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المدينة تكافل
Al Madina Takaful

PROSPECTUS

Al Madina Insurance Company SAOG (Under Transformation)

Initial Public Offering of 66,666,670 shares
Offer price: Bzs 140 per Share

(Comprising a Nominal Value of Bzs 100 per Share, Share Premium of Bzs 38 per Share and Offer Expenses being Bzs 2 per Share)

Offer Opens: 29 October 2013

Offer Closes: 27 November 2013

ISSUE MANAGER

bank muscat

LEGAL ADVISER

AMJ

SUBSCRIPTION BANKS

bank muscat | National Bank of Oman | Oman Arab Bank | Bank Sohar | ahlibank

HIS MAJESTY SULTAN QABOOS BIN SAID

المدينة تكافل
Al Madina Takaful

Al Madina Insurance Company SAOG

(Under Transformation)

P.O. Box 1805, Athaiba P.C. 130, Sultanate of Oman
Tel: +968 24771 888, Fax: +968 24771 899
e-mail: contact@amicoman.com URL: www.amicoman.com

PROSPECTUS

Initial Public Offering of 66,666,670 Shares

At a Price of Bzs 140 per Share
(With the Nominal Value of each Share being Bzs 100 per Share,
Share Premium of Bzs 38 per Share and Offer Expenses being Bzs 2 per Share)

OFFER OPENS: 29 OCTOBER 2013
OFFER CLOSES: 27 NOVEMBER 2013

Issue Manager

بنك مسقط
bank muscat

P.O. Box 134, Ruwi, P.C. 112, Sultanate of Oman
Tel: +968 2476 8888; Fax: +968 2479 8220
URL: www.bankmuscat.com

Subscription Banks

بنك مسقط bank muscat | البنك الوطني العماني National Bank of Oman | بنك عمان العربي OMAN ARAB BANK | بنك صحار Bank Sohar S.A.O.G. | البنك الأهلي ahlibank

Important notice to investors

The purpose of this Prospectus is to present material information that may assist investors to make an informed decision as to whether or not to invest in the Offer Shares.

This Prospectus includes all material information and data, and as far as the Company (represented by the Board) is aware, does not contain any misleading information or omit any material information that would have a positive or negative impact on the decision of a prospective Applicant with respect to whether or not to invest in the Shares.

The Board of Directors are jointly and severally responsible for the accuracy and adequacy of the information contained in this Prospectus and confirm that, to the best of their knowledge, appropriate due diligence has been performed in the preparation of this Prospectus and further confirm that, to the best of their knowledge, no material information has been omitted from this Prospectus, the omission of which would render this Prospectus misleading.

All prospective investors should carefully examine and review this Prospectus in order to decide whether it would be appropriate for such prospective investors to invest in the Shares by taking into consideration all the information contained in this Prospectus. Investors should not consider this Prospectus as a recommendation by the Company or any of the Board to buy the Offer Shares. Each prospective investor is responsible for obtaining his own independent professional advice for any investment in the Offer Shares and for conducting an independent evaluation of the information and assumptions contained herein using appropriate analysis or projections.

No Person has been authorised to make any statements or provide information in relation to the Company or the Shares other than the Persons whose names are indicated in this Prospectus. Where any Person makes any statement or provides information concerning matters included in this Prospectus on an unauthorised basis, it should not be taken as authorised by the Board, or the Issue Manager.

The CMA neither assumes responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus, nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any Person.

The CMA is working on the completion of the Takaful Law and on completion of the Law it will be issued through a Royal Decree and the CMA will issue the Takaful Regulations through an administrative decision. The Company shall adhere to the relevant laws and regulations.

ADDITIONAL CAUTIONARY STATEMENTS TO BE NOTED BY PROSPECTIVE APPLICANTS

While under the Executive Regulations of the CML, the Board is obliged to assume responsibility for the accuracy and adequacy of the information contained in this Prospectus and the Board has taken reasonable care to ensure that the information contained in this Prospectus is true, accurate and complete, prospective Applicants should consider the cautionary statements set out below and the risks set out in Chapter 14.

References to documents and extracts from documents

This Prospectus contains references to other documents, such as the Company's constitutional documents including the Articles, Memorandum and reports prepared by the Boards' advisers and documents of a similar nature. Prospective Applicants should note that any document extracts contained in this Prospectus, or references to the contents of such documents, may not provide an accurate or complete summary of such documents and statements in this Prospectus relating to such documents, should not be relied upon by prospective Applicants as being comprehensive statements in respect of such documents.

Scope of information

The information contained in this Prospectus is intended to provide a prospective Applicant with adequate information relating to the Board and the investment opportunity and background information on the IPO. However, this Prospectus does not necessarily contain all the information that a prospective Applicant may consider material.

The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective Applicant should consult his own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of Shares.

Investor due diligence

Prior to making any decision as to whether to subscribe for the Offer Shares, prospective Applicants should read this Prospectus in its entirety. In making an investment decision, prospective Applicants must rely upon their own examination of the terms of this Prospectus and the risks involved in making an investment.

Equity risk

All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on market conditions, financial performance and other factors beyond the control of the Company or the Board.

Projected financial statements

It is not possible to predict the future, either for the Company, the industry or the economy as a whole. Accordingly, no opinion, implied or otherwise, on the attainability of the results contemplated in the projected financial statements is made. The projected financial statements contained in this Prospectus have been prepared using a set of hypothetical assumptions about future events and management's actions in relation thereto. Assumed future events may not necessarily occur, and if such events do occur, actual results may differ from the projected financial statements since anticipated events frequently do not occur as expected. Variations between actual and expected results may be material. Economic conditions may change and affect the operations and, consequently, the outcome. The review to projected financial statements was restricted to ensuring that all significant assumptions are clearly stated and that the projected financial statements are consistent with the stated assumptions.

Business plan report

This Prospectus includes extracts from the BP Report and may not provide complete context of the section or component of the BP Report from which the extracts are included. Accordingly, it does not take into account requirements of specific prospective Applicants and may not have addressed issues of relevance to all prospective Applicants.

The BP Report relies on information provided by various sources, including the Shareholders and other third party sources. The information has not been independently verified or validated and therefore neither the Board nor the advisers make any undertaking, representation or provide any warranty, expressed or implied, as to the accuracy, reasonableness or completeness of the extracts of the BP Report contained in this Prospectus.

Restrictions on distribution of this Prospectus

The distribution of this Prospectus and the Offer Shares may, in certain jurisdictions, be restricted by law or may be subject to prior regulatory approvals. This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Board or the Company to subscribe to any of the Offer Shares in any jurisdiction outside of Oman. This Prospectus may not be distributed in any jurisdiction where such distribution is, or may be, unlawful. The Board, the Company, the Issue Manager and the Subscription Banks require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions. None of the Board, the Company, the Issue Manager or the Subscription Banks accept any legal responsibility for any violation of any such restrictions on the sale, offer to sell or solicitation to subscribe for Offer Shares by any person, whether or not a prospective Applicant, in any jurisdiction outside Oman, and whether such offer or solicitation was made orally or in writing, including by electronic mail.

Restrictions on use of information contained in this Prospectus

The information contained in this Prospectus may not be published, duplicated, copied or disclosed in whole or in part or otherwise used for any purpose other than in connection with the Offer, without the prior written approval of the Issue Manager.

Disclaimer of implied warranties

Save and except as required under applicable law and regulations, no representation or warranty, express or implied, is given by the Board, the Company, the Subscription Banks, the Issue Manager, or any of their respective directors, managers, accountants, lawyers, employees or any other person as to the completeness of the contents of this Prospectus; or of the projections included within; or of any other document or information supplied at any time in connection with the Offer; or that any such document has remained unchanged after the issue thereof.

Investment restrictions in the United Kingdom and USA

The Offer Shares have not been and will not be approved or registered by any other regulatory authority in any other jurisdiction, including the Securities and Exchange Commission of the USA or any state securities commission of the USA. Therefore, the Offer Shares may not, directly or indirectly, be offered, sold, re-sold, transferred or delivered in the USA, or for the account or benefit of any U.S. person (as defined under the US Securities Act of 1993) except in certain transactions exempt from the registration requirements of federal and state securities laws of the USA. In addition, the Offer Shares may not be, and are not being offered in the United Kingdom under the Prospectus Directive 2003/71/EC or the Financial Services and Markets Act 2000. Persons coming into possession of this Prospectus are required to inform themselves about, and to observe any such restrictions.

FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements". These forward-looking statements can generally be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "goal", "intend", "objective", "plan", "project", "may, "shall", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe the Company's strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual outcomes to differ materially from those contemplated by the relevant forward-looking statement.

Factors that could cause actual results to differ materially from the Company's expectations include (but are not limited to):

- The Company's ability to accurately estimate future performance
- The Company's ability to successfully implement its strategy, growth and expansion plans
- The Company's ability to successfully roll-out its suite of products and services
- The monetary policies of Oman, local and international inflation and interest rates and their impact on the Company's financial results
- General economic and business conditions in Oman, which have an impact on the Company's business activities
- Changes in laws and regulations that apply to Takaful companies in Oman
- Absence of Takaful laws and accompanying regulations
- Increasing competition in the conventional Omani Insurance sector, and expected competition in the Takaful sector in particular
- Licences issued to other Takaful companies resulting in further competition

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could be materially different from those that have been estimated in this Prospectus.

Where the CMA directs any amendment to be made to this Prospectus or the information contained therein after this Prospectus has been approved by the CMA, such amendments will be published in two daily newspapers (one of which must be an Arabic publication). Except in this instance, none of the Company, the Board or the Issue Manager, have any obligation to update or otherwise revise any statements in this Prospectus to reflect circumstances arising after the Prospectus Date or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition or differ from actuality.

For a further discussion of factors that could cause actual results to differ, see Chapter 14 of this Prospectus. After listing on the MSM, the Company will adhere to the disclosure rules and regulations issued by the CMA, which include the requirement to make timely disclosures of the Company's results of operations. The Company advises prospective Shareholders to track any information or announcements made by it after listing, through the MSM website at www.msm.gov.om.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET INFORMATION

Financial information

Unless stated otherwise, the financial information in this Prospectus is derived from Company's historical and projected financial statements prepared in accordance with the requirements of IFRS. Copies of the historical and projected annual financial statements are set out in Chapters 11, 19 and 20 of this Prospectus. The Financial Year commences on 1 January and ends on 31 December. In this Prospectus, any discrepancy in any table between the total and the sum of the relevant amounts listed is due to rounding.

Currency of presentation

The base currency of presentation in this Prospectus is OMR. The fixed exchange rate at the time of the Offer is USD 1 = OMR 0.385. OMR 1 = Bzs 1,000.

Industry and market information

Unless stated otherwise, industry and market information used throughout this Prospectus has been obtained from third-party industry publications and/or websites. Although it is believed that industry information used in this Prospectus is reliable, it has not been independently verified and therefore its accuracy and completeness is not guaranteed and its reliability cannot be assured. Accordingly, no liability, legal or otherwise, will be accepted by the Company, the Board, or the Issue Manager as to the accuracy or completeness of such information. The extent to which the market and industry information used in this Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such information.

Table of Contents

Al Madina Takaful

Chapter 1:

Abbreviations / Definitions

In this Prospectus, inclusive of its cover page notices and tables, shall have the meanings set out below:

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
AGM	Annual General Meeting
Applicant	A Person who applies for allotment of Offer Shares pursuant to the terms of this Prospectus
Application	The application form used to apply for allotment of the Offer Shares pursuant to the terms of this Prospectus
Application Money	The amount to be paid by the Applicant with the submission of the Application as specified in Chapter 17 of this Prospectus
Articles	The Articles of Association of the Company as registered with the MOCI
Auditors	The auditors of the Company appointed by a General Meeting
Company / Offeror	Al Madina Insurance Company SAOG (Under Transformation)
Board	The Board of Directors of the Company
BP Report	Business plan report dated July 2011 prepared by Stratum W.L.L. in relation to the Offer
Bzs	Refers to Baizas (Bzs 1000 = OMR 1)
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
Category I Investors	Omani and non-Omani Persons who apply for a minimum of 1,000 Offer Shares and in multiples of 100 Offer Shares thereafter up to a maximum of 100,000 Shares
Category II Investors	Omani and non-Omani Persons who apply for a minimum of 100,100 Offer Shares and in multiples of 100 Offer Shares thereafter up to a maximum of 6,666,600 Offer Shares or c.10% of the Offer
CCL	The Commercial Companies Law issued by Royal Decree 4/74 (as amended)
CEO	Chief Executive Officer of the Company
CGM	Constitutive General Meeting of the Shareholders
CMA	The Capital Market Authority of Oman established pursuant to the CML
CML	The Capital Market Law issued by Royal Decree 80/98, (as amended)
Code of Corporate Governance	The Code of Corporate Governance for MSM listed companies issued by Circular 11/2002 (as amended)

Commercial Register	Commercial Register maintained by the MOCI pursuant to the Commercial Register Law issued by Royal Decree 3/74
Date of Registration	Date on which the Company is registered on the Commercial Register
Director	A member of the Board
EGM	Extraordinary General Meeting
Executive Regulations	Executive Regulations issued by the CMA pursuant to Decision 1/2009
FDI	Foreign Direct Investment
Facultative Reinsurance	A reinsurance arrangement which is not automatic and is done on individual risk and / or policy basis where terms and conditions of reinsurance are specifically agreed for that particular transaction
Financial Year/ FY	The financial year of the Company, comprising twelve months starting on 1 January and ending on 31 December of that particular year
Foreign Person	Refers to a Person who is not an Omani Person
GCC	Gulf Cooperation Council comprising of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates
GDP	Nominal Gross Domestic Product unless otherwise stated
GWP	Gross Written Premium is the amount of premium or contribution that the company charges the client before making any deduction for brokerage or acquisition cost, reinsurance, policy fee and government tax
General Meeting	An AGM, EGM or OGM of the Company
Government	The Government of Oman
HR	Human Resources
HRM	Human Resource Management
IFRS	International Financial Reporting Standards
Independent Director	As defined in the Code of Corporate Governance
Investor Number	The unique folio number of the investor as registered with the MCDC
Insurance Premium	The amount paid by the contributor to the Policy holders' Takaful fund based on commitment to donation against risk protection
IPO	Initial Public Offering
Issue Manager	Refers to the Issue Manager for the IPO, bank muscat SAOG
IT	Information Technology
KSA	Kingdom of Saudi Arabia
Legal Adviser	Refers to the legal adviser for the IPO, Al Busaidy, Mansoor Jamal & Co.

Legal Reserve	The legal reserve which the Company is obliged to maintain pursuant to Article 106 of the CCL, which mandates for the allocation of 10% of the post tax net profits of the Company to a non-distributable reserve until such time as the legal reserve equates to one-third of the paid up share capital of the Company
LOB	Line of Business
MCDC	Muscat Clearing & Depository Company SAOC
Memorandum	Memorandum of Association of the Company
MENA	Middle East and North Africa
MIS	Management Information System
MOCI	The Ministry of Commerce and Industry of Oman
MONE	The Ministry of National Economy, Oman (Erstwhile)
Moody's	Moody's investors service, which provides credit ratings and research covering debt instruments and securities
MOU	Memorandum of Understanding
MSM	The Muscat Securities Market of Oman
NWP	Net Written Premium is the total amount of premium or contribution that is booked by the company after all deductions like brokerage, reinsurances and taxes
Net retention	The amount a Company is ultimately responsible for its own account and which is not recoverable under any reinsurance arrangement
Nominal Value	Bzs 100 per Share
Offer / Offering	The public offer of 66,666,670 Shares of Bzs 100 each of the Company for cash at a price of Bzs 140 per Share (inclusive of Bzs 2 as Offer Expenses)
Offer Closing Date	The closing date of the Offer, which is described in Chapter 17 of this Prospectus
Offer Expenses	Bzs 2 per Share to be collected as part of the Offer Price
Offer Opening Date	The opening date of the Offer, which is described in Chapter 17 of this Prospectus
Offer Period	The period between the Offer Opening Date and the Offer Closing Date, inclusive of both days, during which an Applicant can submit an Application
Offer Price	Bzs 140 per Share which includes Bzs 2 as Offer Expenses
Offer Proceeds	The proceeds of the Offer that will be available to the Company
Offer Shares	66,666,670 Shares which are offered for public subscription at the Offer Price
OGM	Ordinary General Meeting

Omanisation	Refers to the policy enacted by the Government of Oman in 1988 aimed at encouraging employment of trained nationals in place of foreign nationals by prescribing sector wise targets
OMR	Omani Rials, the lawful currency of Oman
Person	A natural or juristic person
Policyholder	Policyholder or donor with other policyholders in the fund on Takaful basis to pay the value of damage that any Policyholder may suffer
Pre-IPO Shareholders	Collectively all the current shareholders of the Company
Prospectus	This prospectus document which contains complete particulars of the Offer Price and the size (in terms of value) of the Offer
Prospectus Date	The date on which this Prospectus is approved by the CMA
Reinsurance Treaty	An arrangement that a Company establishes with a reinsurance company whereby an agreed portion of the risk is ceded automatically and it is obligatory on part of the Company to cede all such risks that is accepted by the Company and it is obligatory on part of the Reinsurer to accept such cessions
Related Party	As defined in the Code of Corporate Governance (unless the meaning or context otherwise requires)
Retention rates	The percentage of the Company's retention from the contribution of Policyholders to cover the Policyholders' fund for the potential risks at the same percentage. The remaining percentage of the contribution of Policyholders shall be the share of re-takaful company.
Royal Decree	A Royal Decree issued by His Majesty, the Sultan of Oman
SAOG	Société Anonyme Omanaise Générale, an Omani public joint stock company
SBU	Strategic Business Unit
Share	Ordinary share of the Company
Shareholder	A common shareholder of the Company
Share Capital	The Pre-IPO issued and paid up share capital of the Company is OMR 10,000,000 (Omani Rials Ten million)
Shariah	The divine guidance as given by the Holy Quran and the Sunnah of the Prophet Muhammad (peace be upon him) which covers all aspects of the Islamic faith including practice and beliefs
Shariah Board	An independent body of Shariah advisers nominated by the Board and appointed in the General Meeting to advise on compliance with Shariah principles and to provide guidance to the Board and management of the Company
SLA	Service Level Agreement

SME	Small and Medium Enterprise
Solvency	The Company's ability to meet its total obligations, including its obligation towards the Policyholders. In case of deficiency in the Policyholders' fund, the stockholders shall cover the deficiency by Qard Hassan
Subscription Banks	bank muscat SAOG
	National Bank Of Oman SAOG
	Oman Arab Bank SAOC
	Bank Sohar SAOG
	Ahli Bank SAOG
Takaful	Group insurance agreement whereby each contributor is committed to pay an amount of money as donation to pay the value of the damages that may happen to one of them when danger occurs according to the rules and provisions of Shariah. If a contributor suffered financial loss, he/ she shall be paid to the extent of damage from the Takaful Fund according to the basis and principles of insurance as per the agreement conditions and insurance coverage
Takaful Law	Takaful Undertakings Law in draft form
Takaful Regulations	Regulations proposed to be issued for implementing the Takaful Undertakings Law 2012
Takaful services	Group of insurance solutions, programs and coverage according to the technical basis and principles of insurance in the field of general insurance and family Takaful programs according to the rules and provisions of Shariah
Technical reserves	The provisions and reserves to be allocated by the company out of the total premiums to be able to fulfill its obligations to pay the compensations from the Takaful fund's assets
UK	United Kingdom
USA	United States of America
USD	US Dollars, the lawful currency of the USA

Key Islamic finance technical terms

The following table is intended to assist the prospective Applicant in understanding key Islamic finance terms.

Family Takaful	A type of Takaful agreement between the Policyholder and the company whereby the company is committed to insurance coverage to protect the insured's family members against the unexpected future financial risks

Mudarabah	A contract between entrepreneurs (Mudarib) and the Company (Rab al Mal). In a Mudarabah, the Company acts as a silent partner in an investment or trading activity that earns each partner an agreed-upon portion of the achieved profit
Mudarib	The party who manages a certain investment
Qard Hassan	Non profit bearing loan according to the rules and provisions of Shariah
Rab al Mal	A silent partner who provides the funds in investment activities
Re-takaful	Insurance agreement between the company (contributor) and re-takaful company (retakaful operator) to reinsure the insurance agreements among contributors in the Takaful Insurance Fund according to the rules and provisions of Shariah
Riba	Money ensuing from lending and not from selling
Sukuk	Certificates representing undivided shares in ownership of tangible assets, usufruct or services
Takaful	Islamic cooperative insurance
Wakala fees	Is the fee earned by the company (from participants) acting as an agent to manage the processes of Takaful fund according to the wakala contract
Zakat	Obligation on Muslims to pay tax which is specified as a proportion on income and property value levied in accordance with Shariah laws

Note: English translations of Arabic terms can vary and so the terms should be read in this context.

