Net contributions RO	Contributions revenue before retakaful / reinsurance RO	Net contributions RO	Contributions revenue before retakaful / reinsurance RO
Motor	3,581,847	1,485,374	4,015,884	1,187,467
Fire, accidents, engineering and others	1,015,619	3,371,276	770,255	3,619,800
Marine cargo and hull	116,104	505,200	87,606	173,460
Medical	1,906,945	177,665	1,660,519	489,655
Life	386,923	(185,486)	171,115	123,873
	7,007,438	5,354,029	6,705,379	5,594,255

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 SIX MONTHS PERIOD ENDED 30 JUNE 2017** (continued)

16 Net claims incurred

	Unaudited 30 June 2017 Retakaful / reinsurance			Unaudited 30 June 2016 Retakaful / reinsurance		
	Gross RO	share RO	Net RO	Gross RO	share RO	Net RO
Claims outstanding	9,944,008	(6,065,207)	3,878,801	6,746,588	(3,615,302)	3,131,286
IBNR	2,072,285	(900,646)	1,171,639	1,602,765	(642,024)	960,741
Outstanding at end of the period	12,016,293	(6,965,853)	5,050,440	8,349,353	(4,257,326)	4,092,027
Add: Takaful claims paid during the period	5,110,271	(1,587,341)	3,522,930	6,802,677	(2,256,720)	4,545,957
Claims outstanding	7,945,843	(4,627,812)	3,318,031	6,812,318	(3,251,914)	3,560,404
IBNR	1,558,607	(648,571)	910,036	851,234	(492,794)	358,440
Less: Outstanding at beginning of the period	9,504,450	(5,276,383)	4,228,067	7,663,552	(3,744,708)	3,918,844
Claims incurred	7,622,114	(3,276,811)	4,345,303	7,488,478	(2,769,338)	4,719,140

17 Wakala fees and mudharaba share

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

18 Investment income - net

	Unaudited 30 June 2017 RO	Unaudited 30 June 2016 RO
Investment property rental income	294,857	236,325
Dividend income	177,829	197,083
Profit from investments carried at amortised cost	80,659	71,695
Profit on wakala deposits	65,543	29,996
Realised gain on sale of investments	64,350	30,914
Investment management costs	(57,028)	(62,066)
Fair value loss on investments carried at fair value through profit or loss	(333,205)	(124,026)
	293,005	379,921

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 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017** (continued)

21 Earnings per share

	Unaudited 30 June 2017	Unaudited 30 June 2016
Profit for the period - RO	1,113,893	834,077
Weighted average number of shares outstanding - number	175,000,000	175,000,000
Earnings per share – basic and diluted - RO	0.006	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. 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 comprehensive income are as follows:

	Unaudited 30 June 2017 RO	Unaudited 30 June 2016 RO
Premium	2,154,625	2,231,412
Retakaful/reinsurance premium	112,183	78,221
Claims	111,140	(442,335)
Retakaful/reinsurance claims	-	431
Board sitting fees	27,000	23,600
Rental income	79,500	56,325
Professional and consultancy fee	3,500	3,500
Sharia committee fee	17,167	14,250
Management consultancy fee	-	4,483
Dividend paid to shareholders	1,050,000	-

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017** (continued)

22 Related parties (continued)

(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 2017 RO	Audited 31 December 2016 RO
Takaful and retakaful / reinsurance contract receivables		
Premium balances receivables from other related parties	2,537,024	2,217,542
Other receivable	157,760	160,155
Investment receivables		
Rental income receivable	206,815	169,780
Accrued interest on investment in Modern Sukuk Company SAOC	84,348	20,948
Investments in Modern Sukuk SAOC	2,506,544	2,507,972
Investments in Mohammed Al Barwani Sukuk Issue SAOC	1,500,000	1,500,000
Investments in real estate	500,000	500,000
Investments at fair value through equity	1,367,902	1,543,152

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 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 30 June 2017 RO	Unaudited 30 June 2016 RO
Short-term benefits	245,145	295,697
Employee end of service benefits	29,846	17,847
	274,991	313,544

23 Contingencies and commitments

Contingent liabilities

At 30 June 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 108,397 (31 December 2016 - RO 120,047).

Capital commitment

At 30 June 2017, the Company has no capital commitment (31 December 2016 - capital commitment of RO 37,580 in respect of office renovation work).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017** (continued)

23 Contingencies and commitments (continued)

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.

Unaudited 30 June 2017	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	6,230,643	292,545	6,523,188
Takaful expenses (net of retakaful / reinsurance)	(4,213,644)	(221,655)	(4,435,299)
Segment results	2,016,999	70,890	2,087,889
Investment income	59,409	600	60,009
Mudarib share	(32,675)	(330)	(33,005)
Wakala fees	(2,573,648)	(334,771)	(2,908,419)
Deficit for the period	(529,915)	(263,611)	(793,526)
Segment assets	27,328,732	4,101,922	31,430,654
Assets allocated to shareholders			24,772,882
Total assets			56,188,681
Segment liabilities	29,938,220	5,003,498	34,941,718
Liabilities allocated to shareholders			883,084
Total liabilities			35,824,802

Unaudited 30 June 2016	General Takaful RO	Family Takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	6,657,783	296,076	6,953,859
Takaful expenses (net of retakaful / reinsurance)	(4,571,689)	(147,451)	(4,719,140)
Segment results	2,086,094	148,625	2,234,719
Investment income	48,723	492	49,215
Mudarib share	(29,234)	(295)	(29,529)
Wakala fees	(2,441,817)	(252,255)	(2,694,072)
Deficit for the period	(336,234)	(103,433)	(439,667)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017** (continued)

24 Segment information (continued)

Operating segments (continued)

Audited 31 December 2016	General Takaful RO	Family Takaful RO	Total RO
Segment assets	25,194,052	3,241,671	28,435,723
Assets allocated to shareholders			24,738,910
Total assets			53,174,633
Segment liabilities	27,273,624	3,879,637	31,153,261
Liabilities allocated to shareholders			840,516
Total liabilities			31,993,777

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

Corresponding figures have been reclassified wherever necessary to conform to the presentation adopted in the current year. Such reclassifications are not significant and do not impact the Company's previous year reported profit or equity.