



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 September 2017.

Operating Environment

Despite the continued economic environment and the pricing challenges prevailing in the insurance market, your company has been able to show an impressive growth of 12% in the Gross Written Contributions compared to the corresponding period last year. The company achieved a Gross Written Premium of RO 21.5 million in 9M2017 as against RO 19.2 million in 9mFY2016.

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 - Underwriting Profit, Combined Operating Ratio and Management Expense. Effective and optimum control on expenses resulted in the Management expense reducing by 6% compared to the same period last year.

The Operational profit increased by 24% compared to the corresponding period last year despite a very large loss reported in Q3, exhibiting Al Madina's strong fundamentals and financial robustness. Al Madina's disciplined underwriting & adequate Reinsurance protection, ensured minimal impact on Company's performance .

Investment Income

Investment income was under pressure in 9MFY17 due to weak equity markets and continuing pressure on rentals and occupancy in real estate market. MSM Sharia Index fell 13.75% in 9MFY17. 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 600 K as at September 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 affecting the insurance and stock markets, the company reports a profit attributable to the shareholders of RO 1.675 mn, compared to RO 1.007 mn 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 has adopted Enterprise Risk Management Framework to measure and mitigate the risks and all critical aspects of the operations are constantly being assessed by the Company's Risk Committee.

Company's Outlook & Vision

The Company continues in its path of sustained profitability in Insurance operations despite softening market and difficult economic & business environment. The Company is well positioned to show consistent positive results in all key performance indicators - underwriting Profit, Expense Management and Reserving adequacy.

Raising Takaful awareness is a key part of Al Madina's strategy, particularly in the area of Family Takaful, which is less developed and therefore offers high potential for growth. The Company is engaged on an ongoing basis to work with leading Islamic institutions for increasing Takaful knowledge & awareness.

The Company continues to maintain its excellent track record of having always been in compliance with the Omanization requirements and has been constantly increasing the 'In-Country value' in its operations.

Acknowledgements

On behalf of the Board, we extend our thanks to our customers, business partners, shareholders and staff members for their support. We also thank and appreciate the Capital Market Authority for their constant support and their initiatives oriented towards the Insurance Market, with special emphasis on the development of Takaful Insurance in the country.

We extend our gratitude and appreciation to His Majesty Sultan Qaboos Bin Said for his vision and leadership.

May God Bless you all.



Dr. Mohammed Ali Al Barwani
Chairman of the Board.

AL MADINA INSURANCE COMPANY SAOG

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

	Note	Shareholders' fund		General takaful		Participants' fund Family takaful		Total participants' fund		Grand total	
		Unaudited 30 September 2017 RO	Audited 31 December 2016 RO	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO
		ASSETS									
Cash and bank balances	5	1,508,623	864,092	2,396,562	1,232,305	477,073	252,720	2,873,635	1,485,025	4,382,258	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	2,450,108	3,190,997	-	-	-	-	-	-	2,450,108	3,190,997
Takaful and retakaful / reinsurance balance receivable	7	-	-	8,165,263	8,989,284	982,117	950,680	9,147,380	9,939,964	9,147,380	9,939,964
Receivable from participants' fund	8	744,002	1,976,829	-	-	-	-	-	-	744,002	1,976,829
Receivable from participants – family takaful		-	-	1,014,927	708,390	-	-	1,014,927	708,390	1,014,927	708,390
Qard hassan to policyholders		1,206,553	-	-	-	-	-	-	-	1,206,553	-
Due from retakaful / reinsurance companies in connection with takaful reserves	9	-	-	139,745,618	9,463,577	1,818,809	1,009,251	141,564,427	10,472,828	141,564,427	10,472,828
Deferred policy acquisition cost		-	-	727,569	706,451	106,616	64,285	834,185	770,736	834,185	770,736
Other receivables and takaful assets		912,213	1,442,477	135,713	717,629	70,301	67,651	206,014	785,280	1,118,227	2,227,757
Investments at fair value through equity	10	2,097,061	1,887,733	-	-	-	-	-	-	2,097,061	1,887,733
Investments carried at amortised cost	11	4,991,755	4,247,215	-	-	-	-	-	-	4,991,755	4,247,215
Investment in real estate	12	6,245,911	6,245,911	-	-	-	-	-	-	6,245,911	6,245,911
Property and equipment	13	1,108,267	1,100,181	-	-	-	-	-	-	1,108,267	1,100,181
Total assets		25,545,993	24,738,910	155,562,068	25,194,052	4,352,000	3,241,671	159,914,068	28,435,723	185,460,061	53,174,633