Al Madina Takaful

Chapter 2:

General information on the Offer and the Company

Name of the Company	Al Madina Insurance Company SAOG (Under Transformation)
Registered Office	P.O. Box 1805, Athaiba, P.C. 130, Sultanate of Oman
Authorised Share Capital	OMR 25,000,000, divided into 250,000,000 Shares with a Nominal Value of Bzs 100 per Share
Pre-IPO Issued and Paid up Share Capital	OMR 10,000,000, divided into 100,000,000 Shares with a Nominal Value of Bzs 100 per Share
Number of Offer Shares	66,666,670 Shares, which will constitute 40% of the Share Capital of the Company following the IPO
Post-IPO Issued and Paid up Share Capital	OMR 16,666,667 divided into 166,666,670 Shares with a Nominal Value of Bzs 100 per Share
Type of Shares	Ordinary shares with each Share carrying the right to one vote at a General Meeting of the Company and equal right to dividend
Offer Price	Bzs 140 per Share. This comprises a Nominal Value of Bzs 100, Share Premium of Bzs 38 and Offer Expenses of Bzs 2
Purpose of the IPO	The proceeds of the Offer shall be used for increasing the retention and overall insurance capacity, strengthen the overall capital leverage ratio and expand infrastructure and distribution network of the Company
Persons eligible to subscribe for Shares	All Persons having an investor account with the MCDC may apply for Shares in the IPO (subject to the prohibited categories set out below). The aggregate foreign shareholding in the Company shall not exceed 70% of the Share Capital of the Company under any circumstances. It should be noted that pursuant to Ministerial Decision 205/2007 issued by MONE, all GCC nationals are treated as Omani nationals in respect of ownership of and trading in shares and the establishment of companies in Oman
Restrictions to Persons subscribing for Shares	• Sole proprietorship establishments: The owners of sole proprietorship establishments may submit Applications in their personal names • Multiple applications: An Applicant may not submit more than one Application • Joint applications: Applications made in the name of more than one Person, including Applications made on behalf of legal heirs are not permitted. Applications should only be made in the single name of each Applicant • Legal heirs: These applications should only be made in the personal names of each Applicant and not in their capacity as legal heirs of a deceased individual

	• Related entities: Applicants for Shares are required to comply with the CMA's regulations concerning related parties • Trust Accounts: Applicants registered under trust accounts may only submit Applications in their personal names Applications that do not comply with these conditions or restrictions, as applicable, may be rejected without notifying the Applicant
Pre-IPO Shareholders	Chapter 6 contains the details of the Pre-IPO Shareholders and the Shares owned by them
Proposed allocation of Shares	In the event that the Offer is oversubscribed, Shares will be allotted between the eligible investor groups as follows: • Category I Investors: 43,333,335 Shares, representing 65% of the Offer, will be allotted amongst Category I Investors, proportionate to the number of Shares applied for by each Applicant in this category • Category II Investors: 23,333,335 Shares, representing 35% of the Offer, will be allotted amongst Category II Investors, proportionate to the number of Shares applied for by each Applicant in this category Any under-subscription in relation to the Shares allocated for allotment in a category will be carried over to the other category as described in Chapter 17 of this Prospectus. Allotment to Foreign Persons will, in all cases, be limited to a maximum of 70% of the Share Capital. The final allocation of Offer Shares on the above basis will be decided by the Issue Manager in consultation with the CMA. In accordance with Article 65 of the CCL, a minimum number of Offer Shares may be distributed equally among the Applicants, taking into consideration the small Applicants and the remaining Offer Shares shall be allocated on a pro-rata basis.
Minimum Limit for the Subscription under one Application	1. Category I Investors: 1,000 Shares and in multiples of 100 Shares thereafter 2. Category II Investors: 100,100 Shares and in multiples of 100 Shares thereafter
Maximum Limit for the Subscription under one Application	• Category I Investors: 100,000 Shares • Category II Investors: 6,666,600 Shares which is c.10% of the Offer
Date of the EGM for conversion from SAOC to SAOG and to change its activities to Takaful	25 February 2012
Offer Opening Date	29 October 2013
Offer Closing Date	27 November 2013

Issue Manager	bank muscat SAOG P.O. Box 134, P.C. 112, Ruwi, Sultanate of Oman Tel: +968 2476 8888; Fax: +968 2479 8220 URL: www.bankmuscat.com
Subscription Banks	bank muscat SAOG – Tel: +968 2476 8064
	National Bank Of Oman SAOG – Tel: +968 2477 8757
	Oman Arab Bank SAOC – Tel: +968 24827304
	Bank Sohar SAOG – Tel: +968 24761433
	Ahli Bank SAOG – Tel: +968 24577082
Legal Adviser	Al Busaidy, Mansoor Jamal & Co. Barristers & Legal Consultants P.O. Box 686, Ruwi, Postal Code 112, Sultanate of Oman Tel: +968 2481 4466; Fax: +968 2481 2256 URL:www.amjoman.com
Reporting Accountant	Ernst & Young P.O. Box 1750, Ruwi, P.C. 112, Sultanate of Oman Tel: +968 2455 9559; Fax: +968 2456 6043 URL:www.ey.com/me
Marketing Adviser	OHI Advertising Advertising & Publicity Company LLC PO Box 889, Muscat, PC 100, Sultanate of Oman Tel: +968 2463 6652; Fax: +968 2448 2746 URL:www.ohiad.com

Chapter 3:

Summary of Offer Expenses

The maximum expenses of the IPO are estimated at OMR 372,183, which would equate to 3.98% of the total proceeds of the Offer (on the assumption that the Offer is fully subscribed). The breakdown of the estimated expenses is detailed in the table below:

Estimated expenses of the IPO	OMR
Issue management fees	163,333
Subscription bank fees	28,000
CMA and MCDC fees	19,600
Other Professional adviser fees (Arabic translator, Legal Advisers, Reporting Accountants, BP consultant)	52,000
Marketing, printing and advertising expenses	90,000
IPO insurance	19,250
Total estimated expenses of the IPO	**372,183**
Offer Expenses collected at Bzs 2 per Share	133,333
Difference between estimated expenses of the IPO, and the summation of the Offer Expenses	238,850

The above are indicative estimates only. The actual expenses of the IPO will depend on the number of Shares subscribed for under the Offer. The Company will deposit any excess funds, if available, into the legal reserve after having settled the actual expenses of the IPO.

Chapter 4:

Purpose of the Offer and use of the Offer Proceeds

The gross proceeds from the Offer are estimated at OMR 9,333,334 of which approximately OMR 372,183 will be paid as expenses in connection with the Offer. The net proceeds of the Offer will be utilized in financing the Company's future business plan. The Share Capital of the Company will increase by OMR 6,666,667 from OMR 10,000,000 to OMR 16,666,667. The remaining proceeds will be credited to the share premium account under Shareholders' equity.

Use of Offer proceeds

The Company intends to use the net proceeds of the Offer for the following:

1. **Increase in retention and overall treaty capacity:** In an insurance company the size of the capital is one of the primary determinants of its Net Retention which, in turn, determines the size and terms of a Reinsurance Treaty. The size and terms of a Reinsurance Treaty gives a Company the leverage to compete in the market. The Company will use the additional capital to increase its Net Retention and the size of its Reinsurance Treaty. This will provide the Company a competitive edge in the market to write more premiums in the target segments. It will also reduce the Company's dependency on Facultative Reinsurance, which tends to be cumbersome, increases the cost of transaction and impacts SLAs in respect of turnaround time. The entire Offer proceeds would be utilized for increasing the capacity. The increase in capacity is in the form of liquid assets which also becomes the basis for strengthening the capital leverage ratio.

2. **Strengthen the capital leverage ratio:** The Company has received a financial strength rating of Ba2 (Stable) from Moody's. The Company intends to improve on its rating by further improving the capital leverage ratio and the new capital is expected to strengthen the ratio.

3. **Expand infrastructure and network:** The capital infusion is expected to assist the Company in expanding its distribution and customer support network in the country through branches and customer service outlets. The expansion in distribution network shall require an upgrade in a more robust and secure IT platform that will increase productivity, provide better control of business and enhance level of service to its Policyholders.

The expected net Offer Proceeds will accrue to the Company and no part thereof will be paid to the Pre-IPO Shareholders.

Chapter 5:

Objects and approvals

Overview

Incorporation

The Company was incorporated and registered as a closed joint stock company in the Commercial Register on 15 May 2006. At an EGM held on 25 February 2012, the Pre-IPO Shareholders resolved to transform the Company into a SAOG organized under the laws of Oman and to amend its Articles accordingly.

All necessary applications have been made to transform the Company into a SAOG company, the Omani form of a public joint stock company. The Company is therefore said to be under conversion. The conversion of the Company on the Commercial Register will be completed after listing of the Company's Shares on the MSM. The Company will continue to be headquartered in Muscat, Oman.

Subject to the applicable laws and the regulations issued by the CMA, the Company intends to offer Takaful products and services and offer a wide array of tailored Islamic products and services to meet the needs of the Omani insurance market.

Licences and Approvals

Licensing by the CMA

The CMA, by way of a letter issued on 26 August 2013, granted its final approval to the Company to practice Takaful and the final licence shall be granted on transformation from a closed joint stock company to a public joint stock company.

The CMA has circulated a draft Takaful Law. However, as of the Prospectus Date, the Takaful Law has not been issued in final form. It is anticipated that once the Takaful Law is finalized, it shall be issued pursuant to a Royal Decree and the Takaful regulations shall be issued by the CMA in the form of an administrative decision. Consequently, all Takaful companies in Oman shall be required to comply with the Takaful Law and the regulations issued pursuant thereto as soon as it being issued.

Company's objects as set out in the Articles

The objectives of the Company, amended pursuant to the EGM held on 25 February 2012, are as follows:

- The Company aims to carry on all insurance and investment business in the field of Takaful authorized by the CMA, the CCL and the applicable insurance law, in accordance with the rules and principles of Shariah.
- The Company's current objects are as follows:
    1. carry on insurance and reinsurance business;
    2. family (life) Takaful;
    3. industrial insurance;
    4. liability insurance;
    5. marine, air & transport insurance;

6. motor insurance;
7. financial loss insurance;
8. personal accident insurance;
9. property insurance;
10. other types of insurance;
11. in general, the Company may carry on all necessary business activities to achieve its objectives, which related or supplementary thereto. The company's objectives shall be only limited by the prohibitions under applicable laws of Oman or as set forth in its Articles or determined by its General Meeting.

In the event that the CMA restricts or limits certain type of Takaful activities or products pursuant to the issue of the final Takaful regulations, the object clause of the Articles would need to be modified accordingly.

Chapter 6:

Shareholder details

After the IPO, the Issued and paid up Share Capital of the Company is expected to be OMR 16,666,667.

a) Pre-IPO Shareholding structure:

The Pre-IPO Shareholders of the Company are as under:

Name of the Shareholders	Nationality	%	Number of Shares	Share Capital (OMR)
Mohammed Al Barwani Holding Co. LLC	Oman	43.10%	43,095,240	4,309,524
Al Madina Financial & Investment Services SAOC	Oman	12.00%	12,000,000	1,200,000
Ministry of Defence Pension Fund	Oman	10.00%	10,000,000	1,000,000
Diwan of Royal Court Pension Fund	Oman	3.00%	3,000,000	300,000
Doha Bank	Qatar	3.00%	3,000,000	300,000
Others	Various	28.90%	28,904,760	2,890,476
Total		**100.00%**	**100,000,000**	**10,000,000**

b) Post-IPO Shareholding structure:

The post-IPO Shareholders of the Company are as under:

Name of the Shareholders	Nationality	%	Number of shares	Share Capital (OMR)
Mohammed Al Barwani Holding Co. LLC	Oman	25.90%	43,095,240	4,309,524
Al Madina Financial & Investment Services SAOC	Oman	7.20%	12,000,000	1,200,000
Ministry of Defence Pension Fund	Oman	6.00%	10,000,000	1,000,000
Diwan of Royal Court Pension Fund	Oman	1.80%	3,000,000	300,000
Doha Bank	Qatar	1.80%	3,000,000	300,000
Other Pre-IPO Shareholders	Various	17.50%	28,904,760	2,890,476
Public	Various	40.00%	66,666,670	6,666,667
Total		**100.00%**	**166,666,670**	**16,666,667**

Pre-IPO Top 5 shareholders

Share holder	Description
Mohammed Al Barwani Holding Co. LLC	MB Holding Company LLC (MB Holding) is a multinational corporation with operations in the Middle East, Europe, North Africa, Asia, Asia-Pacific, Australia and New Zealand. The group's main operations include drilling and integrated oilfield services, the exploration and production of oil and gas, investments, engineering, manufacturing and trading, and mining and processing of minerals. For further information on MB Holding, visit www.mbholdingco.com
Al Madina Financial & Investment Services Co. SAOC	Al Madina Financial Investment Services Co. SAOC (Al Madina) started as an equity brokerage firm in 1998. Al Madina has grown over the years to offer various types of investments and financial services including asset management, private equity investments and corporate finance advisory. Al Madina has also been successful in creating new investment opportunities in the field of real estate, food and beverage, insurance and logistics. For further information on Al Madina, visit www.almadina.com As disclosed by Transgulf Investment Holding Co. SAOG on the MSM, Transgulf has approved, at its EGM held on 2 June 2013, among other things, the merger between Transgulf & Al Madina Financial & Investment Services Co. SAOC and authorized its board of directors to register the merger with the concerned authorities.
Ministry of Defence Pension Fund	The Ministry of Defence Pension Fund is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Royal Decree 87/93 issued on 29th December 1993. The Ministry of Defence Pension Fund is one of the largest pension funds in Oman and is a major investor in the local capital markets; both in equities as well as bonds. It is also a major participant in project investments and real estate investments. The fund is represented on the boards of several prominent corporates in Oman.
Diwan of Royal Court Pension Fund	Diwan of Royal Court Pension Fund was established in the year 1996 pursuant to Royal Decree. The main objective of the fund is to invest the contribution of employees of the Diwan of Royal Court, Muscat Municipality and all other organizations of the Diwan of Royal Court.
Doha Bank	Doha Bank is the largest private commercial bank in the State of Qatar. It has strategic stake in a number of growing companies in the GCC region. For further information on Doha Bank, visit www.dohabank.com.qa

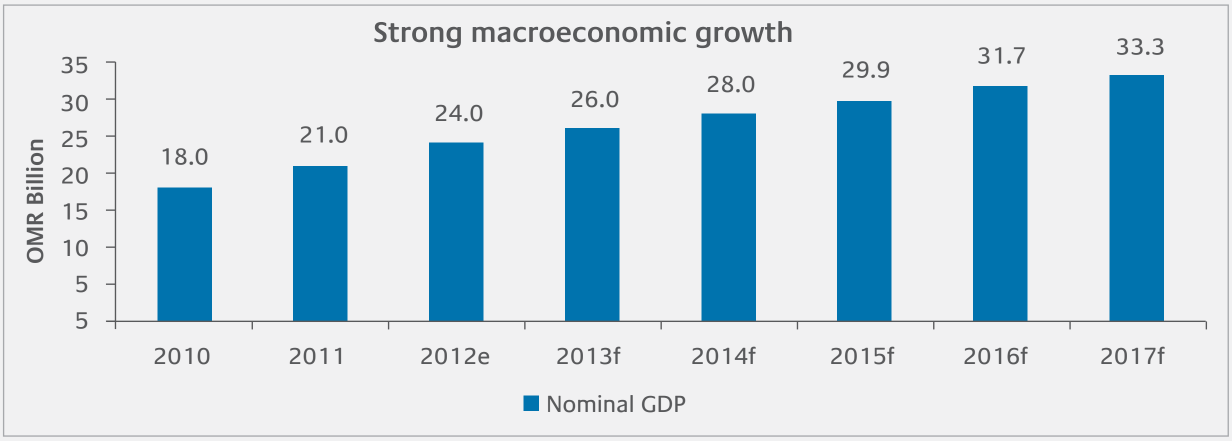
Chapter 7:

Macroeconomic and insurance sector overview

Overview of the economy

Oman's economy experienced strong growth between FY 2010 and FY 2012, with the Nominal GDP having grown from OMR 18 billion to OMR 24 billion during the period. This represents a CAGR of 15.4% for the period.

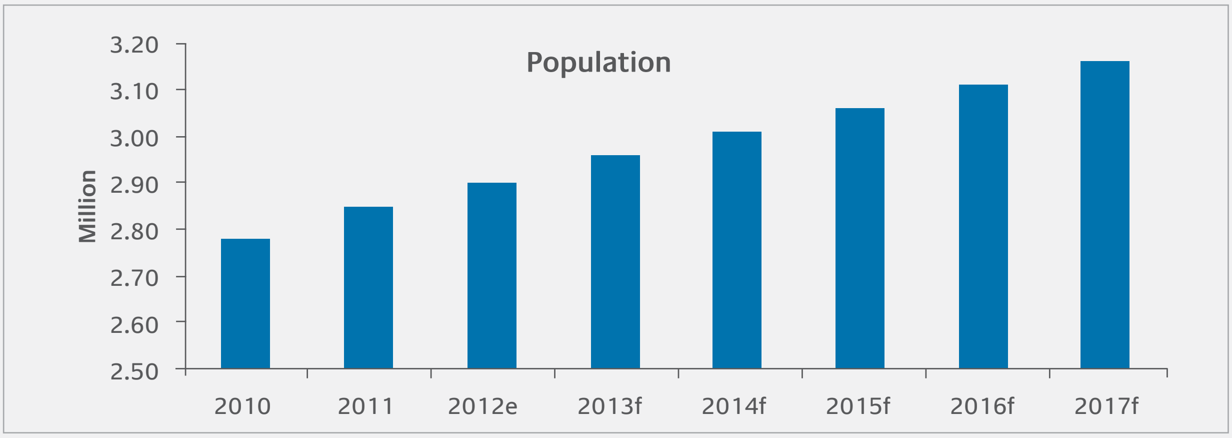
Oman's economy has benefitted from relatively stable political climate and supportive economic policies. This includes infrastructure and increased budgetary support for the non-oil sector, such as airports, roads and port projects. This growth was primarily driven by the contribution of oil and gas activities, highlighting the continued importance of the oil sector in Oman's economic activities. Future projections for GDP, current account balances and oil production remain strong.



Source: Ministry of National Economy, BMI Forecasts Report Q2 2013

Note: e BMI estimates, f BMI forecasts

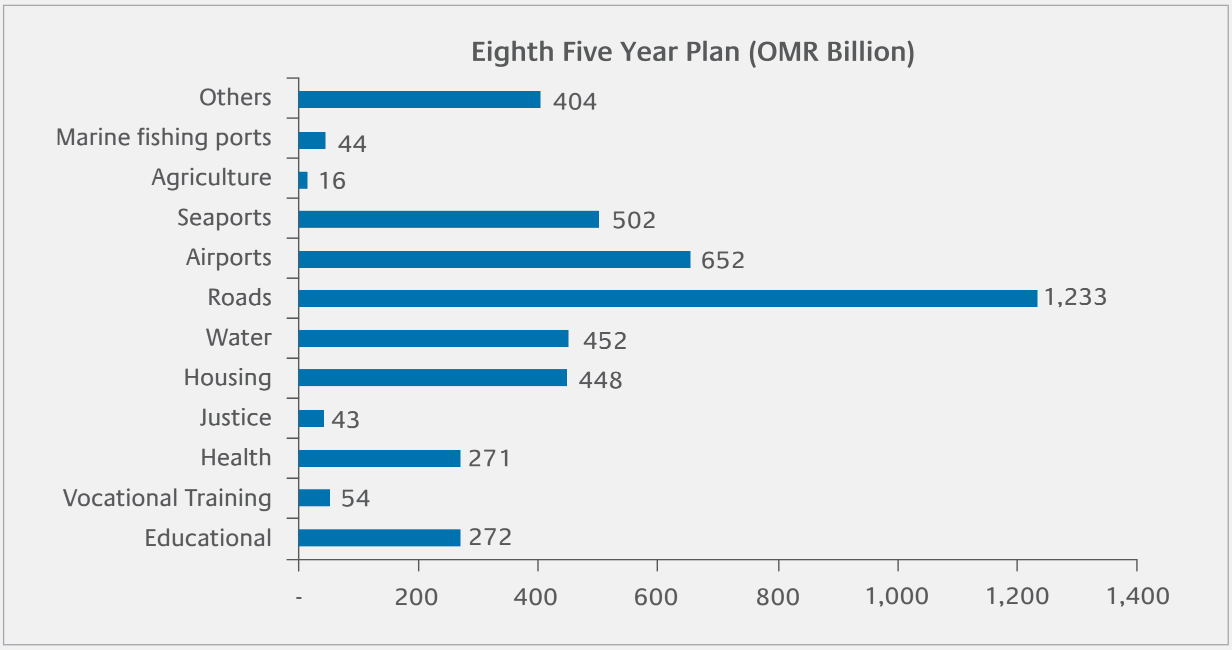
Based on the census, the population of Oman reached 2.85 million in FY 2011. The growth of the population has been accompanied by a rise in the demand for insurance services for both individuals and corporates, such as health insurance and casualty insurance.



Source: World Bank/UN/ BMI Forecasts Report Q2 2013

Note: e BMI estimates, f BMI forecasts

Eighth Five Year Plan reflects the Government's action plan for the period from FY 2011 to FY 2015. At OMR 7.5 billion, the average annual Government revenues as projected in the Eighth Five Year Plan are 47.2% higher than those projected for the Seventh Five Year Plan. Similarly, average annual Government expenditure in the Eighth Five Year Plan is projected at OMR 8.5 billion, which represents a 49% increase over the Seventh Five Year Plan. The estimated total deficit is projected at OMR 5.2 billion, and can be attributed to the conservative oil pricing policy set by the Government. Government spending, increase in business registrations and foreign investment are expected to drive the demand for corporate insurance. The budgeted expenditure by economic segments for the Eighth Five Year Plan is illustrated below:



Source: MONE

In FY 2011, a number of Royal Decrees were issued to promote employment and support the local population. Some of these decrees include introduction of the following measures:

- Providing a monthly benefit to the unemployed
- Create around 50,000 government jobs
- Allowance for students to achieve further development and provide a decent living
- Cost of living allowance to all military and security apparatus as well as all government units
- Raising the social insurance pension by 100% for all the persons registered at the social development ministry

It is expected that these decrees will positively affect the consumers' budget in addition to the growth of the healthcare sector and will improve the investment environment.

Evolution of the Omani insurance sector

The insurance sector is considered one of the pillars of the financial services sector in the Sultanate, through the provision of risk transfer mechanisms and encouragement of long-term savings. The CMA has encouraged the development process of the insurance sector and enhanced its role in the national economy. The CMA issued a number of circulars, regulations, laws and directives to introduce best international practices whilst maintaining consideration for the characteristics and uniqueness of the local market. In view of the liberalization policy and the aim of enhancing competition, the CMA renewed the licenses of existing companies and licensed a number of new companies to carry out the insurance business in the Sultanate. 21 insurance companies are licensed to operate in the Sultanate along with a reinsurance company and 29 insurance brokers. CMA initially approved establishment of three Takaful insurance companies to carry out business in the Sultanate after the decision of His Majesty Sultan Qaboos to allow Islamic financing institutions to operate in the Sultanate.

Insurance market performance

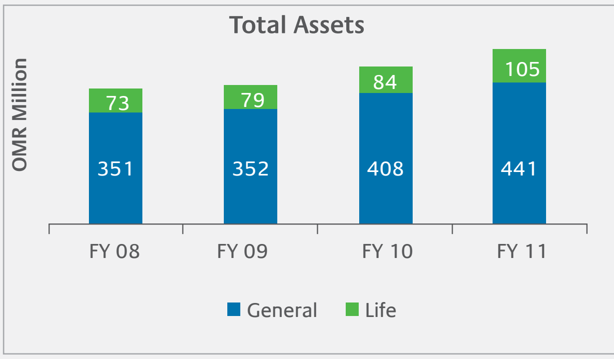
The insurance market in the Sultanate continued its growth in FY 2012. Gross value of direct insurance premiums grew by 17.9% in FY 2012 compared to a growth rate of 14.2% in FY 2011 with an increase of OMR 50 million. Gross value of such premiums was OMR 329.7 million compared to OMR 279.6 million in FY 2011. Properties insurance recorded the highest growth at 29%. The growth rate achieved in the total direct insurance premiums during FY 2012 reflected positively on the gross net premiums which are the premiums calculated after deduction of reinsurance. Net gross premiums in FY 2012 stood at OMR 173 million resulting in a growth rate of 21.4% over the previous year. Motor insurance has recorded the largest share of the net insurance premiums at 66.7% in the Sultanate.

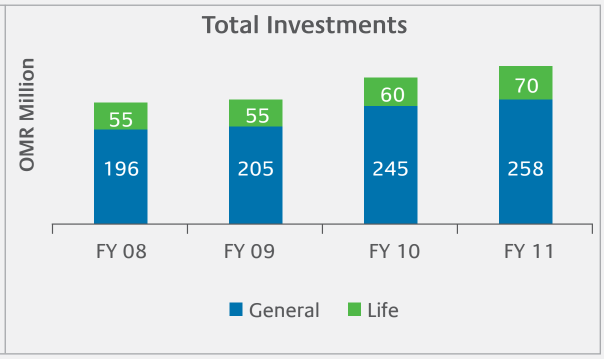
Reinsurance in FY 2012 represented 47% of the gross direct premiums (about OMR 157 million) compared to 49% in FY 2011. Reinsurance in properties, transport and engineering insurance is the highest compared to other branches of insurance, which is considered a drain for the local reserves of foreign currencies and a loss to the national economy.

Assets and investments in the insurance sector

The Omani insurance sector has witnessed strong expansion in assets and investments over the period from FY 2008 to FY 2011 with the advent of new players and growth of the insurance segment. Total assets owned by the insurance companies operating in Oman stood at OMR 546 million as at the end of FY 2011 compared to OMR 423.6 million in FY 2008. This represents a CAGR of 9% over the same period. Non-life insurance assets increased from OMR 351 million to OMR 441 million representing a CAGR growth of 8%, while life insurance assets increased from OMR 72.6 million to OMR 105.2 million at a CAGR of 13% over the period from FY 2008 to FY 2011.

Total investments by the insurance companies stood at OMR 328 million as at the end of FY 2011 compared to OMR 251.6 million in FY 2008 recording a CAGR of 9% over the same period. The non-life insurance investments increased from OMR 196 million to OMR 258 million representing a CAGR growth of 10% while the life insurance investments increased from OMR 55 million to OMR 70 million at a CAGR of 8% over the period from FY 2008 to FY 2011.





Source: Insurance Market Review 2008-2011

Insurance depth and density

Insurance depth is the rate of gross subscribed premiums to the GDP. According to the table below, the insurance depth increased to 1.10% in FY 2012 as compared to 1.04% in FY 2011.

Insurance depth (2008-2012)

% of GDP	2008	2009	2010	2011	2012
Total health insurance	0.18	0.22	0.18	0.23	0.29
Total general insurance	0.73	1.10	0.90	0.81	0.81
Total	**0.90**	**1.32**	**1.08**	**1.04**	**1.10**

Source: MONE

Insurance density is the individual spending rate on insurance (gross subscribed premiums divided by population). According to the table below, the insurance density increased to OMR 109.9 in FY 2012 as compared to OMR 84.9 in FY 2011.

Insurance density (2008-2012)

Individual spending (OMR)	2008	2009	2010	2011	2012
Total health insurance	14.3	12.7	14.7	18.4	28.7
Total general insurance	58.3	62.2	73.6	66.4	81.2
Total	72.6	74.9	88.3	84.9	109.9

Source: MONE

Gross subscribed premiums by the lines of business

Insurance activities are broken down to five categories, namely marine, property, motor, life and medical and other insurance. Motor insurance and life & medical insurance represented 67% of the gross subscribed premiums in FY 2012. Motor insurance maintained its position as the largest insurance activity, with its share amounting to 41.2% of the gross subscribed premiums. Life and medical insurance took second place with 26.1% of the gross subscribed premiums. It was followed closely by property insurance which took a share of 13.0% of the gross subscribed premiums.

Motor insurance constitutes the largest part of the gross premiums with OMR 135.8 million as compared to OMR 114.8 million in FY 2011 which is an increase of 18.2% over the previous year. Life and medical insurance comes second with a gross premium of OMR 86.1 million as compared to OMR 60.8 million in FY 2011, an increase of 42%.

The following table shows the total value of subscribed premiums distributed by line of business for the period FY 2008 to FY 2012:

OMR (million)	2008		2009		2010		2011		2012	
Lines of business	Gross Premiums	% of Gross	Gross Premiums	% of Gross	Gross Premiums	% of Gross	Gross Premiums	% of Gross	Gross Premiums	% of Gross
Marine	15.8	7.6	15.0	6.3	14.9	6.1	17.5	6.2	12.2	3.7
Property	31.9	15.3	47.6	20.0	48.3	19.7	41.5	14.9	42.7	13.0
Motor	89.6	43.0	101.0	42.5	103.8	42.4	114.8	41.1	135.8	41.2
Life & Medical	41.1	19.7	40.4	17.0	40.9	16.7	60.8	21.7	86.1	26.1
Others	29.9	14.4	33.8	14.2	37.0	15.1	45.0	16.1	52.8	16.0
Total	208.3	7.6	237.8	100.0	244.8	100.0	279.6	100.0	329.7	100.0

Source: CMA

Net subscribed premiums by the lines of business

Net subscribed premiums are the premiums held by insurance companies after deducting premiums assigned to local and international re-insurance companies from gross subscribed premiums. As per the table below, the net subscribed premiums increased by 21.4% from OMR 142.5 million in FY 2011 to OMR 173 million in FY 2012. Motor insurance and life & medical insurance constituted approximately 88% of the total net subscribed premiums in FY 2012.

Motor insurance maintained its position as the largest insurance activity with a share of OMR 115.3 million or c.66.7% out of the total net subscribed premiums. Life & medical insurance was second at OMR 36.6 million.

The following table shows the total net subscribed premiums by line business for the period FY 2008 to FY 2012:

OMR (million)	2008		2009		2010		2011		2012	
Lines of business	Net Premiums	% of Net	Net Premiums	% of Net	Net Premiums	% of Net	Net Premiums	% of Net	Net Premiums	% of Net
Marine	4.6	4.2	4.4	3.5	3.3	2.6	3.9	2.7	2.7	1.6
Property	3.0	2.7	4.1	3.2	3.9	3.0	3.0	2.1	2.9	1.7
Motor	71.9	65.6	85.1	66.9	83.2	65.1	90.9	63.8	115.3	66.7
Life & Medical	18.0	16.4	20.2	15.9	22.2	17.3	26.3	18.4	36.6	21.2
Others	12.0	11.0	13.5	10.6	15.2	11.9	18.4	12.9	15.4	8.9
Total	109.6	100.0	127.3	100.0	127.7	100.0	142.5	100.0	173.0	100.0

Source: CMA

Retention ratio by the lines of business

Retention ratio is a measure for the premiums retained by the insurance company and is calculated by dividing net insurance premiums by gross subscribed premiums.

The overall retention ratio of insurance companies in the Sultanate increased from 51.0% in FY 2011 to 52.5% in FY 2012 as a result of the rise in the retention ratio for motor and life & medical insurance, which constitutes 87% of the total net subscribed premiums. Retention ratio for motor insurance amounted to 84.9% and life and medical insurance amounted to 42.5% in FY 2012.

The following table shows the total retention ratio by line business for the period FY 2008 to FY 2012:

Retention ratio	2008	2009	2010	2011	2012
Lines of business					
Marine	29.5	29.5	22.5	22.3	22.4
Property	9.4	8.6	8.0	7.3	6.8
Motor	80.3	84.3	80.1	79.2	84.9
Life & Medical	43.9	50.0	54.2	43.2	42.5
Others	40.2	39.9	41.0	41.0	29.1
Total	52.6	53.5	52.2	51.0	52.5

Source: CMA

Employees in the insurance sector

Recent years have witnessed consistent focus on the structural development of the national economy, improvements in productivity, and on improving the investment and business environments. This has resulted in the expansion of the private sector's participation and the increase of the non-petroleum sector's contribution of the total national production. This has led to a number of promising private investment and employment opportunities.

The number of employees in insurance sector in the Sultanate reached 1,909 in FY 2011 compared to 1,925 employees in FY 2010. The Omanization percentage in insurance sector reached 58.8% of the total work force in FY 2012, an increase of 1.1% in comparison to FY 2011. However, it is below the prescribed ratio of 65% at the end of FY 2012.

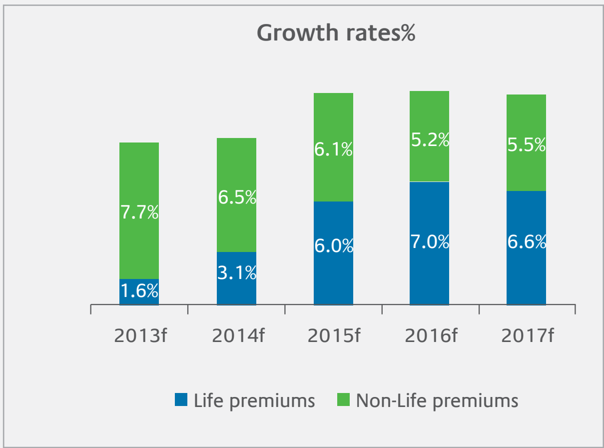
Competition

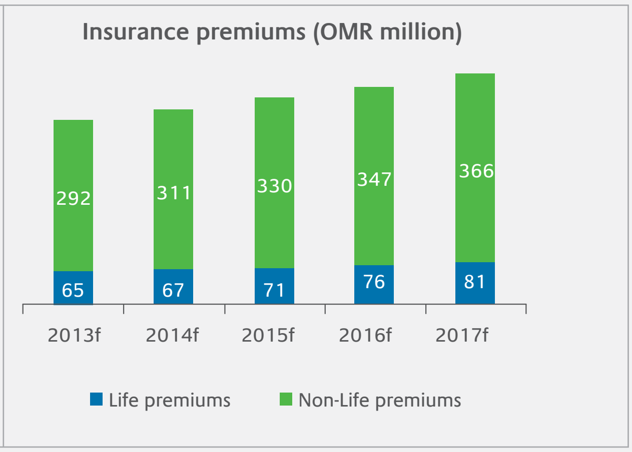
The insurance sector in the Sultanate is highly competitive. Twenty one insurance companies are currently licensed, with three additional insurance companies (including the Company) seeking approvals for Takaful licensing. The competition is expected to intensify between the Company and recent entrants seeking to obtain and increase their market share by offering competitive prices and innovative insurance products.

Dhofar Insurance Co. SAOG is the largest insurance company in terms of GWPs amounting to OMR 54.3 million as of FY 2012. The top 8 companies (including branches of foreign companies) in terms of the GWPs are Dhofar Insurance Co. SAOG, National Life & General Insurance Company Oman SAOC, Oman United Insurance Co. SAOG, Al Ahlia Insurance Co. SAOC, The New India Insurance Co. Ltd. Oman, Oman Qatar Insurance Co. SAOC, AXA Insurance and the Company. These companies have a combined market share of 75% of the total GWPs in the Sultanate.

Projected growth of the insurance sector

Total insurance premium in Oman is projected to grow from OMR 357 million in FY 2013 to reach OMR 447 million in FY 2017 with a CAGR of 5.9%. Among the sub segments, total non-life premiums are expected to grow at a CAGR of 5.8% over the period from FY 2013 to FY 2017 to reach OMR 366 million in FY 2017. Penetration ratio for non-life insurance is projected to grow at 1% over the period. Accordingly, total life premiums are projected to grow at a CAGR of 5.7% over the period from FY 2013 to FY 2017 to reach OMR 81 million in FY 2017 with the penetration ratio growing from 0.2% in FY 2012 to 0.21% in FY 2017.





Source: BMI Oman Insurance Report Q2 – 2013 / CMA

Chapter 8:

Takaful market overview

Takaful and its key features

Takaful is defined as a cooperative system of Islamic insurance concept, which is grounded in Islamic muamalat (Islamic banking), observing the rules and regulations of Islamic law. Conventional forms of insurance are prohibited under Islamic law as they contain elements of maysir, gharar and riba.

Conventional Insurance (non-mutual)	• The company accepts premiums from the insured at a level which it anticipated will cover claims and result in a profit. This process of anticipation is akin to maysir (speculation) • The insured pays premiums to the company in exchange for indemnity against risks that may not occur. This process of ambiguity is akin to gharar (uncertainty) • The company engages in investments that derive their income from interest and /or prohibited industries. This process is akin to riba (usury) and/or relates to haram (prohibited activities)
Takaful	Takaful is based on principles of Ta-awun (mutual assistance) that is Tabarru (voluntarily) provided. Takaful is similar to conventional cooperative insurance whereby participants pool their funds together to insure one another
Five key elements	• Mutual Guarantee - The basic objective of Takaful is to pay a defined loss from a defined fund. The loss is borne by a fund created by the donations of policyholders. The liability is spread amongst the policyholders and all losses divided between them. In effect, the policyholders are both the insurer and the insured • Ownership of Fund - Donating their contribution to the Takaful fund, policyholders are owners of the fund and entitled to its profits (this varies slightly between the adopted models which are described later) • Elimination of Uncertainty - Donations, causing transfer of ownership to the fund, are voluntary to mutually help in the case of policyholder's loss without any pre-determined monetary benefits • Management of the Takaful Fund - Management is by the operator who, depending on the adopted model, utilises either (or a combination) of two Shariah compliant contracts, namely mudarabha or wakala • Investment Condition - All investments must be Shariah compliant, which prohibits investment in haram industries and requires the use of instruments that are free of riba

Source: The World Takaful Report, Ernst and Young 2012

Key features of Takaful

- The customers (policyholders) of the Takaful business agree to pool their contributions and share the liability of each policyholder. So if one policyholder has to be paid a claim, this is paid out of the combined pool of the policyholders' contributions

- As with mutual insurance, the policyholders share in the profit and loss of the Takaful business, i.e. the policyholders all share the insurance risk – they do not give the risk to the Takaful Company (as occurs in a conventional shareholder insurance company). Consequently, if at the end of a financial year, the Takaful business makes a surplus, this is shared between the Takaful policyholders
- If at the end of the financial year the policyholders' fund makes a loss, this deficit is funded by an interest-free loan from the shareholders' fund. The shareholders' fund is then repaid the loan from any future surpluses of the policyholders' fund. The shareholders cannot access the capital from the policyholders' fund except when the interest-free loan is being repaid
- The assets of the Takaful business are expected to be invested in Shariah compliant assets. For example, investments can't be made in gambling institutions, businesses that make alcohol, businesses that sell weapons or assets that pay interest
- The operators of the business are paid explicit fees for setting up and running the company on behalf of the policyholders. These fees are expected to cover all the setting-up costs, running costs and profit loading of the shareholders and are the only way that the shareholders are remunerated. The profit loading may be done by way of performance fee based on agreed performance parameters
- After the fees are deducted, any surplus arising from the Takaful business is shared amongst the policyholders only. These explicit fees are in the Takaful contract that each policyholder signs with the Takaful company and are fully transparent

Models for Takaful companies

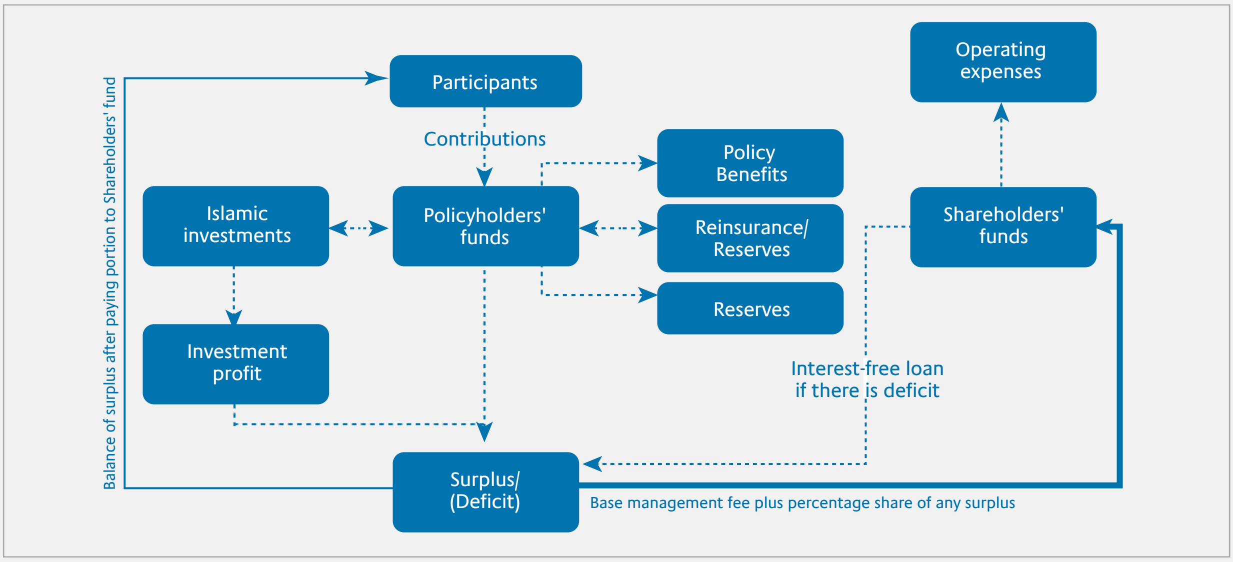
There is no unique operating model for Takaful companies, as each country has its preferred model. However the most widely used models are Mudarabha, Wakala and the hybrid model.

Mudarabha model

This is known as the profit-sharing model. The shareholders share in the profit or loss with the policyholder. In this model, the shareholders are paid:

i) A pre-agreed proportion of any surplus generated by the policyholders' fund in return for running the insurance operations of the Takaful business on behalf of the policyholders. If the policyholders' fund makes a loss, the operator provides an interest-free loan as explained above; and

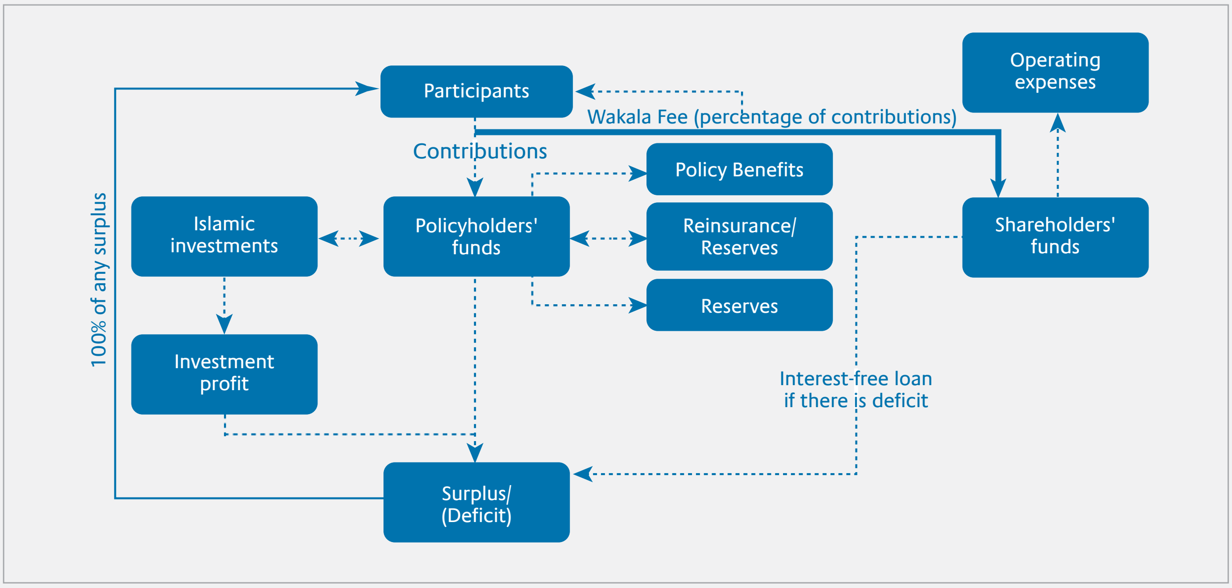
ii) A pre-agreed proportion of any investment income from investing the policyholders' fund's assets on behalf of the policyholders



Source: PriceWaterhouse Coopers, Takaful: Growth opportunities in a dynamic market 2012

Wakala model

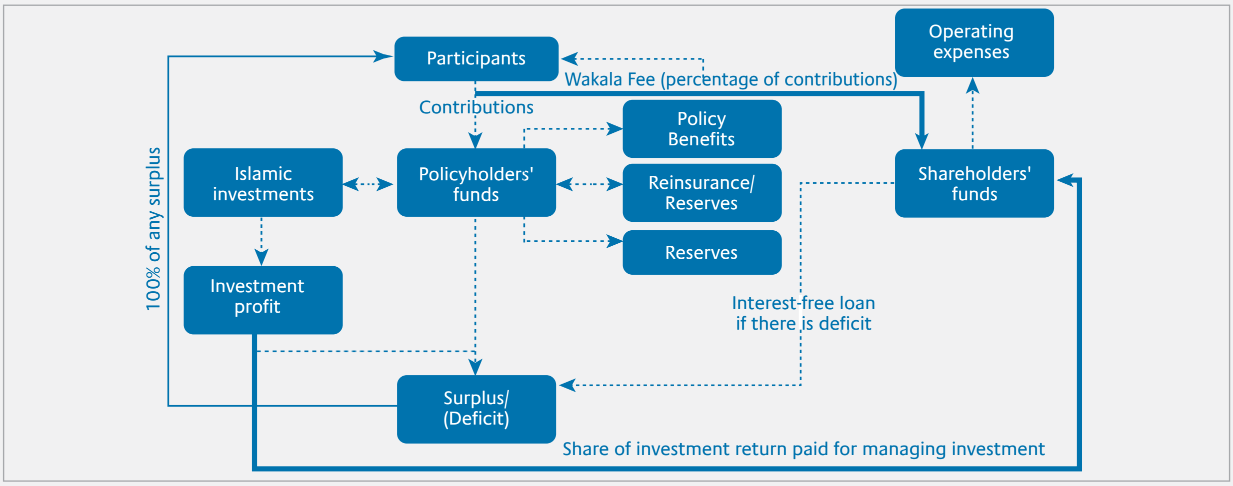
In this model, the operator acts as an agent of the participants. The shareholders are paid a pre-agreed proportion of the contributions paid by the policyholders in return for running the insurance operations of the Takaful business on behalf of the policyholders. If the policyholders' fund makes a loss, the operator provides an interest-free loan to the policyholders' fund that is repaid out of future surpluses in the fund.



Source: PriceWaterhouse Coopers, Takaful: Growth opportunities in a dynamic market 2012

Hybrid model

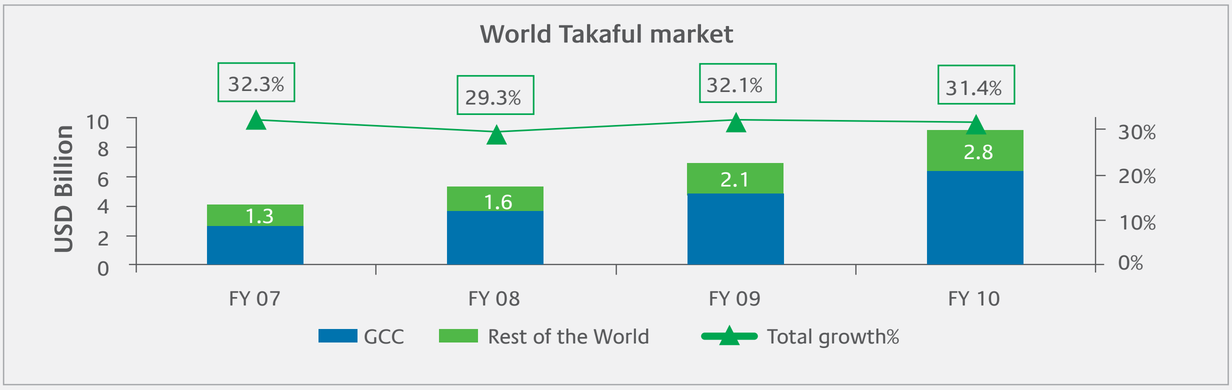
Hybrid model is a mix of the Mudarabha and Wakala models. In this model, the operator receives a Wakala Fee for managing the insurance operation of the policyholders' fund as well as a Mudarabha Fee for managing the investment fund of the policyholders.