The notes on pages 8 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 SEPTEMBER 2017

	Note	Shareholders' fund		General Takaful		Participants' fund Family Takaful		Total participants' fund		Grand total	
		Unaudited 30 September 2017 RO	Audited 31 December 2016 RO	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO	Unaudited 30 September 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
		965,167	797,581	-	-	-	-	-	-	965,167	797,581
	14	-	1,206,553	-	-	-	-	-	-	-	1,206,553
	10.2	240,900	307,968	-	-	-	-	-	-	240,900	307,968
		4,370,966	2,706,141	-	-	-	-	-	-	4,370,966	2,706,141
		24,457,184	23,898,394	-	-	-	-	-	-	24,457,184	23,898,394
PARTICIPANTS' FUND											
		-	-	(5,776,679)	(3,195,186)	(1,104,313)	(705,499)	(6,880,992)	(3,900,685)	(6,880,992)	(3,900,685)
		-	-	2,849,131	1,115,614	116,377	67,533	2,965,508	1,183,147	2,965,508	1,183,147
		-	-	(2,927,548)	(2,079,572)	(987,936)	(637,966)	(3,915,484)	(2,717,538)	(3,915,484)	(2,717,538)
LIABILITIES											
		326,774	289,720	-	-	-	-	-	-	326,774	289,720
	9	-	-	140,349,706	8,793,710	1,247,204	710,740	141,596,910	9,504,450	141,596,910	9,504,450
	9	-	-	11,524,687	10,779,872	1,211,787	658,578	12,736,474	11,438,450	12,736,474	11,438,450
		-	-	83,121	43,496	648	647	83,769	44,143	83,769	44,143
		-	-	3,379,404	4,823,524	1,264,992	1,144,434	4,644,396	5,967,958	4,644,396	5,967,958
		762,035	550,796	1,449,696	1,339,696	352,825	173,345	1,802,521	1,513,041	2,564,556	2,063,837
		-	-	1,183,956	-	22,597	-	1,206,553	-	1,206,553	-
	8	-	-	519,046	1,493,326	224,956	483,503	744,002	1,976,829	744,002	1,976,829
	8	-	-	-	-	1,014,927	708,390	1,014,927	708,390	1,014,927	708,390
		1,088,809	840,516	158,489,616	27,273,624	5,339,936	3,879,637	163,829,552	31,153,261	164,918,361	31,993,777
		25,545,993	24,738,910	155,562,068	25,194,052	4,352,000	3,241,671	159,914,068	28,435,723	185,460,061	53,174,633

Director

Director

The notes on pages 8 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

Note	General takaful		Family takaful		Total	
	Unaudited 30 September 2017 RO	Unaudited 30 September 2016 RO	Unaudited 30 September 2017 RO	Unaudited 30 September 2016 RO	Unaudited 30 September 2017 RO	Unaudited 30 September 2016 RO
Takaful revenues						
	18,941,365	17,286,219	2,624,689	1,951,650	21,566,054	19,237,869
Gross contributions						
Retakaful/reinsurance share	(7,658,167)	(8,098,593)	(1,832,413)	(1,684,841)	(9,490,580)	(9,783,434)
Retained contributions	11,283,198	9,187,626	792,276	266,809	12,075,474	9,454,435
Movement in unearned contributions	(628,512)	379,401	(182,575)	32,504	(811,087)	411,905
Net earned contributions	10,654,686	9,567,027	609,701	299,313	11,264,387	9,866,340
Commission income and other takaful income	276,754	1,351,798	11,030	331,416	287,784	1,683,215
Total takaful revenue	10,931,440	10,918,825	620,731	630,729	11,552,171	11,549,555
Takaful expenses						
Gross claims settled	(7,449,332)	(8,201,820)	(1,249,450)	(1,163,995)	(8,698,782)	(9,365,815)
Claims recovered from retakaful/reinsurance	2,104,554	1,905,015	1,049,948	984,412	3,154,502	2,889,427
Net movement in outstanding claims	(1,390,259)	(404,682)	(97,540)	(54,570)	(1,487,799)	(459,252)
Net claims incurred	(6,735,037)	(6,701,487)	(297,042)	(234,153)	(7,032,079)	(6,935,640)
Commission expense and other takaful expenses	(1,245,451)	(1,275,736)	(139,185)	(93,105)	(1,384,636)	(1,368,841)
Total takaful expenses	(7,980,488)	(7,977,223)	(436,227)	(327,258)	(8,416,715)	(8,304,481)
Surplus from takaful operations	2,950,952	2,941,602	184,504	303,471	3,135,456	3,245,073
Provision for doubtful debts	(80,000)	-	(10,000)	-	(90,000)	-
Investment income	102,214	73,352	1,032	742	103,246	74,094
Mudarib share	(56,218)	(44,011)	(568)	(445)	(56,786)	(44,456)
Wakala fees	(3,764,924)	(3,457,244)	(524,938)	(390,330)	(4,289,862)	(3,847,574)
Deficit from takaful operations	(847,976)	(486,301)	(349,970)	(86,562)	(1,197,946)	(572,863)