Source: PriceWaterhouse Coopers, Takaful: Growth opportunities in a dynamic market 2012

Takaful market

Takaful is one of the fastest growing segments of the global insurance market. Global takaful contributions reached USD 9.2 billion in FY 2010, representing a growth of c.19% in FY 2009 and a combined CAGR of 29% between FY 2005 and FY 2009. Based on the World Takaful Report 2012 by Ernst & Young, the global Takaful market was expected to reach USD 12 billion in FY 2012 with around 70% of contributions forecasted to be in GCC alone.

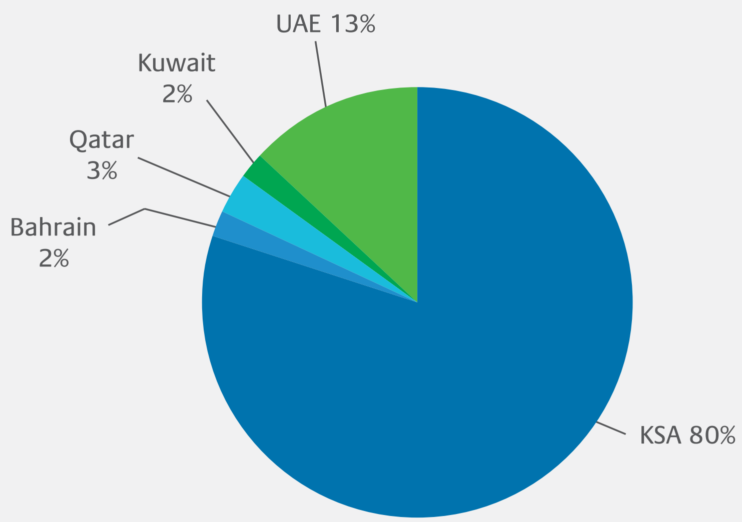


Source: BP Report, World Takaful Report 2012 – Ernst & Young

According to the BP Report, the 1.6 billion global Muslim population has one of the highest proportions of young adults, indicating a proportionately higher need for Takaful protection against risks. Although Muslim countries represent 25% of world population, they only account for a small proportion of global insurance premiums, indicating under-penetration of insurance in Muslim countries and opportunity for growth.

A number of international Takaful providers have looked to capture this pent-up demand and grow their operations. In FY 2012, there were over 160 Takaful operators world-wide, with the major concentration being in the Middle East and North Africa region. In the GCC, over 77 companies are licensed to offer Shariah compliant insurance products. Within this region, KSA dominates the Takaful market with nearly 80% of the Takaful market share in FY 2011. Despite a gross Takaful contribution of USD 6.4 billion (including Saudi co-operatives) from the GCC markets in FY 2010, Oman currently has no share of the regional market.

Regional Takaful market share (2011)



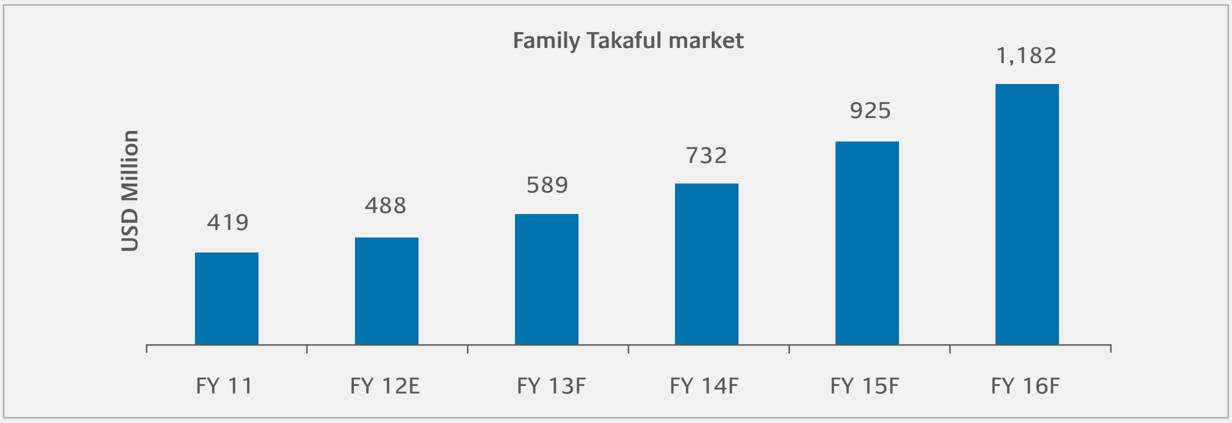
Source: World Takaful Report 2012 – Ernst & Young, BP Report

Untapped potential

The takaful industry is currently limited to a few markets, segments and business lines. However, there is an unrealized potential that can be achieved. The key areas for the untapped potential takaful industry are:

a) Potential market space in Takaful hubs

The share of Islamic finance in GCC and Malaysia is 25% and 22% respectively, whereas Takaful market share is 15% and 10% respectively. Takaful has atleast 10% of the known Shariah inclined market that has not yet been tapped. As the industry matures and establishes stronger distribution capabilities, this additional market space is expected to be captured. The Takaful sector is expected to grow at a CAGR of 23.0% between FY 2011 and FY 2016 to USD 1.2 billion. The brisk rate of expansion in the family Takaful segment is likely to help in improving the overall life insurance penetration and density in the GCC. It is believed that Islamic banking, which has now developed a strong footprint in the region, would play a key role in helping Takaful providers to reach a large audience through the banctakaful channel (Islamic variant of bancassurance).



Source: The Global Family Takaful Report 2013, Milliman
Note: E= Estimated; F=Forecast

b) Untapped business segments

The GCC Takaful market predominantly comprises general Takaful business, with family Takaful accounting for as little as 5% in certain markets. With high disposable average income and low market penetration, GCC presents immense potential for family Takaful. Additionally, implementation of government directives regarding compulsory medical and motor insurance have fuelled a strong growth of these insurance lines in these countries. Other insurance markets also tend to witness above-average growth in anticipation of such policies being introduced in the near future, as governments in all the Gulf countries are focusing on reducing their public healthcare burden by bringing maximum number of residents under insurance coverage.

Medical insurance schemes for local and expatriate residents have already been introduced in some GCC countries, with other countries expected to follow soon. Implementation of compulsory health insurance programs in select areas of the GCC in the near future, and eventually across the entire region, is likely to create strong growth avenues for insurers in the health insurance segment. Further, a widespread prevalence of lifestyle-related diseases is anticipated to push overall healthcare spending higher.

Obtaining third-party motor insurance is also compulsory in all GCC nations. Hence, growth of the motor insurance segment is likely to mirror the trend of new vehicle sales, which posted strong growth in most parts of the region in FY 2012. Outlook of the automobile market in the GCC is optimistic, and the impact of new vehicle sales growth is expected to cascade on the insurance industry. Apart from these two major insurance lines, there are other insurance types which are compulsory in certain GCC countries like workman's compensation and professional liability.

c) Large untapped Muslim population

Conventional insurance has penetrated a small percentage of the 1.6 billion market of Muslims globally. A combination of factors such as religious inclinations, inadequate insurance distribution and lack of education around insurance products, provides huge potential for Takaful in this untapped market segment. A sizable portion of Muslim countries are characterized by relatively low income households and low insurance penetration rates. This may be due, in part, to religious views towards conventional insurers and the lack of suitable products for the low income markets. Large Muslim markets such as Libya, Egypt, Bangladesh, Indonesia and Brunei are opening up to Takaful.

d) Higher awareness

In a broad sense, voluntary demand for insurance products in the GCC is weak, not only in the personal business lines but also in commercial lines. However, recent political and catastrophic events are likely to create increased awareness about the benefits of insurance. Although intensity of political uncertainty in the MENA region has subsided from its peak, sporadic incidents continue to take place. Such events and the associated losses have heightened the levels of risks and losses associated with operating businesses in the GCC. In turn, this has made enterprises more proactive in insuring their properties and personnel, and may even induce them to purchase insurance plans with higher coverage and premium. Natural occurrences like the floods in Saudi Arabia in 2009 and 2011 and cyclones such as Gonu (2007) and Phet (2010) in Oman, have prompted more businesses to insure themselves against such potential risks.

There is limited awareness of insurance products, savings and retirement plans in most Muslim countries. Conventional distribution channels are being used to target the Takaful market. Direct sales force, agencies, banctakaful partners have limited training on Takaful and its unique selling proposition, which could be focused to enhance the sales productivity.

e) Potential of value driven segment

The word Takaful is synonymous with insurance conducted the Islamic way, more particularly, insurance as per Shariah. What this means and is not often talked about is that Takaful represents transparent and ethical of doing business. The level of governance and disclosure is higher as a Shariah committee oversees all transactions that may have an impact on the policyholders. Takaful therefore finds special meaning for those customer segments notwithstanding their religious belief that attaches importance to value based business transactions. As Takaful is open to Muslims and Non-Muslims alike, this represents a niche segment especially in the area of life insurance.

Takaful in Oman

Royal Decrees No. 114/2011 and No. 69/2012 have paved the way for the introduction of Islamic finance in Oman. Several facets of the decrees have been implemented in a phased manner, with the first wave consisting of Islamic banking, followed by Takaful and then sukuk, or Islamic bonds. The insurance sector comes under the remit of the CMA, which has been developing the new regulations for Takaful.

a) Key drivers of Takaful

A large part of population has been reluctant to purchase life insurance due to religious beliefs that categorize conventional insurance products as being against the Shariah principles. In such a scenario, the Takaful industry is a vital means of increasing acceptance and awareness of insurance in the country, and thus, a channel for leveraging the ample opportunities offered in the relatively untapped market.

- **Favorable demographic trends**

  Between FY 2010 and FY 2012, the population in Oman grew at a CAGR of 2.1%. Higher life expectancy, robust economic growth, shortage of local workforce and attractive employment opportunities are the major factors contributing to the expansion of population in the country. An expanding population characterized by an increasing representation of expatriates, offers a large window of growth opportunity for the country's insurance industry.

  At the same time, life expectancy of the population is also trending upwards. While the youth constitute a significant portion of total residents with c.37% of the population below the age of 20 years, demographic constitution is gradually shifting towards a higher average median age. A higher life expectancy and ageing of population is also expected to have a positive impact on the demand of insurance products in the country. Further, the vast majority of Oman's population is Muslim. Oman's relatively young Muslim population provides an opportunity for penetration growth and Takaful.

- Demand for Takaful

  Historically, Takaful has been absent in Oman. The role of the Takaful sector in increasing acceptability for insurance is recognized strongly, and the regulatory framework and operational metrics specific to this market is likely to undergo positive changes as the industry evolves. The Omani customers would be faced with the option of insuring themselves with conventional insurance companies or avoid insuring altogether. It is expected that, in some cases, some customers who are insured through conventional companies may also be drawn to Takaful products if offered the option. In addition to the potential for Takaful penetration as a share of the existing insurance market in Oman, studies identify that there exists an "only Islamic" segment that is currently absent from the market (Source: World Takaful Report 2012 – Ernst & Young). c.20% of the potential customers are those which shall not participate in the market unless a Shariah compliant product is available.

- Under-penetrated market

  The introduction of Takaful in Oman is expected to draw uninsured sections of the population in Oman into the insurance sector. The insurance density in Oman is lower than the average insurance penetration in GCC. Hence, it appears that there is a room for growth in the insurance sector, which could support growth in Takaful. Government initiatives and continued support for economic development, as outlined in the Vision 2020, is also likely to support Takaful and the insurance sector as a whole.

- Strong economic growth

  In recent years, the Omani economy has faced hurdles in the form of global economic slowdown, lower oil demand, and overheating in the real estate sector. However, despite these challenges, medium to long term outlook remains positive on large fiscal surpluses, government-sponsored stimulus measures, and favorable monetary policies. Sustained economic growth is, in turn, likely to support expansion of the general income levels of people. Between 2012 and 2017, GDP per capita at purchasing power parity in Oman is projected to experience growth of 2.5% (Source: IMF – April 2013). The government is investing heavily in infrastructure, construction, retail, tourism, and other sectors to promote economic diversification. These investments are likely to create a growing base of high value insurable assets, thus providing new underwriting opportunities to insurance companies. The pace of growth of insurance premiums is forecast to outpace that of GDP in view of the current low levels of insurance penetration. Further, expansion of income levels and low median age of residents suggests a strong propensity for acquiring personal assets.

b) Key challenges for Takaful

Takaful sector in Oman will need to address a number of challenges:

- Awareness about insurance in general and Takaful in particular

  Awareness about insurance and its benefits remains low among the consumers and small and medium sized businesses. Many fail to recognize insurance as an effective means of wealth protection, savings, and security. The concept of Takaful products is new to Oman. Therefore, creating awareness about Takaful and its positioning as a Shariah compliant offering will be challenging. Takaful will need to be presented as a Shariah compliant alternative to conventional insurance. Potential customers will also need to be educated on different products and services offered by Takaful companies.

- Evolving regulations

The draft Takaful Regulations are in the process of being finalised. In addition to the CMA, there could be additional stakeholders, such as the Shariah Board, which could decide on the different products being offered under Takaful. Hence, Takaful companies could be under scrutiny in their initial years of operation, and regulation of the Takaful industry is likely to evolve as the industry grows and matures.

- Need for skilled personnel

The insurance sector faces severe shortage of skilled local workforce. The Takaful industry is expected to face a shortage of experienced personnel with prior Takaful experience in the local market. This has, in turn, affected the underwriting and risk-bearing capabilities of companies while increasing their operating overheads. Recruitment, retention and training of experienced personnel will take time. Hence, the Takaful sector will, in part, depend on experienced personnel from overseas.

- Competition

The insurance industry is over-crowded as a number of domestic and international companies serve the limited sized market. Resultantly, many participants have failed to reach a reasonable scale of operations. This has resulted in a fragmented market structure where a large number of small companies compete for business. Competition is particularly intense in personal insurance lines, like motor and medical. Recently established and smaller companies are likely to suffer the most, which severely hampers their profitability and return on assets. At the same time, low levels of penetration and potential for growth continue to attract new companies.

Takaful companies will need to differentiate themselves based on the strength of their product offering and service quality. Companies with robust plans for customer conversion and acquisition and innovative product offerings are likely to gain a competitive advantage.

- Declining profitability

The profitability in the GCC insurance industry has been on a downtrend, having declined from 27.9% in 2007 to 9.0% in 2011, even as the overall market size grew. Omani insurance companies has experienced decline in their profitability levels (net profit as a % of GWP) from 19% in 2007 to 4% in 2011. The overall softness in profit margins is primarily attributable to diminishing profitability in technical operations, an inefficient operating model, low scalability and falling investment yields. If the profit margins continue to decline, this could provide acquisition opportunities, especially for global players in the market. While this may lower competition, it is not likely to reinstate the industry profitability by itself. There is strong need for all the insurance providers to reassess their operating models to halt further profitability erosion and possibly achieve margin expansion.

c) Critical success factors

Given that the Takaful market is yet to evolve, Takaful companies will need to consider the following critical success factors in order to successfully compete with their peers:

- Skilled staff possessing Takaful expertise

Takaful companies are expected to suffer from shortage of skilled human resources. The company should have a skilled management team that understands the principles of Shariah and is capable of introducing products and services that comply with these principles. Retention of skilled employees possessing Takaful product experience is very important as significant competition for resources might lead to aggressive recruitment strategies backed by attractive remuneration.

- **Robust infrastructure**

  Sophisticated ERM techniques are still in the development phase in the country. A growing number of insurance companies are setting up ERM models to effectively manage risks, maintain the optimum risk-reward balance, and enhance shareholders' value. In view of increasing economic considerations coupled with higher regulatory and rating oversight on the sector, insurers need to adopt a robust ERM program to ensure better controls and support decision-making. Growing intensity of natural, political, and economic risks emphasize the significance of being informed and equipped to effectively manage these uncertainties. Therefore, insurance companies are increasingly in the need of robust and systematic risk management processes.

- **Service quality**

  Takaful companies will need to offer differentiated customer service, develop advocacy, target the 'value seeker' segment and benefit from high customer turnover levels typically associated with the retail customers. Customer service will be the key to successfully engaging with sophisticated corporate customers.

- **Distribution channels**

  Modern distribution channels, like bancassurance and online policy approvals, are increasingly becoming popular. Islamic banks are likely to emerge as an important medium in the marketing and sales of family Takaful products.

Conclusion

Takaful is a new industry in Oman and is expected to grow significantly. Oman is well placed to capture a significant proportion of this growth of the gross Takaful contributions in the GCC. Low insurance penetration, despite strong underlying growth drivers, continues to offer ample opportunities to insurers in the country. The insurance sector is also expected to structurally mature going forward, in line with positive regulatory developments and efforts by some players towards attaining greater operational scale and efficiency.

Chapter 9:

Description of the Company

Overview

The Company is an Omani insurance company incorporated in 2006 to provide comprehensive insurance and risk management solutions to the Omani market. The Company is the 8th largest insurance company in Oman (in terms of Gross Written Premium) with a market share of c.5% in FY 2012. The Company is promoted by leading financial institutions and prominent business houses from Oman and across the GCC.

Islamic finance has gained a wider interest in Oman after the issuance of the recent Royal Decree authorizing the offering of Islamic financial services for the first time in the Sultanate of Oman. This has prompted the Pre-IPO Shareholders to realize their original vision of setting up a Shariah compliant insurance company in Oman.

Vision, mission and value proposition

The Company envisages itself as being a leading Takaful Company in Oman with:

a) Profitability for its Policyholders and Shareholders

b) Satisfaction for its customers

c) Commitment to its employees

The Company's mission statement is: "To provide full range of Takaful products which are Shariah compliant, competitively priced, customized to meet market requirements, and supported by superior customer service".

The Company's value proposition is based on the principles of i) transparency, ii) integrity, iii) teamwork, iv) innovation and v) social responsibility.

Products and Services

The Company provides a wide range of insurance products and services to its customers. Subject to the terms and conditions of each individual policy, these can be classified into the following broad categories:

a) Motor insurance

The Company provides the following three types of motor insurance products in Oman.

i) Motor comprehensive insurance

This product provides insurance cover against loss or damage to motor vehicles and their accessories / spare parts by accidental collision or overturning, fire, external explosion, self-ignition or lightning, burglary, theft, malicious act, whilst in transit by road, etc. This insurance product also covers liability to third party death or bodily injury excluding members of the insured's family or employees or servants and damage to the third party property.

ii) Motor third party fire & / or theft only insurance

This policy covers only loss or damage of the vehicle due to fire, self-ignition, lightning and / or theft in addition to liability to the third party as stated above in part (i).

iii) Motor third party insurance

This policy only covers the liability to the third party, as stated above in part (i), to meet legal motor insurance requirements under Omani Laws. It does not cover the loss or damage to the insured's own vehicle or property or any injuries or death to the insured or family members or employees or servants.

b) Marine cargo and hull

Marine insurance covers the loss or damage of cargo against negligent handling by carriers and third parties held between the points of origin and final destination.

c) Life and medical

i) Life insurance

The Company provides group life insurance. This policy covers benefit to the deceased person's family members for loss of life due to any cause.

ii) Medical life insurance

This insurance provides cover for medical expenses incurred by the employees and their family member's inpatient and outpatient expenses.

d) Engineering

Under this segment, the Company provides Contractor's All Risks (CAR) and Erection All Risks (EAR) insurances. CAR Insurance is designed to cover the risks encountered by the construction projects from its conception stage. This risk covers perils such as fire, wind, theft, vandalism amongst others. The types of construction projects covered under this insurance are buildings such as residential, commercial, industrial, factory etc.

e) General accident

General accident insurance provides cover for a predefined event. The Company provides various types of general insurance, some of which are mentioned below:

i) Group personal accident

This policy compensates the insured participant resulting in bodily injuries or death caused by violent, accidental, external and visible means.

ii) Workmen's compensation

This policy covers the legal liability of an employer to the extent mentioned under Royal Decree 40/77, related to workmen's compensation. This liability devolves statutorily on the employer if his employee, falling under the purview of the definition of «workman», suffers death, bodily injury (both temporary and permanent), and disease arising out of and in the scope of his employment.

iii) Money insurance

The purpose of money insurance is to provide protection against loss of money on an 'all risks' basis. This insurance involves cash notes and coins, cheques, bank drafts, bills of exchange, postal orders and unused postage stamps.

iv) Fidelity guarantee

Fidelity guarantee cover is designed to protect a business against the infidelity of its employees. Fidelity insurance protects against the financial losses arising out of employee fraud or dishonest action.

v) Blanket (un-named) policy

This policy covers all employees and has an overall loss limit (limit of indemnity). This limit is expected to be based on the maximum loss that the Company is likely to suffer at the hands of any one employee or number of them working in collusion.

vi) Collective (named) policy

This policy covers only named employees, either with an individual limit of indemnity against each name or an overall limit of indemnity for any one or all named employees.

f) Liability

Liability insurance protects the insured from the risk of liabilities imposed by lawsuits and similar claims. It protects the insured in the event he or she is sued for claims that come within the coverage of the insurance policy. The Company has designed this insurance to offer specific protection against third party insurance claims, i.e., payment is not typically made to the insured, but rather to someone suffering loss, who is not a party to the insurance contract.

g) Fire and property

This policy covers assets like buildings, machinery, office equipment, furniture fixtures and fittings, inventory, etc against perils such as fire, lightning, explosion, aircraft damage, flood, storm, earthquake, etc. There are a wide range of 'Add on' covers available as part of this option.

Key departments of the Company

a) Commercial (motor, life & medical and SME segments)

The commercial department is expected to deliver the core revenues for the Company. This is led by a General Manager with strong experience in retail and personal line product distribution and sales management. His main responsibility is to establish efficient distribution, undertake product development and recruit skilled resource in addition to business development.

b) Specialty

The Specialty department specialises in large businesses, which require special risk management, technical skill sets, and risk and coverage information between insured, insurer and the reinsurer. The department leverages its strategic partnerships to develop strong relationships with the target businesses. This department is led by a General Manager who has a technical and risk management background, and is experienced in dealing with complex business risks.

c) Claims

The claims department is an important constituent of the Company's business strategy, since it gives an opportunity to the Company to test its insurance products through its customers. This department plays an important role in retaining the existing clients and acquire new clients by adhering to its high standard of claims service. An experienced General Manager reporting to the CEO leads the claims department. He has over 10 years of experience in handling claims in large multinational insurance company.

The main objective of the General Manager is to set claims service standards that exceed expectations of the customers. This involves formulating robust processes for handling claimants, their claim intimations, verifying coverage, investigating losses and adjusting them directly or through independent loss adjusters and processing all documents within the time stipulated in the Company's SLAs. The Company has a grievance handling process that treats the complainant with respect and ensures that their complaints are addressed within a set time frame in a process that is transparent and simple.

Takaful contract liabilities towards outstanding claims are made based on claims intimated to the Company and still unpaid at the end of the reporting period, in addition to claims incurred but not reported. The unearned contribution considered in the Takaful contract liabilities comprises the estimated proportion of the gross contributions written which relates to the periods of takaful subsequent to the end of the reporting period. This provision is made based on the higher of the amount required on the basis of time apportionment and the minimum rates prescribed by the Oman Insurance Company Law of 1979 which is 45% of the net retained contributions for the year for all classes of business.

d) Internal audit

The internal audit department is headed by a General Manager who directly reports to the audit committee that in turn reports to the Board of Directors. The main duties of the internal audit department is to follow the set standards and means of internal audit in accordance with the rules and regulations of the Company, manage the auditing process and ensure the proper application of internal audit rules and procedures in the Company. It also ensures full compliance with the regulations and requirements of the CMA and ensures the implementation and compliance with financial procedures. It conducts periodic inspection of the Company's revenues, expenses, financial regulations, accounts and insurance premiums to ensure that they are carried out in accordance with the terms and conditions of insurance policies and that all claims and benefits are paid immediately. The internal audit department also prepares reports on the performance of all departments of the Company and the degree of their compliance with the rules and regulations and also reporting and discussing the results of the audit process with the Board of Directors.

e) Compliance

The compliance department is headed by a General Manager. The compliance department prepares rules, regulations and policies of compliance and risk management, monitor and assess risks in the Company and the market in terms of fluctuations, make recommendations and implement actions to reduce these risks as well as assess operational risks in IT systems, business operations, internal controls, security systems and credit. It ensures the implementation of necessary actions to reduce these risks, assess liquidity risks in terms of cashflows, the available funds and the ability to market assets and deliver recommendations. The compliance department also coordinates with the other departments regarding compliance issues pertaining to each department. It develops, reviews, and updates conduct and work standards to provide guidance to the Management and employees as well as present reports on a regular basis to the Board of Directors on matters relating to compliance.

f) Human Resource and Administration

This department is led by a General Manager and focuses on talent acquisition, development and management related policies and procedures, and implements programs to bring about a synergy between employee's competencies, business strategy and the key need for a competitive advantage. The department measures the effectiveness of implemented processes, programs and procedures periodically to ensure from continuous improvement perspectives.

The Company has implemented some key programs such as the Hay methodology of job evaluation grading and compensation structure. The department has implemented management development program to improve the skills of line managers and performance management system. The Company has introduced a performance based compensation structure that aligns the Company's objectives with performance of the individuals. The Company is one of the few companies in the Omani insurance sector, to commission a comprehensive study focused on development of Omani talent to assume higher responsibilities in the future and compensation surveys.

g) Finance and Accounts

The Finance and accounts department is headed by a General Manager who has over 20 years of experience in managing such functions in banks and insurance companies in India and the GCC. The main responsibility of the department, is to develop, monitor and direct implementation of financial strategy for the Company, assist in preparation and implementation of annual budgets, ensure implementation of Company's financial policies and procedures. It periodically reviews the effectiveness of Company's internal controls, carries out external audits and submits regulatory returns on time. The department has implemented a number of measures that has resulted in greater efficiency in reporting, collection and managing cash.

h) Investments

The investment department is headed by a Senior Manager and reports to the CEO. The department focuses on diversification, liquidity and risk-return trade-off. As a Takaful company the investment funds consist of two distinct pools. The investment pools of both the funds are managed considering the differing risk and return objectives of the funds.

- **Policyholder's Takaful Fund (PTF)**

  The PTF's return requirements are driven by its liabilities, the most important component of which is claims payable. Given that the PTF has relatively short tail liabilities in its balance sheet, asset/liability management has a more short term perspective driven by the underwriting cycle. Most of the liabilities have duration of one year and investment assets therefore also have short duration. About 80% of the assets are proposed to be invested in assets with maturity of up to 1 year and the remaining 20% in assets with maturity of up to 3 years. As the pool grows, greater diversification is expected to be achieved with higher allocation to riskier securities. The pool will still be invested predominantly in low risk securities. The legal relationship between the Policyholders and the Company, as well as the status of the Policyholders in the Takaful contract has been highlighted in the Takaful insurance policy approved by the Shariah Board. The Policyholder donates the insurance subscription to the Policyholders' fund which is dedicated to handle financial losses incurred by the Policyholders as a result of an accident covered by an insurance policy. In its capacity as a paid agent on behalf of the Policyholders in the Takaful fund, the Company shall manage the technical operations of the fund and its investment assets in a professional manner. The surplus of the Policyholders' accounts shall be inclusive of returns on investment after deducting all the payable claims, technical provisions, administrative costs of insurance operations, and the Company's agency fees. The surplus shall be distributed to the Policyholders. The Company shall not be liable to the deficit if the same does not arise from mismanagement. However, the Company shall cover the deficit in the Policyholders' account by means of Qard Hassan loan, the maximum rate of which shall be equal to the equity funds of the Shareholders. Once a surplus in the fund is achieved, priority shall be given to the repayment of the Qard Hassan loan.

Diversification of the Policyholders' funds will be achieved by investing in different issuers and Islamic Banks and reducing concentration risk. In the initial years diversification among asset classes will be medium as a large part of the fund would be invested in short term and low risk fixed return instruments. Diversification in Shareholders' funds would be medium to high among asset classes with investments in equities, real estate, private equity funds. The company intends to adopt AAOIFI standards for its investments. The investment limit permissible by the CMA is as below:

Asset Class	CMA limits
Cash/Short term Mudarabah (bank deposits)/Sovereign Sukuks	Not less than 30%
Corporate Sukuks	Not more than 30%
Equities, mutual funds and shares of unlisted companies	Not more than 40%
Real Estate	Not more than 20%

All the investments of the Company, Shareholders' Investments and Policyholders' Investments, shall be in compliance with Shariah. Fixed deposits shall be placed with Islamic Banks/windows, all equity investments will follow Shariah principle and the fixed income portfolio shall be invested in Sukuks. The Takaful fund will be managed by the Company. Safety of investments of the Takaful fund is paramount as the objective of the Takaful fund is to meet the cash flow requirements of the insurance business. The investment return requirement and risk tolerance of the Policyholders' fund is low. The Company shall transfer the insurance surplus of the Policyholders' accounts as well as received fees to the reserve of the policyholders' fund in order to carry out insurance operations or investment provisions for policyholders. The remaining portion shall be distributed to the policyholders by the end of the fiscal year in accordance with the distribution mechanisms approved by the Company in accordance with the standards issued by AAOIFI, and shall be subject to the approval of the Shariah Board of the Company.

- Shareholder's Fund (SHF)

SHF's primary objective is capital preservation, current income generation during the initial years and growth of surplus funds. The fund assumes low to medium risk in view of its cash flow requirements. The fund is also expected to fund the deficits in the PTF by providing Qard Hassan. The Shareholders' have committed to provide profit free loan to the Policyholders in the event of deficit or as required by the Regulator to meet solvency requirements. This undertaking has been reflected in the policy contract and articles of association. The investment horizon of SHF is typically 1-3 years.

Separation of funds between the Shareholders fund and Takaful fund: The Company is ready to separate the funds between the Policyholders' accounts and the Shareholders' accounts at all branches of general insurance and family insurance. In this respect, KPMG has issued a report in which it has reviewed the readiness of the accounting systems, IT database, mechanisms of separation and preparation of accounts, accounts book-keeping and financial statements in accordance with the audit standards issued by the AAOIFI. The Shariah Board has also approved this report and has approved the readiness to separate the accounts, carrying out Takaful insurance activities and investment operations. The Company has also opened independent bank accounts for the Policyholders' assets from which payment to the policyholders' fund is made in addition to payment of agency fees and the share of the Company's investment or any other expenses approved by the Shariah Board.

The Company has disclosed the limit of the agency fees in the Takaful insurance contract as well as profit sharing ratio as follows: a) agency fees – maximum percentage of 20 % of the total gross underwritten premiums b) profit sharing ratio – maximum percentage of 80 % of the returns on investment of the policyholders' funds. The

Shariah Board shall determine the percentages that will be applied at the commencement of the fiscal year and shall notify the Policyholders.

The main function of the investment division includes establishing and applying the investment strategy in conformity with the rules and regulations of the regulatory body and objectives of the Company, investing in Shariah approved products as per the investment guidelines, defining the best investment opportunities, applying high standards for the selection of suitable investment opportunities.

The main tasks of the Investment Manager include decision-making on portfolio positioning and investment instrument selection within the restrictions of the mandates, and to monitor and manage operational and total portfolio risk. The responsibilities also include compliance with all applicable laws and regulations governing investments in the Sultanate of Oman and to submit periodic regulatory reports, monitor the performance of investments on a regular basis, and present periodic reports to management on the Company's financial position and progress achieved in various activities.

i) Information Technology (IT)

A reliable IT system enables the business units to achieve their goals in a cost effective manner. In order to achieve this, the IT department engages with each SBU at the time of budgeting and based on the information collected draws up its own annual plan and budget. In addition, the IT department ensures proper implementation, security and maintenance of data and voice network.

The department maintains relationships with suppliers, coordinates with software providers, identifies the needs of the Company for various programs and reports required to comply with business and regulatory requirements.

In the recent times, the IT department has implemented the following three major projects, which has helped the Company in its objective of restructuring and improve profitability.

- Developed a front end application that enables intermediaries and branches to issue policies using a web interface to the Company's core insurance operation application
- Implemented a web based dashboard that provides all managers key performance figures at the start of each day helping them in their decision making process
- Implemented a tool that strengthened Company's motor underwriting and pricing system resulting in a significant increase in profitability of the portfolio

IT also ensures proper system performance, develops policies, procedures, and executes an efficient contingency plan and system recovery in case of system failure. IT has also been responsible for developing business continuity plan and its implementation.

The Company will not depend on any outsourcing of any of its Takaful activities as it has all the abilities necessary to meet the requirements of Takaful functions and operations.

Senior management

The composition of the Company's management team reflects its strategic objectives. The Company functions under a robust organisational structure that reflects the division of roles and responsibilities of the senior management team. The duties and responsibilities of the senior management include:

1- The senior management shall carry out its responsibilities and exercise its authorities according to an organizational structure approved by the Board. The said organizational structure shall specify the responsibilities and authorities of all members of the senior management. The Board has approved an authorization that constitutes a framework for the responsibilities and authorities referred to.

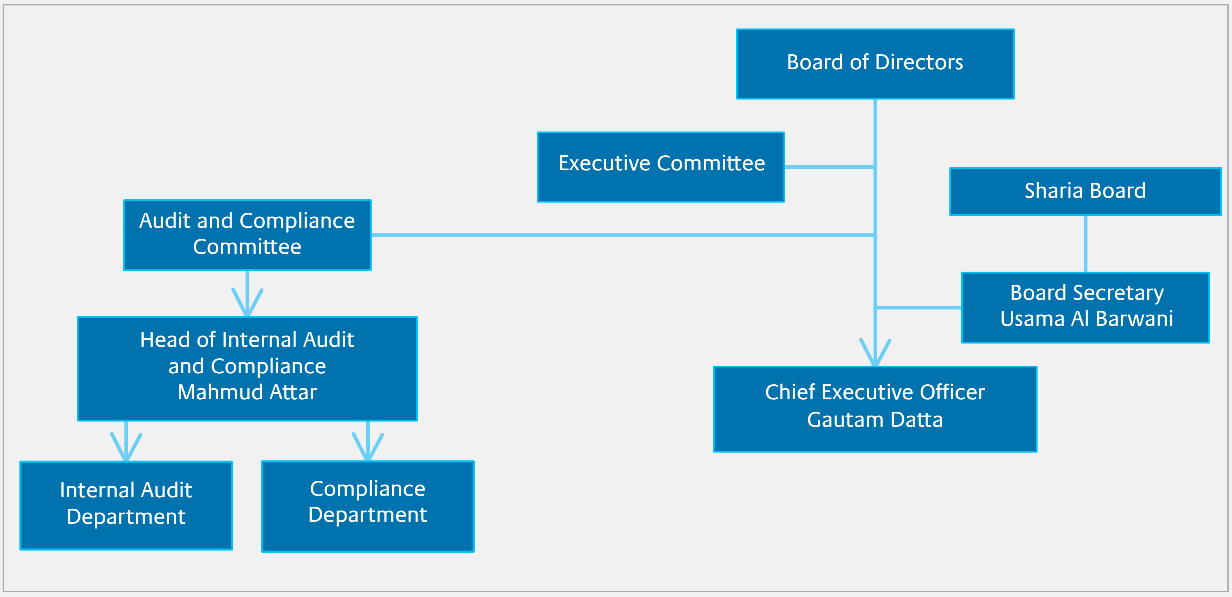
2- The senior management shall have to respond adequately and appropriately to the requests of the Board and its committees with a view to putting the Board's policies into effect. The senior management shall be accountable before the Board in this respect.

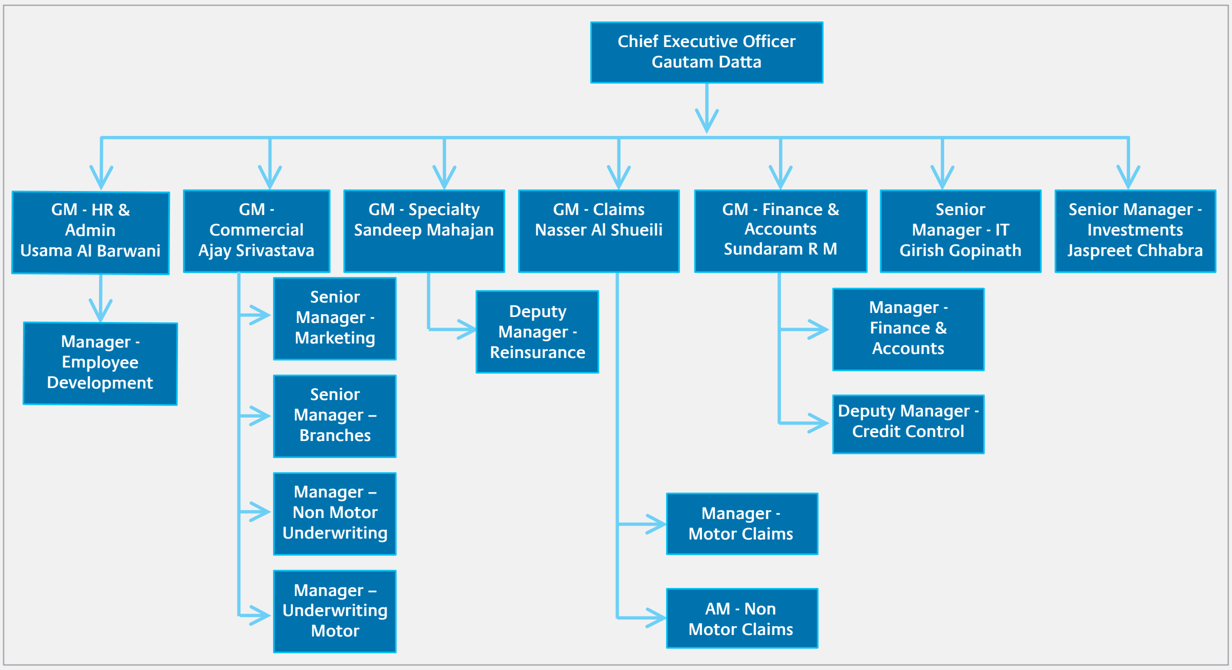
3- Without prejudice to the Company's competitive advantage or disclosure of any data or information created by the senior management, the disclosure of which shall harm the interest of the Company, the annual report must contain a summary of the management's discussions and analysis in respect of the fundamental issues relating to its overall businesses, in addition to highlighting the opinion of the Board regarding such issues.

4- Due to non-issuance of the Takaful Insurance Companies Law in the Sultanate and until the same has been issued, the Company's senior management shall, upon obtainment of the license for practicing Takaful insurance activities, be committed to implementing and managing the Company's activities as stated above in accordance with the financial and Shariah standards as well as the audit and control standards issued by the AAOIFI. The Company's management shall also comply with the resolutions issued by the Company's Shariah Board as well as its duties provided in the Company's Articles (and pursuant to the CMA's guidelines as well as the laws issued by the same). For example, the management's duties and responsibilities shall include:

   - Effecting Fatwas (legal opinion) of Shariah and abiding by the guidelines issued by the Shariah Board.
   - Abiding by the Shariah audit remarks provided by the Shariah Board.
   - Providing the Shariah Board with all financial statements and reports so as to help it prepare its Shariah reports.
   - Serving the Shariah Board with the percentage of proxy as well as the Company's share in speculating in investing the assets of the policyholders so as to have the same approved at the commencement of each fiscal year.

The management undertakes to implement the Takaful Insurance Companies Law upon issuance of the same. The diagrams below depict the current organisational structure of the Company.





Brief profile of the management

a) Gautam Datta, Chief Executive Officer

Mr. Datta has completed his B.A. (Honors in Economics) and is a Fellow of Insurance Institute of India (FIII) with over 30 years' experience in the insurance industry. Previously, he held senior management posts at a number of leading insurance institutions including Chubb Insurance Group, Solidarity Group, Bahrain Kuwait Insurance, and New India Assurance. He has diverse experience in various aspects of insurance business, underwriting, claims adjustment, reinsurance treaty, establishment and management of green-field operations which includes Takaful companies.

He has a long experience in the area of Takaful since 1999. He was a member of the start-up team working at Solidarity, the largest Takaful company in the world in terms of paid-up capital in 2004. He led the initiative to obtain a license for the company in KSA. He participated actively with members of the Shariah Board in the process of establishing structures for Wakala fees and wrote a number of essays in tackling this topic. The Company was established as a joint project with Solidarity with all its systems created by the latter to be compatible with the Takaful system. He joined as the CEO of the Company to help it understand the model of Takaful business and operations.

b) Usama Al Barwani, General Manager - HR & Administration

Mr. Usama is pursuing his MBA and has completed his Postgraduate Diploma in HRM and Diploma in Information System Management and Education. He is a Certified Islamic Specialist in Islamic Insurance and a Certified Compliance Officer. He has over 21 years of experience in HR and Administration. He is involved in the meetings held with specialists in Shariah consulting services in respect of transforming the Company's activities into Takaful based insurance.

c) **Ajay Srivastava, General Manager - Commercial**

Mr. Srivastava has completed his Bachelor of Science (Honors). He has a Bachelor's degree in Law and is an Associate of Insurance Institute of India (AIII), with over 22 years of insurance experience in Indian & London Insurance markets. Amongst his experiences, he has been involved in one of India's largest petrochemical plant (ONGC) and with one of the large auto manufacturer of India (Daewoo Motors). He developed and serviced one of UK's largest furnishing Chain (ROSEBYS) and Hotel Chains (Aurora group) during his career.

d) **Sandeep Mahajan, General Manager - Specialty**

Mr. Mahajan has completed his BE (Mechanical), MBA (Finance) & is a Fellow of Insurance Institute of India (FIII). He has over 20 years experience in technical departments of various local and multinational insurance companies in India and GCC including AIG and Oriental Insurance. As a loss control engineer, he has more than 500 risk surveys to the credit, including petrochemicals and major properties like Zuari Agro Chemicals, Deepak Fertilizers, Tata Motors, etc. Over the period, he moved to underwriting and reinsurance and has handled major programs including Sohar Aluminum, Ministry of Defence and Oman Gas amongst others. He has been dealing with major international reinsurers and brokers in the current role.

e) **R. M. Sundaram, General Manager - Finance and Accounts**

Mr. Sundaram has completed his Bachelors in Science. He is also an Associate of Institute of Cost & Works Accountants of India and Certified Management Accountant, issued by the Institute of Certified Management Accountants, New Jersey, USA, with over 28 years of experience in Insurance and Banking in India and the GCC.

f) **Nasser Al Shueili, General Manager - Claims**

Mr. Nasser has completed his Diploma in Insurance (CIII). He has over 16 years of experience in underwriting, audit, non-motor and motor claims in Omani and multinational insurance companies in the region.

g) **Mahmud Attar, General Manager - Compliance and Internal Audit**

Mr. Mahmud has completed his Bachelor in Administrative Science & Accounting. He has over 30 years of experience in Islamic Banking and retail sector in the Gulf, expertise in audit and compliance functions. Whilst at Bahrain Islamic Bank, he was instrumental in defining audit manual and overseeing the audit programs, risk assessments criteria and risk assessment audits. He was a key member of the team that was responsible for changing the Company's activities to the Takaful insurance system and its obtainment of the necessary license from the CMA.

h) **Girish Gopinath, Senior Manager - IT**

Mr. Gopinath has more than 21 years of experience in software product development. He is the Chief architect for the Company's own brand 'Tameenet' which supports retail product development, customer services and online delivery. Prior to joining the Company, Mr. Girish has worked for Oman United Insurance and Veritas DGC Ltd. He has completed his Bachelor in Computer Science and Masters in Banking and Insurance from India.

i) **Jaspreet Chhabra, Senior Manager - Investments**

Mr. Chhabra has completed his Bachelor in Commerce and Chartered Accountancy, with over 7 years of experience in portfolio management, equity research and financial analysis in Indian and Omani equity markets.

Roadmap for conversion to Takaful

The term 'Takaful' means "guaranteeing each other" in Arabic, and is an Islamic system of mutual insurance built around the concept of 'tabarru' (donation or gift). 'Tabarru' contributions are made with the intention to help other participants faced with damages or losses. Each participant contributes to a fund to cover expected claims, while also benefiting from insurance surplus and investment returns which are achieved by the Takaful fund. The Company's role is to manage the Takaful operations and invest the surplus liquidity from the Takaful contributions in line with the Shariah principles. When there is a surplus, it is jointly shared. The Company is geared to promoting the Takaful business in the Sultanate and is guided by the respected Shariah Board, which has approved the Takaful model that the Company shall adopt.

The Company intends to operate on the Al Wakalah model under which the Company is acting as the Wakeel for managing the Takaful fund for the participants and charges fees (Wakala charges) for these services provided. The Takaful fund is valued periodically which results in either a surplus or deficit. An insurance surplus may arise mainly from underwriting profits when there is a positive balance from Takaful contributions after accounting for claims, reinsurance, fund related expenses/fees, reserves and investment profit/loss from the assets of the Takaful fund. A portion of the surplus may be distributed to the participants subject to approval of the Company's Board of Directors and the Shariah Board.

Takaful products and services

The Company shall continue its operations as a composite Takaful company with operations in Shariah-compliant family and general takaful.

Family takaful: Family takaful products provide financial security in the event of death or total and permanent disability of the planholder to a designated beneficiary. Family takaful products are available for both individuals and commercial clients.

General Takaful: General takaful products provide protection to the planholder against losses from any particular event. General takaful products are available for both individuals and commercial clients.