The notes on pages 8 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

	Note	Shareholders' fund	
		Unaudited 30 September 2017 RO	Unaudited 30 September 2016 RO
Wakala fees	17	4,289,862	3,847,574
Investment income - net	18	497,235	480,500
Mudarib share	17	56,786	44,456
		4,843,883	4,372,530
General and administrative expenses		(3,009,013)	(3,215,657)
Other income		910	4,819
		(3,008,103)	(3,210,838)
Profit before tax		1,835,780	1,161,692
Taxation		(159,922)	(154,022)
Profit for the period		1,675,858	1,007,670
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		(67,068)	(184,667)
Total comprehensive income for the period		1,608,790	823,003
Earnings per share - basic and diluted	21	0.010	0.006

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AL MADINA INSURANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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
Profit for the period	-	-	-	-	-	1,675,858	1,675,858
Other comprehensive loss for the period	-	-	-	-	(67,068)	-	(67,068)
	-	-	-	-	(67,068)	1,675,858	1,608,790
Transaction with owner							
Transfer from contingency reserve	-	-	-	(1,206,553)	-	1,206,553	-
Dividend paid	-	-	-	-	-	(1,050,000)	(1,050,000)
Transfer to legal reserve	-	-	167,586	-	-	(167,586)	-
	-	-	167,586	(1,206,553)	-	(11,033)	(1,050,000)
At 30 September 2017 (unaudited)	17,500,000	1,380,151	965,167	-	240,900	4,370,966	24,457,184
At 1 January 2016 (audited)	17,500,000	1,380,151	635,156	1,206,553	650,401	1,244,320	22,616,581
Profit for the period	-	-	-	-	-	1,007,670	1,007,670
Other comprehensive loss for the period	-	-	-	-	(184,667)	-	(184,667)
Total comprehensive (loss)/ income for the period	-	-	-	-	(184,667)	1,007,670	823,003
Transaction with owner							
Transfer to legal reserve	-	-	100,767	-	-	(100,767)	-
At 30 September 2016 (unaudited)	17,500,000	1,380,151	735,923	1,206,553	465,734	2,151,223	23,439,584

The notes on pages 8 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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	(847,976)	(349,970)	-	-	(1,197,946)
Contingency reserve (note 14)	(549,561)	(26,247)	549,561	26,247	-
Transfer to contingency reserve (from shareholders' fund)	(1,183,956)	(22,597)	1,183,956	22,597	-
At 30 September 2017 (unaudited)	(5,776,679)	(1,104,313)	2,849,131	116,377	(3,915,484)
At 1 January 2016 (audited)	(1,988,354)	(426,587)	705,080	35,173	(1,674,688)
Deficit for the period	(486,301)	(86,562)	-	-	(572,863)
Contingency reserve (note 14)	(412,583)	(19,517)	412,583	19,517	-
At 30 September 2016 (unaudited)	(2,887,238)	(532,666)	1,117,663	54,690	(2,247,551)