The following table summarizes the takaful products and services of the Company as approved by the Shariah Board and the CMA:

Summary of products and services

1.	Takaful medical – Individual
2.	Takaful medical – Group
3.	Takaful travel
4.	Takaful domestic helper
5.	Takaful personal accident
6.	Takaful erection all risk
7.	Takaful contractor plant & equipment
8.	Takaful contractor all risk
9.	Family Takaful individual
10.	Family Takaful group
11.	Takaful motor life (unified policy)
12.	Takaful fire

Source: Company

The Company believes that providing solutions by structuring products that will address the need of the Customers will be the key to achieving its Takaful objectives. Based on the feedback received from its customers, the Company plans to introduce new and innovative Shariah compliant products like:

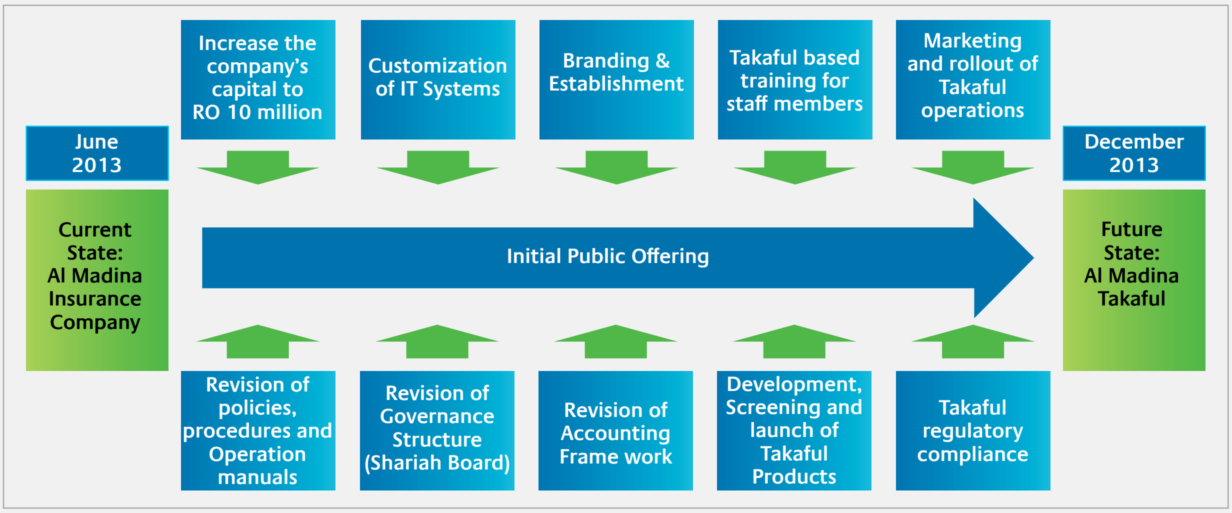
a. Small and Medium Enterprises (SME) Takaful package insuring property, business interruption, cash in safe and transit, workmen's compensation, business travel and group personal accident risks under one policy. This will make it convenient for the policyholders to buy a comprehensive protection under one policy. The distribution will be through agents, brokers and branch offices and eventually over the internet making it easily accessible to the customers.

b. Home Takaful package that insures building and its contents including personal effects like jewellery and other valuables against all risk of loss or damage, protection for housemaid, personal accident cover extension to members of the household and annual travel cover. Increasing home ownership makes it an attractive option for the new homeowners to obtain wider protection than what is available in the market.

c. Savings linked family takaful products for individuals who hitherto did not have Shariah compliant options to save for significant events in their lives like education of their children, an annuity plan for their retirement coupled, or family protection benefits. In addition the Company is also planning to issue Term Takaful cover for the benefit of the family and dependents.

Steps for conversion

The Company has outlined a comprehensive roadmap that will enable it to roll out Takaful operations by end of FY 2013.



a) **Increase in Company's capital from OMR 6 million to OMR 10 million**

As per the regulatory requirement paid up capital of OMR 10 million for a Takaful company, the Company increased its paid up capital from OMR 6 million to OMR 10 million in FY 2012.

b) **Revision of policies, procedures and operation manuals**

The Company's department manuals and standard operating procedures are in line with the proposed Takaful business model.

c) **Customization of IT systems**

The Company's IT systems have been made compatible for running the Takaful model.

d) **Revision of governance structure (Shariah Board)**

The Company's Shariah Board has already been formed which comprises of five distinguished members.

e) **Branding and establishment of Takaful based market relationships**

The Company had engaged a branding consultant to create a new identity without sacrificing the recognition of the existing brand. The Company has also revamped its website, which is expected to be launched around the same time as the IPO.

f) **Revision of accounting framework**

The accounting framework has been evaluated by KPMG and found to be in compliance with AAOIFI, the required basis for Takaful companies.

g) **Takaful based training for staff members**

The Company has already initiated in-house and external Takaful based training for its staff members. The Company conducts regular brain storming sessions for its employees on various topics of Takaful. It also sends its key staff members to various Islamic finance conferences held within the region.

h) **Development, screening and launch of Takaful products**

The Company already has an in-principal approval for all its Takaful products from the CMA and is developing several new products which shall be submitted to Shariah Board for initial approvals.

i) **Marketing and rollout of Takaful operations**

Marketing and rollout of Takaful operations are expected to be done in Q4 2013 with the Company expecting to launch itself as a Takaful company from 1 January 2014. The Company expects to receive regulatory approvals post completion of its IPO and issue of final Takaful Regulations.

j) **Takaful regulatory compliance**

In the absence of the Takaful law and its implementing regulations, the Company cannot confirm its compliance with it at this stage. However the Company has reviewed the draft Takaful Regulations and is prepared to comply with them. The Company is also in regular dialogue with the CMA to ensure that the Company keeps abreast of any developments.

Future business strategy

The Company aims to be the number one Takaful Company in Oman and one of the leading companies in the GCC in terms of profitability for its policyholders, return on equity for its shareholders and commitment to create an environment of learning and growth opportunities for its employees. This aim will be fulfilled by creating a sustainable business model that allows steady growth and consistent profits in underwriting and investment. Enhanced customer service, efficient product distribution, effective management of costs leading to underwriting profitability, and a conservative approach to investments will be the key drivers of Company's future business strategy.

The key to underwriting profitability will be to identify niche segments within each product line where the Company believes it has the experience and the expertise to evaluate, price and service customers better than the market thus creating a real competitive differentiator with its Takaful and conventional peers. The portfolio will comprise a healthy mix of individual, retail and corporate business providing an appropriate spread of risk that will ensure sustainable profitability. Customer service will be critical in attracting new customers and retaining profitable ones. The Company will make investments in CRM tools and training its staff to achieve this objective.

The Company has already laid the foundation for this strategy by building a strong and qualified underwriting team in the lines of businesses that it plans to focus on, an IT platform that supports cost effective front end distribution and data management, customer service standards that is reviewed regularly for improvements and underwriting profitability in its Policyholder's fund. Leveraging these advantages will be an important component of Company's execution plan for its future business strategy.

The Company has two business verticals to deliver on its core business strategy:

a) Commercial

This business unit focuses on SME, retail and personal lines business segments. The key features of this business vertical is simple and easy to understand products, uncomplicated underwriting process, systems based distribution and product delivery and hassle free direct claims service. The most important element in this vertical is full control of all the transaction points in the supply chain that ensures compliance of service level agreements to the customers. The product strategy within this vertical will be as follows:

i. Motor

Motor insurance constitutes major share of the insurance market. It also forms a sizeable portion of most Company's net retained motor portfolio. While the market experience in motor is poor and is subject to various regulatory constraints the key to writing a good motor portfolio is selecting or underwriting the right risks; ability to price the product correctly and manage claims cost efficiently. The Company has been able to reduce its loss ratio from 111% in FY 2009 to 72.9% in HY 2013 through a judicious mix of the steps outlined above. It continues to invest in upgrading this process and expand its distribution network through a mix of direct and intermediary routes to achieve sustainable growth and profitability.

The Company anticipates the major growth drivers in the motor segment to be:

1. Economic growth in the country driving the demand for vehicles
2. Growing number of Islamic Banks demanding Takaful solution for their Motor Loan portfolio
3. Takaful model of sharing policyholder surplus creating a competitive differentiator in the market backed by higher level of service and product features for attracting new business

ii. Medical

The growth of medical insurance in GCC has been remarkable over last three years led by Saudi Arabia. The experience in the initial years has been mixed and the market is going through a learning curve. However, it is clear that this will be the high growth segment in next 5 to 10 years as government plan to reduce their subsidy to healthcare.

The Company has set out to partner two leaders in health insurance segment – Munich Health as product and insurance provider and Mednet as third party administrator. In a market that is fraught with losses, this partnership has led to establishing a profitable portfolio. In line with Company's strategy for motor, the approach will be selective growth focusing on service and profitability. Recognizing the potential of this product line the Company intends to invest into its own product manufacturing capability leaning heavily on the learning from its partnership with Munich Health and at an appropriate time invest into creating its own health administration structure.

The distribution route for this product line will be a mix of direct and selective intermediaries who specialise in this line of business. In line with the overall strategy the target segment will be small to mid-sized groups. The Company believes that in two to three years' time the demand for individual and family health insurance will rise and products to address this need are in the pipeline.

iii. Family takaful

Group family takaful as part of employee benefit programs and various family takaful products required by Islamic banking operations will see significant growth in future. It is clear that religious constraints related to life insurance have been an inhibitor to growth. The Company believes that availability of family takaful solutions will encourage acceptance across broader section of the community and allow for innovation in this segment. The key growth driver for the life insurance segment will be growth in the Islamic mortgage portfolio with the addition of new Islamic banks and Islamic windows in conventional banks. Hence, there exists a potential demand for family takaful (life) by individuals who had been constrained to purchase conventional life insurance on account of personal and religious beliefs.

b) Specialty

This vertical focuses on niche segments where the risks are large in size, complex in its requirements and require experience and knowledge for its management and servicing. The Company is expected to leverage on the professional expertise of its experienced personnel who have worked with large multinational companies and managed such risks in their careers. These personnel are expected to utilize their expertise in supporting the client and their intermediary at the local level and the reinsurers at the international level. In addition to the in house expertise the Company has entered into partnerships with global leaders in the target business segment. This partnership will provide access to international expertise, knowledge sharing platforms, training opportunities for employees to learn from the best and value in all its transactions with large clients and intermediaries at local level. The Company will also leverage this relationship and experience to build its retention over a period of time and address the current weaknesses amongst Takaful companies who have not been very successful in writing business in the corporate segment (World Takaful Report 2012 – Ernst & Young). Some of the specialty segments that the Company will be interested in and for which it has positioned itself with leading names like Allianz and Chubb Insurance Group are:

- Engineering Risks: This segment focuses on large construction in infrastructure, utilities and industrial and on shore energy risks.
- Liability: Management Liability products like Director's & Officer's Liability and Professional Indemnity, media liability and cyber insurance will witness a growing demand. The Company has partnered with Chubb to occupy a leading position in the market for such insurances.

Chapter 10:

Corporate governance

The description of laws or regulations in this Chapter are provided by way of summary only and do not purport to give a complete overview of the provisions of the Articles, the CCL, the Code of Corporate Governance, or the CMA rules and regulations.

Background

The respective roles and responsibilities of the Board and management team of the Company are, in large part, governed by provisions of the CCL and the Articles. Subsequent to listing on the MSM the Board and management team of the Company shall be governed, by the Code of Corporate Governance and relevant circulars issued by the CMA.

Responsibility for the strategic issues of the Company will be entrusted to its Board. In respect of the Company, the Board may perform all acts necessary or useful for achieving the corporate purposes of the corporate entity, with the exception of those acts that are prohibited by law or the Articles explicitly. The Company also has a Shariah Supervisory Board, which monitors compliance with Shariah principles and confirm that products and services offered by the Company are consistent with the rules and principles of Islamic Shariah. Day-to-day management of the business of the Company will be performed by its management team.

Refer to Chapter 9 for further information on the organization and management of the Company.

Appointment of Board

The current Board of Directors consists of eight members and was elected at an OGM held on 24 March 2012.The Pre-IPO Shareholders, who form the Board members of the Company, were the earliest advocates of establishing Islamic financial services in the Sultanate of Oman. A brief profile of the Board members is as under:

a) H.E. Dr. Mohammed Ali Al Barwani (Nationality: Omani)

H.E. Dr. Mohammed al-Barwani is founder and Chairman of MB Holding and has investments in various companies with interest in oil, gas, mining, engineering, financial services, and real estate. He currently holds the position of Director in Trans Gulf Investment Holding, Al Madina Real Estate Co., Oman Air, Nautilus Minerals (Toronto Stock Exchange), and UCL Resources (Australian Stock Exchange). Some of these companies are pioneers in conducting Islamic finance transactions in the country. This experience gives him a deep understanding of the subject and provides guidance to the Board and Management of the Company. He is also the Honorary Consul of the Republic of Poland to the Sultanate of Oman and has received various awards for achievement in business and public life.

b) Eng. Abdulrehman Awadh Barham (Nationality: Omani)

Eng. Barham is the Vice Chairman of the Company and has over 24 years of experience in handling and planning projects. He currently holds the position of CEO and investment committee member in Al Madina Real Estate. He has a profound understanding of the products relevant to finance real estate projects. He also holds the position of Director in Salalah Mills Company SAOG, Tilal Development Company SAOC, Shaden Development Company SAOC and Shaza Muscat Hotel Company SAOC.

c) H.E. Sheikh Abdulrehman Mohammed Jabr Al Thani (Nationality: Qatari)

H.E. Sheikh Al Thani has over 35 years of experience in industrial investments and private sector. He currently holds the position of Vice Chairman in Trans Gulf Investment Holding, Director in Oman & Qatar Company and Qatar Industrial Manufacturing. He is involved closely with Islamic financial institutions in Qatar and is able to provide guidance based on his knowledge and expertise gained from these institutions.

d) Eng. Khamis Mubarak Al Kiyumi (Nationality: Omani)

Eng. Kiyumi, an Industrial Engineer, has over 30 years of experience in industrial investments and private sector. He is one of the pioneers in introducing Islamic finance services in the country. His close relationship with leading experts in Islamic Financial Services in Malaysia helps him to bring the changes in the global Islamic financial services industry to Oman. He currently holds the position of CEO and Director in Trans Gulf Investment Holding. He also holds the position of Chairman in Gulf Mushroom Products Company SAOG, Al Madina Financial and Investment Services Company SAOC, Al Madina Real Estate Company SAOC and Shaden Development Company SAOC.

e) Eng. Abdullah Ali Abdullah (Nationality: Qatari)

Eng. Abdullah has over 35 years of experience in investments. He currently holds the position of Director in Trans Gulf Investment Holding, Al Madina Investment Finance and Al Madina Real State. He is closely associated with leading Islamic financial institutions in Qatar and brings a wealth of experience and knowledge gained from his dealings with such institutions.

f) Saleh Nasser Sulaiman Al Riyami (Nationality: Omani)

Mr. Riyami has more than 15 years of experience as an investment expert. He currently holds the position of Vice Chairman at Oman Ceramics and Director in Oman, Qatari Telecommunications Company SAOG (Nawras) and Taageer Finance. Mr. Riyami has put in an effort to attract key Islamic Shariah scholars who are experts in Islamic financial services in the GCC region to provide consultation in the field of Islamic financial services in coordination with Omani consulting firms. He also follows the meetings held with Shariah specialists so as to transform the Company into a Takaful-based insurance company.

g) Safana Mohammed Ali Al Barwani (Nationality: Omani)

Ms. Safana has 9 years of experience in investment, insurance and real estate. She holds the position of Director in Mazoon Petro Gas, Risk Management Services and Interior Hotels.

h) Hamed Mohammed Al Wahaibi (Nationality: Omani)

Mr. Wahaibi has built a career with 14 years experience in investments and asset management. Mr. Wahaibi holds a MBA in Finance from University of Technology, Sydney and is a Chartered Financial Analyst (CFA) Charter holder from CFA Institute Global. He graduated from Sultan Qaboos University in Bachelor of Science in Commerce & Economics in Operations Management. He currently holds the office of Director- Investment with the Ministry of Defense Pension Fund. He also holds the position of Director in Galfar Engineering and Contracting (SAOG), Voltamp Energy Co. (SAOG) and Shaden Development Co. (SAOC).

Post-IPO Board composition

It is intended that the composition of the Board will not change (i.e. eight members) subsequent to its conversion into a public joint stock company. The Company intends to have a Board that complies with applicable CMA and CCL requirements, including with respect to the number of Independent Directors and non-executive directors, and thus that represents the interests of all Shareholders, including those who purchase Shares in the Offer.

Replacement of the existing Board

Once the full term of the existing Board completes on 24 March 2015, the Company shall constitute a new board of directors, to be elected by an OGM of the Shareholders through secret ballot and each Shareholder will have the number of votes equivalent to the number of shares he owns and he will have the right to utilize it all for one candidate or divide it amongst the candidates of his choice by a vote card, the total number of votes should be equivalent to the number of shares he owns. As noted above, the duration of the membership of the Board of Directors is for a period of 3 years and their re-election is permitted for a similar period calculated from the date of the General Meeting in which this election was held until the date of holding the third General Meeting. If the date of this General Meeting exceeds the period of three years, the membership will be extended by law until the date of such meeting but it should not exceed the period specified in Article 120 of the CCL for holding General Meetings.

Functions and obligations of the Board

In accordance with Article 102 of the CCL, the Board has statutory authority to perform all actions required for the management of the Company, so as to achieve its objectives. The general authority of the Board is limited to the extent provided for in the CCL and the Articles. The Corporate Governance Code provides a more detailed outline of Board responsibilities, which includes:

- Approving the commercial and financial policies and estimated budget of the Company, so as to achieve its objectives, protect and safeguard the rights of its Shareholders
- Laying down necessary plans and revising and updating them from time to time in order to execute the objectives of the Company and carry out its business activities in line with the objectives behind its establishment
- Approving the internal regulations of the Company regarding routine activities and specifying the responsibilities and the authorities of the executive management of the Company
- Approving and implementing the disclosure policy of the Company and monitoring its compliance with the regulatory requirements
- Approving the delegation of power to executive management which clearly specifies the level of approving authority and modes of tendering with appropriate limits
- Reviewing the Company's performance to evaluate whether the business is properly managed according to the Company's objectives and ensuring compliance with the laws and regulations through proper internal control systems
- Reviewing material transactions with related parties, which are not in the ordinary course of business prior to the same being brought before the general meeting of the Company
- Approving and implementing the disclosure policy of the Company in compliance with regulatory requirements
- Reviewing the Company's performance to evaluate whether the Company's business is properly managed
- Nominating members of the subcommittees and specifying their roles, responsibilities and power. Forming an audit committee with members from the Board and appointing an internal audit unit and a legal advisor. Consideration was given to subjecting the members of the said audit committee to the application of the liability provisions stipulated in Article 109 of the CCL without prejudice to their liability arising from their being members of the Board.
- Selecting the CEO/COO and other key executives and specifying their roles, responsibilities and power

- Evaluating the functions of the sub-committees, CEO/COO and other key employees of the Company
- Approving interim and annual financial statements of the Company
- Reporting to the Shareholders, in the annual report, about the going concern status of the Company with supporting assumptions and qualification as necessary
- Due to non-issuance of the Takaful Insurance Companies Law in the Sultanate and until the same has been issued, the Company's Board shall, upon obtainment of the license for practicing Takaful insurance activities, be committed to implementing and managing the Company's activities as stated above in accordance with financial and Shariah standards as well as audit and control standards issued by the AAOIFI. The Company's Board shall also comply with the resolutions issued by the Company's Shariah Board as well as its duties provided in the Company's Articles (and pursuant to the CMA's guidelines as well as the laws issued by the same). For example, the Board's duties and responsibilities shall include:
  - Nominating and inducting members of the Shariah Board and obtaining approval of the OGM concerning the work mechanism of the company's Shariah Board.
  - Effecting Fatwas (legal opinion) of Shariaf and abiding by the guidelines issued by the Shariah Board.
  - Abiding by the Shariah audit remarks provided by the Shariah Board.
  - Providing the Shariah Board with all annual financial statements and reports submitted to the general meeting so as to help it prepare its annual Shariah report.
  - Approving the Company's calculation of Zakat incumbent upon the Shareholders in accordance with the provisions of the Islamic Law and the resolutions approved by the Shariah Board. The shareholders shall be responsible for paying the amounts of Zakat.

The Board undertakes to implement the Takaful Insurance Companies Law upon issuance of the same. The Company will be bound by all acts performed by its Board, its Chairman, Managing Director and all other executives (if any); to the extent they act in the name of the Company and within the scope of their powers.

Restrictions on the powers of the Board

The Board shall not perform the following acts unless expressly authorized to do so by the Articles or a resolution of a General Meeting:

- Make donations, except donations required by the business wherever they are small and customary amounts
- Sell all or a substantial part, of the Company's assets
- Pledge or mortgage the assets of the Company, except to secure debts of the Company incurred in the ordinary course of the Company's business
- Guarantee debts of third parties, except guarantees made in the ordinary course of business for the sake of achieving the Company's objectives

Insider Trading

The Directors and employees of the Company are prohibited by Article 107 of the CCL, Article 64 of the CML and Article 301 of the Executive Regulations from using information concerning the Company's business and affairs, to which they have access, in order to profit from dealing in the Company's securities. This restriction is explained in the chapter relating to "Insider Trading" regulations contained in the Executive Regulations, which:

- Define who is an Insider (as any person who is in a position to have access to undisclosed material information and includes directors, executive management and any person who may have obtained such information as a consequence of his employment or family relationships or otherwise)
- Establish black-out periods during which Insiders are not permitted to trade
- Impose reporting obligations on issuers with respect to the list of directors, executive management, their spouses and relatives of the first degree and any amendments in such list.

Insider trading is punishable by fines and imprisonment under the CCL, the CML and the Executive Regulations.

Related Party transactions

A member of the Board or other Related Party shall not have any direct or indirect interest in the transactions or contracts concluded by the Company for its account, except those transactions that are concluded in accordance with the rules and regulations of the CMA.

Liability of Directors

The members of the Board will be liable to the Company, the Shareholders and third parties for the damages caused by their acts in violation of the law and their acts which fall beyond the scope of their powers or by any fraud or negligence in the performance of their duties or by their failure to act as prudent individuals under certain circumstances.

The Company may institute an action against a Director it deems liable for damages that the Company has suffered. Any Shareholder may also propose suing a Director at an OGM and if such proposal is not adopted at the OGM, he may himself file the case on behalf of the Company. If the case is successful, the Shareholder will be reimbursed the costs and expenses of the case out of the sums adjudged and the balance will be paid to the Company.

There is a limitation period of 5 years for instituting legal proceedings against Directors arising out of their actions taken while in office. The limitation period commences from the date of the act or omission forming the basis of the complaint; or the date of the General Meeting at which the Board of Directors submitted the accounts of the Company for the period including the act or the shortcoming which is the reason for the complaint. This limitation period does not apply to suits filed by the CMA.

The CCL provides that any stipulations limiting the liability of the Directors shall be null and void.

Remuneration of the Board

The AGM shall determine the annual remuneration and sitting fees at not more than 5% of the net annual profits of the Company after providing for taxation and deducting the legal and optional reserves in accordance with Article 106 of the CCL and setting aside or distributing the dividends to Shareholders in an amount not less than 5% of the capital. The maximum total remuneration paid to the Board shall be OMR 200,000, including a maximum of OMR 10,000 as sitting fees for each Director per annum. Where the Company makes losses or less profit to the extent that setting aside or distributing dividends to the Shareholders is not possible, remuneration and sitting fees is determined in accordance with the rules issued by the CMA pursuant to Administrative Decision 11/2005. The remuneration shall be distributed amongst the members of the Board in such proportions and manner as they, by agreement, may determine, failing which the remuneration shall be divided equally among the Board.