The notes on pages 8 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

	Note	Unaudited 30 September 2017 RO	Unaudited 30 September 2016 RO
Operating activities			
Profit before tax for the period		637,834	588,829
Adjustments for:			
Depreciation	13	192,286	187,338
Gain on disposal of fixed assets		-	(4,818)
Dividend income	18	(174,422)	(209,943)
Income from bank deposit	18	(213,896)	(52,112)
Profit from investments carried out at amortised cost		(211,263)	-
Amortisation of investments carried at amortised cost		6,960	5,731
End of service benefits charge for the period		68,145	64,538
Rental income on investment in real estate		(358,575)	(503,940)
Unrealised gains on investments at fair value through profit or loss	6	339,182	211,470
Realised gain on investments carried at fair value through profit or loss	6	(1,947)	(7,549)
Provision for bad and doubtful debt		90,000	-
Realised profit on redemption of investments at fair value through equity		(71,296)	(3,475)
		303,008	276,069
Payment of end of service benefits		(31,092)	(48,477)
Operating cash flows before working capital changes		271,916	227,592
Working capital changes:			
Takaful and retakaful/reinsurance balance receivables		702,584	(461,350)
Retakaful / reinsurance share of outstanding claims and unearned contribution reserve		(131,091,600)	(4,999,313)
Other receivables, prepayments and other assets		636,207	(408,909)
Deferred policy acquisition cost		(63,450)	63,715
Outstanding claims and unearned premium reserve		133,390,484	4,996,085
Accounts and other payables		340,797	179,212
Due to retakaful / reinsurance		(1,323,562)	(396,693)
Unearned retakaful/reinsurance commission		39,626	11,868
Net cash generated from / (used in) operating activities		2,903,002	(787,793)
Investing activities			
Purchase of property and equipment	13	(200,372)	(101,907)
Purchase of investments carried at fair value through profit or loss	6	(59,708)	(164,431)
Purchase of investments carried at fair value through equity		(508,008)	(69,128)
Purchase of investment carried at amortised cost		(751,500)	(1,500,000)
Proceeds from disposal of property and equipment	13	-	21,858
Proceeds from disposal of investments at fair value through profit or loss	6	463,362	911,751
Proceeds from redemption of investment at fair value through equity		302,908	168,760
Movement in bank deposits		(498,025)	(1,750,000)
Rent on investment in real estate received		715,845	503,940
Profit on bank deposits received		541,215	52,112
Dividends received		174,422	209,943
Net cash generated from / (used in) investing activities		180,139	(1,717,102)
Financing activity			
Dividends paid		(1,050,000)	-
Net increase / (decrease) in cash and cash equivalents		2,033,141	(2,504,895)
Cash and cash equivalents at the beginning of the period	5	2,349,117	4,424,385
Cash and cash equivalents at the end of period	5	4,382,258	1,919,490

The notes on pages 8 to 19 form an integral part of this unaudited condensed interim financial information.

AL MADINA INSURANCE COMPANY SAOG**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 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 principles. The retakaful / reinsurance activities organised on an underwriting period basis with the participants pooling their contributions to compensate for losses suffered in the pool on occurrence of a defined event.

The Company commenced commercial operations from 1 August 2006. The Company was granted license from Capital Market Authority (CMA) on 15 July 2006. The Company started Takaful operations on 1 January 2014 after being granted the Takaful license by the CMA.

2 Summary of significant accounting policies

(a) This unaudited condensed interim financial information for the nine month period ended 30 September 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 nine months period ended 30 September 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. 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

5 Cash and cash equivalents

	Unaudited 30 September 2017		Audited 31 December 2016	
	Shareholders RO	Participants RO	Shareholders RO	Participants RO
Cash and bank balances				
Cash at bank in current accounts	1,210,646	2,873,635	562,203	1,485,025
Cash balances with investment managers	297,977	-	301,889	-
	1,508,623	2,873,635	864,092	1,485,025
Bank deposits				
Bank deposits with maturity of more than three months	4,281,500	4,273,500	3,783,475	4,273,500
	4,281,500	4,273,500	3,783,475	4,273,500

5.1 As of 30 September 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 4.0% 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

	Shareholders Unaudited 30 September 2017		Shareholders Audited 31 December 2016	
	Fair value RO	Cost RO	Fair value RO	Cost RO
<i>Local and foreign quoted:</i>				
Service sector	1,158,752	1,382,721	1,565,938	1,676,343
Industrial sector	1,291,356	1,406,569	1,625,059	1,715,794
	2,450,108	2,789,290	3,190,997	3,392,137

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

	Unaudited 30 September 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	59,708	164,431
Disposals during the period / year	(463,362)	(1,147,057)
Realised gain / (loss) on disposal	1,947	(4,989)
Net change in fair value	(339,182)	(201,140)
At the end of the period / year	2,450,108	3,190,997

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

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

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 461,716 (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.

7 Takaful and retakaful / reinsurance balance receivable

	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO
Takaful receivable	9,158,722	9,827,382
Retakaful / reinsurance balances receivable	885,619	919,543
	10,044,341	10,746,925
Less: provision for impairment of receivables	(896,961)	(806,961)
	9,147,380	9,939,964
Age analysis of the receivables balances is as under:		
Neither past due nor impaired	4,511,988	5,276,457
Past due but not impaired	4,635,392	4,663,507
Past due and impaired	896,961	806,961
	10,044,341	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 September 2017, receivables past due above 121 days amounting to RO 4,635,392 (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 September 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	296,476
Reversals during the period / year	-	(198)
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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

9 Outstanding claims and unearned contributions reserve

	Unaudited 30 September 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	132,578,256	(128,307,168)	4,271,088	7,666,094	(4,401,826)	3,264,268
Claims incurred but not reported	7,771,450	(6,546,934)	1,224,516	1,127,616	(286,541)	841,075
	140,349,706	(134,854,102)	5,495,604	8,793,710	(4,688,367)	4,105,343
Unearned contributions reserve	11,524,687	(4,891,516)	6,633,171	10,779,872	(4,775,210)	6,004,662
	151,874,393	(139,745,618)	12,128,775	19,573,582	(9,463,577)	10,110,005
Family Takaful						
Claims incurred but not settled	646,782	(532,556)	114,226	279,749	(225,986)	53,763
Claims incurred but not reported	600,422	(494,383)	106,039	430,991	(362,030)	68,961
	1,247,204	(1,026,939)	220,265	710,740	(588,016)	122,724
Unearned contributions reserve	1,211,787	(791,870)	419,917	658,578	(421,235)	237,343
	2,458,991	(1,818,809)	640,182	1,369,318	(1,009,251)	360,067
	154,333,384	(141,564,427)	12,768,957	20,942,900	(10,472,828)	10,470,072

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

10 Investments at fair value through equity

	% of overall portfolio	Basis of valuation	Number of securities		Fair Value
			RO	RO	
Unaudited 30 September 2017					
Investment from shareholders' fund					
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
Emirates REIT	8	Fair value	425,000		164,058
National Mass Housing Company SAOC	8	Fair value	150,000		160,650
Oman Telecommunications Company SAOG	5	Fair value	75,000		106,500
Oman Qatari Telecommunications Company SAOG	4	Fair value	150,000		81,000
Qatar Islamic Bank	3	Fair value	6,500		69,995
Al Anwar Ceramic Tiles Company SAOG	1	Fair value	211,234		32,108
Oman Cables Industry SAOG	1	Fair value	15,000		25,500
	100				2,097,061
Audited 31 December 2016					
Investment from shareholders' fund					
National Takaful Company (Watania)	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	2	Fair value	75,000		33,207
	100				1,887,733

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

10 Investments at fair value through equity (continued)

10.1 Movement in investments at fair value through equity

	Shareholders	
	Unaudited	Audited
	30 September	31 December
	2017	2016
	RO	RO
At the beginning of the period / year	1,887,733	2,386,283
Purchases	508,008	69,127
Net change in fair value	(11,289)	(343,443)
Disposals	(358,687)	(237,134)
Realised gain	71,296	12,900
At the end of the period / year	2,097,061	1,887,733

10.2 Movement in investments fair value reserve:

	Shareholders	
	Unaudited	Audited
	30 September	31 December
	2017	2016
	RO	RO
At the beginning of the period / year	307,968	650,401
Transfer of fair value reserve on sale of investment	(55,779)	1,010
Net change in fair value of investment during the period / year	(11,289)	(343,443)
At the end of the period / year	240,900	307,968

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 2022.