Internal regulations

In accordance with the provisions set out in Article 68 of the CCL, the Company is required to lay down internal regulations for regulating the management of the Company, its business and personnel affairs through its Board, within one year from the date of transformation of the Company on the Commercial Register. The Company has already put in place a number of the policies and regulations prescribed by the CMA and shall appropriately review the same in the light of its transformation into an SAOG Company and also formulate such additional policies and procedures that may be required in this context within the stipulated time period. These regulations shall cover at least the following apart from the rules laid down by the CMA:

- Organizational structure of the Company stating therein the responsibilities related to the various posts of the Company and the reporting structure/ procedures.
- Specifying the extent of the authority vested with each post with regard to approval of the financial expenditure.
- Fixing the allowance for the meetings, remuneration and other privileges as prescribed in respect of the members of the Board of Directors and Committees constituted under its auspices and the basis for their calculation.
- The minimum level of information required to be submitted to the Board of Directors.
- The authorities, duties and responsibilities relevant to the executive management and sub-committees constituted under the auspices of the Board of Directors of the Company.
- The policies related to Human Resources including the salaries, appointment, development, training, promotions and termination of the services etc., covering other relevant aspects.
- Policies and measures for submission of material information in a transparent manner, to the Capital Market Authority and the Muscat Securities Market within the specified time.
- Any other regulations that the Board of Directors of the Company may deem necessary to add for achieving adequate level of Corporate Governance.

Committees of the Board

Audit & Compliance Committee

The Audit & Compliance Committee, comprising of three non-executive and independent members is constituted by the Board, to guide the finance, audit and accounting functions and to ensure the Company's adherence to best practices. The Audit & Compliance Committee of the Company comprises of the following members:

Mr. Saleh Al Riyami – Chairman;

Ms. Safana M. Al Barwani – Member;

Mr. Hamed Al Wahaibi – Member

Duties and Responsibilities of the Audit & Compliance Committee

The Audit & Compliance Committee undertakes its responsibilities as per Article (6) of the Code of Corporate Governance for Insurance Companies issued by Circular No. (7/T/2005) dated the 1st of August 2005.

Executive & Investment Committee

The Executive & Investment Committee constituted by the Board, comprises four non-executive members. The Committee provides guidance to the management on the implementation of the Company's strategies set by the Board and to review operational performance as well as investment objectives. The Executive & Investment Committee of the Company comprises of the following members:

H.E. Dr. Mohammed Ali Al Barwani – Chairman;

Eng. Abdulrehman Awadh Barham – Member;

Eng. Khamis Mubarak Al Kiyumi – Member; and

Eng. Abdullah Ali Al Abdullah – Member

Management Committee

Enterprise Risk Management (ERM)

The Company recognizes the rapidly evolving development and adoption of Risk Management principles and practices by regional and global insurance/ reinsurance organizations. ERM promotes improved management of capital and better decision-making as a result of the identification and management of key organizational risks. An ERM framework enables the implementation of strong controls and facilitates a strong risk culture and governance across the organization. The Company established a risk management committee in 2012 at the executive management level, which will in a phased manner, undertake the adoption of an ERM approach in managing and conducting its business.

At its preliminary stages, the Company's RMC has commenced with risk identification in proportion to the nature, scale and complexity of its business and risk profile. The essential risk categories under consideration are insurance risk, credit risk, market risk, liquidity risk and operational risk. Strategic, reputational, concentration and correlation risks are expected to be considered at later stages.

The Company is in the final stages of implementation of the Disaster Recovery Plan (DRP) to face any sudden and unexpected event that impacts Company's computer system, data base and branch and distribution links with a view to keep the business running with minimum impact to its customers. The plan has now been documented and designated personnel have been identified and trained to face any contingency which may arise.

Shariah Board

The role of the Shariah Board will be to ensure that the Company's products and services are consistent with the rules and principles of Shariah. The Company shall not provide a product or service without the approval of its Shariah Board.

Duties of the Shariah Board

The Shariah Board shall be responsible for directing, revising and supervising the institution's activities so as to ensure its compliance with the rules and principles of Shariah. The Fatwas and decisions issued by the Shariah Board shall be binding on the Company. Moreover, the Shariah Board shall be responsible for any decision, views or opinions issued by it. The management shall be responsible for the correctness of the information presented to the Shariah Board. The Shariah Board, represented by its members jointly or individually, shall supervise the Company's operations and audit its accounts using Shariah rules and principles. The Board shall perform the following duties:

1- Reviewing the Company's Articles and requesting correcting the same in a manner compatible with the rules of the Shariah.

2- Carrying out periodical auditing of the Company's records, folios, and financial documents and ensuring that they are in line with the rules of the Shariah.

3- Acknowledging insurance operations, insurance policies, reinsurance, and investment and ensuring they are in line with the rules of the Shariah. This is to be added to inspecting the Company's administrative and financial systems as well as the Company's internal Shariah supervisory systems and ensuring they are in line with the proper conduct of the Company's works and that they continue to comply with the rules of the Shariah.

4- Taking cognizance of the decisions of the Board of Directors as well as the instructions issued by the Company.

5- Assuring the Company's customers and others of the legality of the activities carried out by the company.

6- Performing any other duties by virtue of the task entrusted to it or as per the provisions of the laws or instructions issued by the CMA and relevant official authorities.

7- Submitting an annual report to the Board to be presented during one of the Board's meetings. The report shall revise the Company's annual balance sheet and summarize the cases and the opinions regarding the Company's transactions that are enforceable pursuant to the regulations and instructions applicable at the Company. The report shall also highlight the extent of the Company's compliance with the rules of Shariah. This report must be read along with the report prepared by the Company's auditors during the ordinary meetings of the General Meeting.

The Company shall nominate an employee or a consulting company to be approved by the Shariah Board. The said employee or consulting company shall carry out the works of Shariah auditing and shall be related to the Shariah Board technically and administratively and in a manner that does not conflict with the Omani Labor Law. The said employee or consulting company shall also follow up on the implementation of the Fatwas and decisions of the Shariah Board, supervise the sound application of the same, and handle the urgent enquiries in light of the Fatwas and decisions of the Shariah Board. It shall also present a periodical report on the results of the Shariah auditing and the extent of compliance with the Shariah regulations and risks arising from non-compliance. The Shariah auditor shall be responsible before the Shariah Board and Audit and Compliance Committee in the event of a deficient level of Shariah supervision at the company. The management shall be responsible for the risks of non-compliance towards the Board of Directors.

Profile of the Shariah board members

The Shariah board of the Company is headed by Sheikh Dr. Abdul Sattar Abo Ghuddah and membership of Dr. Mohammed Daud Bakar, Sheikh Aflah bin Ahmed bin Hamad Al Khalili Sheikh Abdul Sattar Ali Qattan and Sheikh Khalfan Al Esry.

The major activities of the Shariah Board include:

- To provide consultancy in the matters referred thereto by the Company
- To provide Shariah opinions regarding any other matters as necessary
- To approve all products, investment policies and financing agreements

A brief profile of the Shariah board members of the Company is presented below:

a) Sheikh Dr. Abdul Sattar Abo Ghuddah

Sheikh Dr. Abdul Sattar received his Bachelor's Degree in Shariah from Damascus University, 1964; Bachelor's Degree in Law from Damascus University, 1965; Master's Degree in Shariah from Al Azhar University, 1966; Master's degree in Hadith from Al Azhar University, 1967; PhD in Islamic Law (Comparative Jurisprudence) from Al Azhar University, 1975. He was a researcher and then designated expert and reporter of the jurisprudence encyclopaedia at the Ministry of Awqaf, Kuwait. He was a former lecturer at the Shariah College and Law College, Kuwait and a former visiting professor at Al Azhar University.

Sheikh Dr. Abdul Sattar acts as the Shariah advisor to Dallah Al Baraka Group and Secretary General to its Shariah Board to date. He is a member of the Islamic Fiqh Academy in Jeddah and member of the International Zakat Shariah Board since its inception. He is also a member of the Accounting Standards Council and the Shariah Council of AAOIFI and Expert at the Islamic Fiqh Academy affiliated to the Muslim World League in Mecca. He is the Chairman / Member of several Shariah supervisory boards at Islamic financial institutions (banks, investment institutions, insurance, lease and trust funds). He has also published several studies and researches on the subject.

b) Dr. Mohammed Daud Bakar

Dr. Mohammed received his Bachelor's Degree in Shariah from Kuwait University, 1988; PhD from the University of St. Andrews in the United Kingdom, 1993; Bachelor's Degree in Jurisprudence from the University of Malaysia, 2002. He is the CEO of the International Institute of Islamic Finance, CEO of Amanie Advisors in Dubai / Luxembourg, and Amanie Islamic Finance Consultancy and Education in Dubai. He is a former Deputy Rector, International Islamic University Malaysia and the Chairman of the Shariah Advisory Council of the Central Bank of Malaysia, Chairman of the Shariah Advisory Council of the Malaysian Securities Commission, and Chairman of the Shariah Advisory Council, Labuan Financial Services Authority.

Dr. Mohammed is also a member of AAOIFI and Dow Jones Islamic Market Index, New York and member of other financial institutions inside and outside Malaysia, and has published several studies and researches.

c) Sheikh Aflah bin Ahmed bin Hamad Al Khalili

Sheikh Aflah received his Bachelor's Degree from the Institute of Shariah Sciences and Master's Degree from the International Islamic University of Malaysia. He is a former Assistant Judge, Ministry of Justice and a researcher at the Fatwa Office, Ministry of Awqaf. He is also the Head of Studies and Research Department, Ministry of Awqaf and a member of the Shariah Council of AAOIFI.

d) Sheikh Abdul Sattar Ali Qattan

Sheikh Abdul Sattar received his Bachelor's Degree in Shariah from Imam Mohammed Bin Saud Islamic University in 1992. He is preparing for the Master's Degree in Comparative Jurisprudence at the Faculty of Shariah and Islamic Studies, Kuwait University. Sheikh Abdul Sattar is the Reporter of the Fatwa and Shariah Supervisory Board of Kuwait Finance House, Shariah Controller of banking sector, Kuwait Finance House, Managing Director of Shariah Advisory and Legal Affairs, A'ayan Leasing and Investment Co, General Manager of Shura Shariah Consultancy Co., Kuwait. He is an acting expert at the Islamic Fiqh Academy affiliated to the Islamic Conference Organization, Jeddah, a member of the Shariah Standards Committee of AAOIFI and an arbitrator, International Islamic Center for Reconciliation and Arbitration (IICRA), Dubai. He is a consultant at General Council for Islamic Banks and Financial Institutions (Bahrain) and a member of Fatwa and Shariah Supervisory Board at several Islamic financial institutions.

e) Sheikh Khalfan Al-Esry

Sheikh Khalfan is the co-founder, MD and active executive coach at 'Prosper and The Coach' focussing on leadership and organisational culture. He has over 20 years of experience in the technical and people management fields, of which 10 years were at the corporate level. He has also developed and delivered a value based programme on leading safety in the oil and gas industry in the MENA region. Sheikh Khalfan is a board member of six companies in areas of education, coaching, oil services, research and development in alternative energy. He was recently appointed as a member of the state council and holds a position of VP-HRD committee focussing on formulating strategic direction and recommending legislations on areas of human resource capacity building at the national level. He is a member of Oman Chamber Of Commerce as Vice President in SME committee. Sheikh Khalfan is a member of Shariah Supervisory Board with National Bank of Oman, one of the leading banks in Oman.

Actuary

The actuary shall examine and analyze all the risks accompanying showcasing Takaful insurance products and formation of technical allotments for the Policyholders' fund. These include short and long term risks pertaining to pricing, investment and reinsurance policies approved in accordance with the standards issued by the AAOIFI.

The Company has appointed an independent actuary who examined and analyzed the Company's Takaful insurance products totalling twelve products. These products were also presented to the actuary appointed by the CMA which approved the same. The Company's Shariah Board also approved the said products. The works and reports of the actuary must comply with the rules of Shariah and must be subject to Shariah auditing, remarks of the Shariah Board and the external auditor.

External Auditor

The Company's AGM has appointed PricewaterhouseCoopers as an external auditor for the fiscal year ended on 31 December 2013. The said external auditor voices its opinion over whether the data relating to the Company's financial status have been prepared in accordance with the recognized sound standards, International Accounting Standards (IAS) and the rules specified by CMA and the CCL. Upon issuance of the resolution licensing the company to practice Takaful insurance activities, it will amend the employment contract of the external auditor so as to be in line with the audit standards as well as Shariah and financial standards issued by the AAOIFI. The works and reports of the external auditor must comply with the rules of Shariah and must be subject to Shariah auditing, remarks of the Shariah board.

Chapter 11:

Projected Financial Statements

Building a better working world

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ACCOUNTANTS' REPORT TO THE SHAREHOLDERS OF AL MADINA INSURANCE COMPANY SAOG (UNDER TRANSFORMATION)

We have examined the financial projections of Al Madina Insurance Company SAOG (under transformation) for the years ending 31 December 2013 to 31 December 2015 set out in section 13 of the prospectus in accordance with the International Standards on Assurance Engagements applicable to the examination of prospective financial information. Management is responsible for the projections including the assumptions set out in note 4 on which they are based.

These projections have been prepared for illustrative purposes for disclosure in this prospectus. The projections have been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that these projections may not be appropriate for purposes other than that described above.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the projections, assuming that the hypothetical assumptions set out in note 4 occur. Further, in our opinion the projections are properly prepared on the basis of the assumptions and are presented in accordance with International Financial Reporting Standards.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projections since other anticipated events frequently do not occur as expected and the variation may be material.

Ernst & Young

26 September 2013
Muscat

المدينة تكافل
Al Madina Takaful

Al Madina Insurance Company SAOG (Under transformation)

PROJECTED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDING 31 DECEMBER

	2013 OMR	2014 OMR	2015 OMR
Attributable to policyholders			
Gross takaful contributions revenue	18,964,904	21,724,599	25,245,427
Retakaful contributions	(9,647,820)	(10,808,726)	(12,192,897)
Net retained contributions	9,317,084	10,915,873	13,052,530
Movement in unearned contributions	(927,849)	(719,455)	(961,496)
Net earned contributions	8,389,235	10,196,418	12,091,034
Gross claims incurred	6,087,286	8,474,481	10,079,264
Retakaful share of claims incurred	(1,554,696)	(2,272,634)	(2,761,054)
Net claims incurred	4,532,590	6,201,847	7,318,210
Takaful income	3,856,645	3,994,571	4,772,824
Net earned commission	(271,503)	(327,609)	(372,898)
Takaful operating profit	3,585,142	3,666,962	4,399,926
Policyholders' investment income	-	315,894	395,930
Mudarib share	-	(236,921)	(296,948)
Wakalah fees	-	(3,660,595)	(4,392,704)
Surplus of takaful result for the year	3,585,142	85,340	106,204
Attributable to shareholders			
Shareholders investment and other income, net	1,259,051	1,694,728	1,841,067
Mudarib share from policyholders	-	236,921	296,948
Wakalah fees from policyholders	-	3,660,595	4,392,704
General and administrative expenses	(3,084,899)	(3,158,850)	(3,425,181)
Other income	100,000	100,000	100,000
Profit before tax	1,859,294	2,533,394	3,205,538
Taxation	513,185	(168,739)	(235,721)
Profit for the year	**2,372,479**	**2,364,655**	**2,969,817**
Other comprehensive expense			
Net change in fair value of available for sale investments	(98,058)	-	-
	(98,058)	-	-
Profit and total comprehensive income for the year	**2,274,421**	**2,364,655**	**2,969,817**
Basic and diluted earnings per share	**0.021**	**0.014**	**0.018**

Al Madina Insurance Company SAOG (Under transformation)

PROJECTED STATEMENT OF FINANCIAL POSITION			
AT 31 DECEMBER	**2013**	**2014**	**2015**
	OMR	**OMR**	**OMR**
ASSETS			
Property and equipment	917,812	805,029	683,497
Investment properties	5,200,000	5,800,000	6,600,000
Deferred tax assets	513,185	344,446	108,725
Available-for-sale investments	636,535	636,535	636,535
Retakaful, takaful and other receivables	12,155,911	14,338,202	16,468,526
Advance and other assets	353,074	353,074	353,074
Investments held-to-maturity	253,038	253,038	253,038
Investment classified as fair value through profit or loss	9,878,886	11,024,497	12,656,416
Bank deposits	10,080,216	11,443,612	13,149,478
Cash and bank balances	935,241	817,257	808,251
TOTAL ASSETS	**40,923,898**	**45,815,690**	**51,717,540**
EQUITY, POLICYHOLDERS' FUND AND LIABILITIES			
Shareholders' equity			
Share capital	16,666,667	16,666,667	16,666,667
Share premium	2,294,483	2,294,483	2,294,483
Legal reserve	453,474	689,940	986,922
Contingency reserve	674,743	674,743	674,743
Investment fair value change available for sale	135,551	135,551	135,551
Retained earnings	140,988	1,435,844	3,108,679
Proposed dividend	833,333	833,333	1,000,000
Total Shareholders' equity	**21,199,239**	**22,730,561**	**24,867,045**
Total policyholders' fund	-	**85,340**	**191,544**

Liabilities			
Employees' end of service benefits	117,478	127,757	139,557
Retakaful and takaful contract liabilities	8,741,269	10,697,437	12,680,040
Unearned premium and commission reserve	9,111,175	10,419,859	12,084,618
Other liabilities	1,754,737	1,754,736	1,754,736
Total liabilities	**19,724,659**	**22,999,789**	**26,658,951**
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES	**40,923,898**	**45,815,690**	**51,717,540**
Net assets per share	**0.127**	**0.136**	**0.149**

The attached notes 1 to 4 form part of the financial projections. 2013 financial projections are prepared by management on conventional basis. The company intends to commence the Takaful operations from 1 January 2014.

Al Madina Insurance Company SAOG (Under transformation)

PROJECTED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDING 31 DECEMBER

	Share capital OMR	Share premium OMR	Legal reserve OMR	Special reserve OMR
At 1 January 2013	10,000,000	-	216,226	150,310
Capital raised from initial public offer	6,666,667	2,294,483	-	-
Profit and total comprehensive income for the year	-	-	-	-
Transfer to legal reserve	-	-	237,248	-
Transfer to contingency reserve	-	-	-	-
Proposed dividend	-	-	-	-
Special reserve transferred to retained earnings	-	-	-	(150,310)
At 31 December 2013	**16,666,667**	**2,294,483**	**453,474**	**-**
At 1 January 2014	**16,666,667**	**2,294,483**	**453,474**	**-**
Profit and total comprehensive income for the year	-	-	-	-
Transfer to legal reserve	-	-	236,466	-
Proposed dividend	-	-	-	-
Dividend paid	-	-	-	-
Balance at 31 December 2014	16,666,667	2,294,483	689,940	-
At 1 January 2015	**16,666,667**	**2,294,483**	**689,940**	**-**
Profit and total comprehensive income for the year	-	-	-	-
Transfer to legal reserve	-	-	296,982	-
Proposed dividend	-	-	-	-
Dividend paid	-	-	-	-
At 31 December 2015	**16,666,667**	**2,294,483**	**986,922**	**-**

The attached notes 1 to 4 form part of the financial projections. 2013 financial projections are prepared by management on conventional basis. The company intends to commence the Takaful operations from 1 January 2014.

Contingency Reserve OMR	Fair value reserve OMR	Accumulated losses / retained earnings OMR	Proposed dividend OMR	Total OMR
175,483	233,609	(811,960)	-	9,963,668
-	-	-		8,961,150
-	(98,058)	2,372,479	-	2,274,421
-	-	(237,248)	-	-
499,260	-	(499,260)	-	-
-	-	(833,333)	833,333	-
-	-	150,310		-
674,743	**135,551**	**140,988**	**833,333**	**21,199,239**
674,743	**135,551**	**140,988**	**833,333**	**21,199,239**
-	-	2,364,655	-	2,364,655
-	-	(236,466)	-	-
-	-	(833,333)	833,333	-
-	-	-	(833,333)	(833,333)
674,743	135,551	1,435,844	833,333	22,730,561
674,743	**135,551**	**1,435,844**	**833,333**	**22,730,561**
-	-	2,969,817	-	2,969,817
-	-	(296,982)	-	-
-	-	(1,000,000)	1,000,000	-
-	-	-	(833,333)	(833,333)
674,743	**135,551**	**3,108,679**	**1,000,000**	**24,867,045**

Al Madina Insurance Company SAOG (Under transformation)
PROJECTED STATEMENT OF CASH FLOWS FOR THE YEARS ENDING 31 DECEMBER

	2013 OMR	2014 OMR	2015 OMR
OPERATING ACTIVITIES			
Profit (including policyholders' share) for the year before tax	1,859,294	2,618,734	3,311,742
Adjustment for:			
Depreciation	123,924	162,782	171,532
Income from bank deposits	(98,915)	(302,406)	(343,308)
Dividend income	(952,136)	(1,292,215)	(1,429,688)
Rental income	(208,000)	(416,000)	(464,000)
Accrual for employees' end of service benefits	31,947	10,279	11,800
	756,114	**781,174**	**1,258,078**
Working capital changes:			
Retakaful payable	(177,018)	464,362	553,669
Insurance and reinsurance contracts receivables	(324,777)	(2,100,408)	(2,031,209)
Outstanding claims	285,897	1,491,806	1,428,934
Deferred commission expense	(167,502)	(81,883)	(99,115)
Unearned premiums (contributions reserve)	935,916	1,241,862	1,584,373
Deferred commissions income	175,078	66,822	80,386
Net cash from operating activities	**1,483,708**	**1,863,735**	**2,775,116**
INVESTING ACTIVITIES			
Purchase of property and equipment	(255,000)	(50,000)	(50,000)
Purchase of available for sale investments	429,659	-	-
Purchase of investments at fair value through profit or loss	(5,695,372)	(1,145,611)	(1,631,919)
Movement in bank deposits	(5,374,338)	(1,363,396)	(1,705,866)
Purchase of investment properties	(2,600,000)	(600,000)	(800,000)
Income received from fixed deposits	98,915	302,406	343,308
Dividend received	952,136	1,292,215	1,429,688
Rental income received	208,000	416,000	464,000
Net cash used in investing activities	**(12,236,000)**	**(1,148,386)**	**(1,950,789)**
FINANCING ACTIVITIES			
Dividends paid	-	(833,333)	(833,333)
Capital raised from initial public offer	8,961,150	-	-
Net cash from / (used in) financing activities	**8,961,150**	**(833,333)**	**(833,333)**
Net change in cash and cash equivalents	**(1,791,142)**	**(117,984)**	**(9,006)**
Cash and cash equivalents at 1 January	2,726,383	935,241	817,257
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**935,241**	**817,257**	**808,251**

The attached notes 1 to 4 form part of the financial projections. 2013 financial projections are prepared by management on conventional basis. The company intends to commence the Takaful operations from 1 January 2014.