	Shareholders	
	Unaudited	Audited
	30 September	31 December
	2017	2016
	RO	RO
At the beginning of the period / year	4,247,215	2,755,228
Purchased during the period / year	751,500	1,500,000
Amortised during the period / year	(6,960)	(8,013)
At the end of the period / year	4,991,755	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 2,275,000 units (31 December 2016 - 1,525,000 units) with total face value of RO 4,750,000 (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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

12 Investment in real estate

12.1 Movement of carrying amounts of investment in real estate:

	Shareholders	
	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO
At the beginning and end of the period / year	6,245,911	6,245,911

12.2 At 30 September 2017, the Company has investment in real estate of RO 6,245,911 (31 December 2016 – RO 6,245,911) which is 22% 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 last year from CMA.

13 Property and equipment

	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO
Net book value		
At 1 January	1,100,181	1,229,759
Additions during the period / year	200,372	136,029
Disposals during the period / year	-	(17,041)
Depreciation for the period / year	(192,286)	(248,566)
At the end of the period / year	1,108,267	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. 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 575,808 (30 September 2016 - RO 432,100) to the contingency reserve, with respect to the general and family takaful business. This amount has been charged to the participants' fund.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

15 Takaful revenue / insurance income

	Unaudited 30 September 2017 RO	Unaudited 30 September 2016 RO
Gross contributions	21,566,054	19,237,869
Movement in unearned contributions reserve	(1,298,024)	136,654
Contributions before retakaful / reinsurance - net	20,268,030	19,374,523
Contributions ceded to retakaful / reinsurance	(9,490,580)	(9,783,434)
Movement in unearned contributions reserve	486,937	275,251
Contributions ceded to retakaful / reinsurance - net	(9,003,643)	(9,508,183)
Net contributions earned	11,264,387	9,866,340
Commission received on business ceded to retakaful / reinsurance	160,784	788,515
Commissions paid	(1,386,070)	(1,245,067)
Movement in unearned commission reserve	23,832	(75,582)
Net commission expense	(1,201,454)	(532,134)
Takaful policy expenses (technical)	(62,016)	(60,059)
Policy fee and other takaful / insurance related income	166,617	906,566
Total takaful revenue	10,167,534	10,180,713

15.1 Takaful / insurance revenue analysis

	Unaudited 30 September 2017		Unaudited 30 September 2016	
	Net contributions RO	Contributions revenue before retakaful / reinsurance RO	Net contributions RO	Contributions revenue before retakaful / reinsurance RO
Motor	5,204,141	2,007,230	5,669,341	1,773,785
Fire, accidents, engineering and others	1,550,691	(125,091,119)	910,391	1,335,682
Marine cargo and hull	154,066	585,144	103,224	298,520
Medical	3,745,788	600,086	2,884,071	638,046
Life	609,700	157,425	299,313	317,087
	11,264,386	(121,741,234)	9,866,340	4,363,120

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

16 Net claims incurred

	Unaudited 30 September 2017			Unaudited 30 September 2016		
	Gross RO	Retakaful / reinsurance	Net RO	Gross RO	Retakaful / reinsurance	Net RO
		share RO			share RO	
Claims outstanding	133,225,038	(128,839,724)	4,385,314	10,867,986	(7,517,147)	3,350,839
IBNR	8,371,872	(7,041,317)	1,330,555	1,978,880	(951,623)	1,027,257
Outstanding at end of the period	141,596,910	(135,881,041)	5,715,869	12,846,866	(8,468,770)	4,378,096
Add: Takaful claims paid during the period	8,698,782	(3,154,502)	5,544,280	9,365,815	(2,889,427)	6,476,388
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	140,791,242	(133,759,160)	7,032,082	14,549,129	(7,613,489)	6,935,640

17 Wakala fees and mudharaba share

The shareholders manage the general and family takaful operations for the participants and charge 20% (30 September 2016 - 20%) and 20% (30 September 2016 - 20%) respectively of gross contributions as a Wakala fee except for business from a specific customer for which the wakala fee is charged at 5% (30 September 2016 - 5%) as approved by the Board of Directors. The shareholders also manage the participants fund as a Mudharab and charge 55% (30 September 2016 - 60%) and 55% (30 September 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 Committee are 20% and 55% (30 September 2016 - 20% and 60%) respectively.

18 Investment income - net

	Unaudited 30 September 2017 RO	Unaudited 30 September 2016 RO
Investment property rental income	569,838	503,940
Dividend income	174,422	209,943
Fair value loss on investments carried at fair value through profit or loss	(339,182)	(211,470)
Profit on wakala deposits	110,650	52,112
Realised gain on sale of investments	73,243	23,516
Investment management costs	(91,736)	(97,541)
	497,235	480,500

19 Sharia supervisory Committee

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

20 Takaful reserve

Sharia Supervisory Board of the Company has formulated a policy for the takaful reserve. As per the policy, in one period maximum of 50% of the takaful surplus for the period can be transferred to the takaful reserve until such

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

balance equals the share capital. During the period, the Company has not transferred any amount to takaful reserve in lieu of deficit in the participants' fund.

21 Earnings per share

	Unaudited 30 September 2017	Unaudited 30 September 2016
Profit for the period - RO	1,675,858	1,007,670
Weighted average number of shares outstanding - number	175,000,000	175,000,000
Earnings per share – basic and diluted - RO	0.010	0.006

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 September 2017 RO	Unaudited 30 September 2016 RO
Premium	3,217,138	2,470,702
Retakaful/reinsurance premium	124,095	63,216
Claims	356,034	657,504
Retakaful/reinsurance claims	-	431
Board sitting fees	39,800	36,400
Rental income	115,575	121,075
Professional & consultancy	5,250	5,850
Sharia committee fee	18,500	15,750
Management consultancy fee	-	4,824

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

22 Related parties (continued)

(b) Balances with related parties

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

	Unaudited 30 September 2017 RO	Audited 31 December 2016 RO
Takaful and retakaful / reinsurance contract receivables		
Premium balances receivables from other related parties	2,387,273	2,217,542
Other receivable	158,710	160,155
Investment receivables		
Rental income receivable	206,815	169,780
Accrued interest on investment in Modern Sukuk Company SAOC	132,816	20,948
Investment in Modern Sukuk SAOC	2,505,606	2,507,972
Investment in Mohammed Al Barwani Sukuk Issue SAOC	1,500,000	1,500,000
Investment 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 September 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 September 2017 RO	Unaudited 30 September 2016 RO
Short-term benefits	343,814	396,410
Employee end of service benefits	33,822	21,460
	377,636	417,870

23 Contingencies

Contingent liabilities

At 30 September 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).

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 UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

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 September 2017	General takaful RO	Family takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	9,685,989	481,546	10,167,535
Takaful expenses (net of retakaful / reinsurance)	(6,815,037)	(307,042)	(7,122,079)
Segment results	2,870,952	174,504	3,045,456
Investment income	102,214	1,032	103,246
Mudarib share	(56,218)	(568)	(56,786)
Wakala fees	(3,764,924)	(524,938)	(4,289,862)
Deficit for the period	(847,976)	(349,970)	(1,197,946)
Segment assets	155,562,068	4,352,000	159,914,068
Assets allocated to shareholders			25,545,993
Total assets			185,460,061
Segment liabilities	155,562,068	4,352,000	159,914,068
Liabilities allocated to shareholders			25,545,993
Total liabilities			185,460,061

Unaudited 30 September 2016	General Takaful RO	Family Takaful RO	Total RO
Takaful revenue (net of retakaful / reinsurance)	9,643,089	537,624	10,180,713
Takaful expenses (net of retakaful / reinsurance)	(6,701,487)	(234,153)	(6,935,640)
Segment results	2,941,602	303,471	3,245,073
Investment income	73,352	742	74,094
Mudarib share	(44,011)	(445)	(44,456)
Wakala fees	(3,457,244)	(390,330)	(3,847,574)
Deficit for the period	(486,301)	(86,562)	(572,863)
Segment assets	25,180,104	3,049,961	28,230,065
Assets allocated to shareholders			24,258,264
Total assets			52,488,329
Segment liabilities	25,180,104	3,049,961	28,230,065
Liabilities allocated to shareholders			24,258,264
Total liabilities			52,488,329

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)****24 Segment information (continued)****Operating segments (continued)**

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.