NOTES TO FINANCIAL PROJECTIONS FOR THE YEARS ENDING 31 DECEMBER

1 ACTIVITIES

Al Madina Insurance Company SAOG (under transformation) (formerly Al Madina Gulf Insurance Company SAOC) (the Company) was incorporated on 15 May 2006 as a closed joint stock company in the Sultanate of Oman. The Company operates in Oman and is engaged in the business of conventional insurance within the Sultanate of Oman. The Company commenced commercial operations from 1 August 2006. The Company was granted licence from Capital Market Authority (CMA) on 15 July 2006. On 26 August 2013 the Company has been awarded an approval from CMA to carry out takaful and retakaful services which is subject to completion of Company's Initial Public Offering. The activities of the Company will be conducted in accordance with Islamic Shariah, which prohibits usury, speculation and uncertainty and within the provisions of the Articles and Memorandum of Association of the Company.

2 BASIS OF PREPARATION OF THE PROJECTIONS

These financial projections of the Company have been prepared by the Management in accordance with the accounting policies set out in note 3 and the key assumptions set out in note 4. The financial projections were authorised for issue by the Board of Directors.

The Company is currently engaged in conventional insurance business and expects to convert into a Takaful insurance Company with effect from 1 January 2014. As a result, the financial projections for 2013 are prepared by management based on conventional business and projections for subsequent years are prepared based on Takaful business model. Management based on certain assumptions has segregated the assets and liabilities between policyholders and shareholders as of 1 January 2014.

The financial projections are intended to show a possible outcome based on the stated assumptions. Because of the length of the period covered by the financial projections, the assumptions are necessarily more subjective than would be appropriate for the forecast. The financial projections do not therefore constitute a forecast.

Since the projections relate to the future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.

These illustrative financial projections are prepared based on existing regulations for the conventional insurance companies in Oman and by applying International Financial Reporting Standards (IFRS). The Capital Market Authority (CMA) and other regulators are expected to issue specific regulation for Takaful Companies, Capital Markets and Taxation in the due course. The financial projections may undergo change on application of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards/ruling on alternatives to derivative financial instruments and the related regulations to be issued in due course.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial projections have been prepared in accordance with International Financial Reporting Standards ("IFRS"), general principles of Shari'ah to be determined by the Insurance's Fatwa and Shariah Supervisory Board ("FSSB"), and applicable regulations of the CMA and applicable requirements of the Commercial Companies Law (CCL) and the CMA of Oman. The accounting policies stated in the projections are applicable for Takaful business expected to be executed by the Company during 2014 and 2015. The Company has used its accounting policies are set out in its 2012 audited financial statements for conventional business for the year ending 2013. A copy of the Company's 2012 financial statements are included in the prospectus document.

The financial projections are prepared under the historical cost convention except for investments carried at fair value through profit or loss and Shari'ah compliant alternatives of derivative financial instruments which have been measured at fair value. It is the intention of the Company to apply the following accounting policies consistently. The financial projections have been presented in Omani Rial (OMR), which is the functional and presentation currency of the Company.

Takaful contracts

Definition

The Company issues contracts that transfer takaful risk. Takaful contracts are those contracts when the Company (the operator) has accepted takaful risk on behalf of takaful funds from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Recognition and measurement

Takaful contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

These contracts are motor, life, Medical and other takaful contracts.

For all these takaful contracts, contributions are recognised as revenue (earned contributions) proportionally over the period of coverage. The portion of contributions received on in-force contracts that relates to unexpired risks at the end of the reporting period date is reported as the unearned contribution liability.

Claims and loss adjustment expenses are charged to the statement of income (attributable to the policyholders) as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Retakaful contract assets

Contracts entered into by the Company for retakaful under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements of takaful contracts are classified as retakaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Takaful contracts entered into by the Company under which the contract holder is involved in takaful activities are included with takaful contracts. The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful contract assets. The Company assesses its retakaful contract assets for impairment on a regular basis. If there is objective evidence that the retakaful contract asset is impaired, the Company reduces the carrying amount of the retakaful contract assets to its recoverable amount and recognises that impairment loss in the statement of income. Amounts recoverable from or due to retakaful holders are measured consistently with the amounts associated with the retakaful contracts and in accordance with the terms of each retakaful contract.

Takaful contract liabilities

Takaful contract liabilities towards outstanding claims are made based on claims intimated to the Company and still unpaid at the end of the reporting period, in addition to claims incurred but not reported. The unearned contribution considered in the takaful contract liabilities comprise the estimated proportion of the gross contributions written which relates to the periods of takaful subsequent to the end of the reporting period. This provision is made based on the higher of the amount required on the basis of time apportionment and the minimum rates prescribed by the Oman Insurance Companies Law which is 45% of the net contribution written on all general takaful.

The retakaful portion towards the above outstanding claims, claims incurred but not reported and unearned contributions is classified as retakaful contracts assets in the financial statements.

Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurements of the takaful liability for claims.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the statement of income initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to takaful contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and takaful contract holders.

If there is objective evidence that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in the statement of income.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Contributions earned

Contributions are recognised as revenue (earned contribution) proportionally over the period of coverage. A proportion of net retained contributions is provided as 'unearned contribution reserve' (UPR) to cover portions of risks which have not expired at the reporting date. An additional provision created to cover shortfall, if any, for each class of business between the total amount in the unearned contribution reserve and the amount required by the Oman Insurance Company Law of 1979 calculated at 45% of the net retained contributions for the year for all classes of business.

Commissions earned and paid

Commissions earned and paid are recognized on pro-rata basis over the term of the related policy coverage.

Income from bank deposits

Income from bank deposits is recognised on a time proportion basis using the effective rate of return method.

Dividends

Dividend income is recognised when the right to receive dividend is established.

Deferred commission income

The commission income attributable to the retakaful contributions are deferred and classified as deferred commission income. Deferred commission income is subsequently amortised over the life of the retakaful contracts as retakaful contribution is expensed.

Deferred commission expense

The costs attributable to the acquisition of new business and renewing existing contracts are capitalised as an intangible asset under deferred commission expense. All other costs are recognised as expenses when incurred. The expense is subsequently amortised over the life of the contracts as contribution is earned.

Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

Foreign currencies

Transactions in currencies other than OMR (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retransferred at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of income in the period in which they arise.

Taxation

Income tax on the profit or loss for the years comprises current and deferred tax. Income tax is recognised in the profit or loss for the year except to the extent that it relates to items recognised directly to other comprehensive income, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: Financial assets and financial liabilities at fair value through profit or loss, financial assets or financial liabilities at amortised cost, available-for-sale investments and held to maturity investments. Management determines the classification of financial instruments at the time of initial recognition.

Financial assets or financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception. A financial asset or financial liability is classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term. The Company has designated financial assets and liabilities at fair value through profit or loss when either the assets and liabilities are managed, evaluated and reported internally on a fair value basis; or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets or financial liabilities at amortised cost

Investment in shari'a compliant deposits and sukuks with banks and other financial institutions, takaful and retakaful receivable and payable. Financial liabilities are liabilities where the Company has a contractual obligation to deliver cash or another financial asset or exchange financial instruments under conditions that are potentially unfavourable to the Company.

Takaful and retakaful receivables are stated at amortised cost less amounts written off and provision for impairment, if any.

Other Islamic financing are stated at amortised cost (which excludes deferred income) less any provisions for impairment.

Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity and the Company's management has the positive intention and the ability to hold to maturity.

Available-for-sale

Financial assets that are not classified under any other category of financial assets are classified as available-for-sale

(ii) Recognition / De-recognition

The Company initially recognises financial assets held for trading, financial assets at fair value through profit or loss, financial assets held to maturity and financial assets available-for-sale on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset expires or when it transfers the financial asset. A financial liability is de-recognised when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets designated at fair value through profit or loss and assets available-for-sale that are sold are de-recognised and corresponding receivables from the buyer for the payment are recognised as at the date the

Company commits to sell the assets. The Company uses the specific identification method to determine the gain or loss on de-recognition.

If the Company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held to maturity during the following two years.

iii) Measurement

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from a change in the fair value of assets at fair value through profit or loss account are recorded directly in the statement of comprehensive income.

Financial assets which are classified as available-for-sale are measured at fair value. Unrealised gains and losses on measurement to fair value of assets are recognised in the statement of other comprehensive income reported as a separate component of equity until the assets are sold or otherwise disposed of, or the assets are determined to be impaired, at which the cumulative gains or losses previously recognised through the statement of other comprehensive income are included in the statement of comprehensive income. For investments in equity instruments, where a reasonable estimate of the fair value cannot be determined, the investment is carried at cost less impairment allowance, if any.

All financial assets or liabilities at amortised cost, customer financing and held-to-maturity investments are measured at amortised cost, less any reduction for impairment. Amortised cost is calculated using the effective profit rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

iv) Fair value measurement principles

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model.

The estimated fair value of shari'a compliant deposits with no stated maturity, which includes non-profit bearing deposits, is the amount payable on demand.

v) Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is an enforceable right legally and under Shariah'a framework to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

vi) Impairment of financial assets

Held to maturity investments

Impairment losses on held to maturity investments carried at amortised cost are measured as the difference between the carrying amount and the present value of estimated cash flows discounted at the original profit rate. Impairment losses are recognised in the statement of comprehensive income and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

Available-for-sale investments

Impairment losses on available-for-sale investments are recognised by transferring the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in equity to the profit or loss. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Impairment losses recognised on equity instruments are not reversed through the profit or loss.

Impairment of non-financial assets

The Company will assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company will estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU will exceed its recoverable amount, the asset will be considered impaired and will be written down to its recoverable amount.

In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model will be used.

An assessment will be made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company will estimate the asset's or CGU's recoverable amount. A previously recognized impairment loss will be reversed only if there have been changes in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal will be limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal will be recognised in the statement of comprehensive income.

Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis over the estimated useful lives of property and equipment, other than freehold land which is deemed to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

•	Office furniture and equipment	3 to 5 years
•	Motor vehicles	5 years
•	leasehold improvements	3 to 5 years

The carrying values of properties and equipment are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable. If any such conditions exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Any subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the statement of comprehensive income as the expense is incurred.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognized.

Capital work-in-progress is initially recorded at cost, and upon completion is transferred to the appropriate category of property and equipment and thereafter depreciated.

Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. External independent valuers having appropriate recognised professional qualifications and experience, value the investment at every reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gain or loss arising from the change in fair value of the investments is recognised in the statement of comprehensive income.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Deposits

Customer current accounts and due to Company's and other financial institutions are carried at amortised cost.

Employees' pension and end of service benefits

The end of service benefits for Omani employees are provided in accordance with the Sultanate of Oman's Social Insurance Law of 1991. The Company will also provide end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service. The expected costs of these benefits are accrued over the period of employment and are included within 'other liabilities' in the statement of financial position.

Cash and cash equivalents

For the purpose of preparation of the statement of cash flows, cash and cash equivalents are considered to be cash and balances with banks. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Prohibited income

According to the FSSB, the Company is required to avoid any transaction or activity deemed to be not acceptable by Shari'a and to identify any income from such source and to set it aside in a separate account (charity account) to be disposed to charity by the Company under the supervision of the FSSB (as purification amount).

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in these financial statements.

Foreign currencies

The Company's financial statements are presented in OMR, which is the Company's functional currency. That is the currency of the primary economic environment in which the Company operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3A NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

(a) Standards, amendments and interpretation effective in 2013 and relevant for the Company's operations:

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2013.

The adoption of those standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported in the financial projections.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2013 or later periods, but the Company has not early adopted them and the impact of these standards and interpretations is not reasonably estimable:

IFRS 9, 'Financial instruments', (effective on or after 1 January 2015).

IAS 32, 'Financial instruments: Presentation', (effective on or after 1 January 2014).

IAS 36, 'Impairment of assets', (effective on or after 1 January 2014).

3B SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial projections. The most significant use of accounting judgments and accounting estimates are as follows:

Impairment losses on financing assets and investments carried at amortised cost

The Company reviews its financing assets and investments carried at amortised cost at each reporting date to assess whether a provision for impairment should be recorded in the profit or loss in relation to any non-performing assets. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of individually impaired provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

These financial assets that have been assessed individually and found not to be impaired and all individually insignificant are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the portfolio (such as credit quality, levels of arrears, credit utilisation, balance to collateral ratios, etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices and the performance of different individual groups).

Classification and measurement of financial assets

The classification and measurement of the financial assets depend on management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. Management is satisfied that the Company's investments in securities are appropriately classified and measured.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Claims outstanding

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The management uses the initial value of the claim provided by the surveyor for the expected ultimate cost of claims reported at the financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Impairment of receivables

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the

Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during the period and feedback received from their legal department. The difference between the estimated collectible amount and the carrying value is recognised as an expense in the statement of comprehensive income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of comprehensive income at the time of collection.

Directors' remuneration

The Directors' remuneration will be governed by the Memorandum of Association of the Company, the Commercial Companies Law, regulations issued by the Capital Market Authority and regulations issued by the Capital Market Authority.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed prevailing regulations.

4 KEY ASSUMPTIONS

The financial projections of the Company's activities for the years 2013 to 2015 have been prepared by the Management in good faith and with due care and attention, based on assumptions, which they consider appropriate.

The primary statements have been presented for the years from 2013 to 2015.The company is presently engaged in conventional insurance products and intends to engage in General Takaful activities with effect from 1 January 2014. All existing conventional insurance policies of the Company as of 1 January 2014 will be converted to Takaful compliant. Details regarding share issue expenses and issue of share capital are set out in the notes 4.213.

The regulatory framework for Takaful Insurance Companies in Oman is yet to be finalised. Accordingly the Management has generally taken guidance from regulations applicable for conventional insurance companies in Oman and prevailing trends in the region. Thus assumptions used in these financial projections are hypothetical assumptions. A careful effort has been made to estimate the business and income expected to be generated by the Company to arrive at the statement of projected comprehensive income. However, there can be no certainty as to the extent to which the actual results will match the projections or whether the assumptions will remain valid.

The Company has adopted a methodology for segregating its assets and liabilities between shareholders and policyholders upon proposed conversion from conventional insurance to Takaful operations. The following accounts are classified under policyholders' fund since these represent the balances relating to account of insurance transactions:-

- Assets assigned to CMA to cover outstanding claims
- Cash required for general operations
- Re-takaful and takaful receivables
- Due from retakaful companies in connection with outstanding claims
- Deferred retakaful contributions
- Deferred policy acquisition costs
- Takaful funds
- Retakaful payables

The following accounts have been classified under shareholders' fund as they are directly related to the shareholders:-

- Property and equipment
- Available-for-sale investments and investment held to maturity
- Investment properties
- Share capital, legal reserve, special reserve and fair value reserve
- Employees' end of service benefits
- Other receivables and prepayment to meet the regular general and administrative needs of running the company and not related to the insurance operations.

As a general principle, the Company has effected the classifications by evaluating each account to identify the nature of the transactions to ascertain whether the transaction pertains to underwriting operations or to those of shareholders.

4.1 Gross written contribution (GWC)

The Company's GWC is expected to grow over the 3 year period with the contribution mix from various lines changing. The Company will focus on broadening its life and medical business lines. Consequently, the Company projects that its retention in life and medical business will increase in the coming years. The growth assumptions in the gross written contributions are set out below:

Class	2013	2014	2015
Motor	24%	11%	14%
Life	(3%)	18%	16%
Medical	125%	65%	53%
Others	-	11%	12%
Total	**12%**	**15%**	**16%**

The motor portfolio growth is supported by following factors:

- Motor vehicle market across all classes of vehicles is projected to grow at 10% year on year.
- Islamic banks will create a niche in the motor financing segment that will be available to Takaful companies only.
- The Company is expected to be in a position to generate policyholders surplus from year one. This will create a strong competitive edge for the Company.
- The Company plans to sell motor insurance directly through web and cross selling through call centres.

Profitability of the portfolio will be ensured by actuarial pricing of motor products for target segments and utilising Company's proprietary insurance application system for distribution of its products. The Company will also focus on managing its claims such that there is reduction in its average cost per claim. At the same time the Company will invest in enhancing its customer service by establishing TAT (turnaround time) for all its critical transactions ensuring customer loyalty and high level of retention.

The medical portfolio growth is supported by following factors:

- The Company started with a small base and growth achieved in first nine months of in 2013 (over 100%) in premium and profitability indicates the existing potential for medical insurance.
- The Company has already scoped its target market and distribution channels and the results in 2013 is a reflection of that preparatory work carried out in 2012.
- The Company plans to build its product manufacturing and claims administration capability partnering with leading health insurance providers and administrators in the regional market which will ensure stability in pricing, profitability and consistency in customer service.
- The Islamic banks will take some time to build critical mass in their mortgage and lending portfolio thus the growth is expected to be gradual.
- The projected growth rate is based on current portfolio and opportunities that will arise from writing group medical Takaful business.

4.2 Net retained contribution (as a % of GWC)

An analysis of the Company's expected net retained contribution is set out below:

Class	2013	2014	2015
Motor	96%	96%	96%
Life	30%	33%	35%
Medical	38%	40%	45%
Others	13%	15%	17%
	49%	**50%**	**52%**

The reinsurance in case of motor is not changed considering the strategy of the company to retain maximum risk locally and earn income by efficiently managing the loss ratios. In case of other segments retention is expected to increase annually by 2.5%, which is mainly based on the budget of the company.

4.3 Unearned premium reserve (UPR)

An analysis of the Company's expected unearned premium reserve is set out below:

	2013	2014	2015
	OMR	**OMR**	**OMR**
% of retained premium allocated to UPR	45%	45%	45%
Gross unearned premium reserve	8,534,207	9,776,069	11,360,442
Unearned premium reserve – net	4,192,688	4,912,143	5,873,639
UPR adjustment	927,849	719,455	961,496

A proportion of net retained premiums is provided as 'unearned premium reserve' (UPR) to cover portions of risks which have not expired at the statement of financial position date. An additional provision is created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Company Law of 1979 calculated at 45% of the net retained premiums for the year for all classes of business.

4.4 Net commission expense (as a % of GWC)

An analysis of the Company's expected commission income and commission expense are set out below:

Commissions earned and paid are usually in accordance with agreements entered into with retakaful companies and brokers respectively. The related assumptions for net commission expenses are set out below:

Commission income	2013	2014	2015
	6.76%	6.59%	6.37%
Commission expense	**2013**	**2014**	**2015**
	8.23%	8.02%	7.78%
Net commission expense	**2013**	**2014**	**2015**
	(1.47%)	(1.43%)	(1.41%)

Commissions earned and paid are recognised on pro-rata basis over the term of the related policy coverage. Net commission expense is forecast to come down to 1.5% of GWC in FY13, FY14 and FY15 from 1.8% in FY12.

4.5 Incurred claims ratio (as a % of net earned contribution)

Incurred claims ratio is forecast to be 54%, 61% and 61% for FY13, FY14 and FY15, respectively. By underwriting the right risks and investing in technology the Company has been able to bring down its incurred claims ratio over the last three years.

An analysis of the Company's expected incurred claim ratio is set out below:

	2013	2014	2015
	54%	61%	61%

An analysis of incurred claim by class of business is set out below:

Class	2013	2014	2015
	OMR	OMR	OMR
Motor	4,018,403	5,328,678	5,987,357
Life	125,926	139,371	173,356
Medical	259,745	501,365	865,483
Others	128,516	232,433	292,013
	4,532,590	**6,201,847**	**7,318,209**

4.6 Wakala fees and Mudarib share

It is assumed that the Wakala fees would be charged at the rate of 16.9% and 17.4% of gross written premium for the year 2014 and 2015 respectively. The Wakala Fees is expected to gradually come down in the later years.

It is assumed that the Mudarib's share on investment income of the policyholder's funds would be 75%. Wakala fee and Mudarib share will be determined by the Company in consultation with the Shariah Board in due course.

4.7 General and administrative expense

In the first year of operations as a Takaful company (2014) the operating expenses are expected to be more and in the years thereafter a reducing trend is assumed when in correlation to the increase in gross written contributions. The trend assumption is set out below.

Operating expenses (as a % of GWC)	**2013**	**2014**	**2015**
	15%	**14%**	**13%**
Operating expenses (growth Y-o-Y)	**2013**	**2014**	**2015**
	13%	**6%**	**9%**

4.8 Other income

Other income consists profit commissions, gain / (loss) on account of foreign exchange, gain / (loss) on sale of fixed assets and recoveries on account of sundry activities. The Company has assumed that on an annual basis other income is expected to be around RO 100,000.

4.9 Investments

An analysis of Company's investment portfolio is set out below:

	2013		**2014**		**2015**	
	Policyholders' fund	**Shareholders' fund**	**Policyholders' fund**	**Shareholders' fund**	**Policyholders' fund**	**Shareholders' fund**
Investment in securities held for trading	-	9,878,886	1,883,666	9,140,831	2,493,370	10,163,046
Available-for-sale investments	-	636,535	-	636,535	-	636,535
Investments held-to-maturity	-	253,038	-	253,038	-	253,038
Bank deposits	-	10,080,216	5,662,996	5,780,616	6,729,978	6,419,500
Investment properties	-	5,200,000	-	5,800,000	-	6,600,000
	-	**26,048,675**	**7,546,662**	**21,611,020**	**9,223,348**	**24,072,119**

Expected return on investments:

	2013	**2014**	**2015**
Fixed deposits with banks	2%	3%	3%
Investment in securities	17%	12%	12%
Investment in properties	8%	8%	8%

An analysis of Company's investment income is set our below:

	2013		2014		2015	
	Policyholders' fund	Shareholders' fund	Policyholders' fund	Shareholders' fund	Policyholders' fund	Shareholders' fund
Investment in securities held for trading	-	711,197	167,238	1,018,229	226,040	1,096,900
Available-for-sale investments and Investments held-to-maturity	-	240,939	-	106,749	-	106,749
Bank deposits		98,915	148,656	153,751	169,890	173,418
Investment properties	-	208,000	-	416,000	-	464,000
		1,259,051	**315,894**	**1,694,728**	**395,930**	**1,841,067**

4.10 Capital expenditure

An analysis of expected capital expenditure is set out below:

	2013	2014	2015
	OMR	OMR	OMR
Additions during the year	255,000	50,000	50,000

4.11 Proposed dividend

	2013	2014	2015
	OMR	OMR	OMR
Dividend per share	0.005	0.005	0.006
Proposed dividend	833,333	833,333	1,000,000

The above is based on management expectations relating to dividend distribution. The dividend will be declared subject to shareholders' approval and compliance with the regulatory frame work.

4.12 Taxation

Income tax expense

The Company is subject to income tax at the rate of 12% of the taxable income in excess of RO 30,000 in accordance with the income tax law of the Sultanate of Oman. No income tax provision has been made in these financial projections in view of the carried forward tax losses exceeds the taxable income earned during the period. In the absence of taxation rules for takaful business, the Company has calculated income tax and deferred tax in accordance with the rules relating to conventional business.

Deferred tax

Deferred tax asset on the carried forward tax losses has been recognised in these financial projections as the Company has projected taxable profits.

Deferred tax asset

Deferred tax arises on account of temporary differences between the tax base of assets, liabilities and losses and their carrying values in the statement of financial position.

Taxation	2013	2014	2015
	OMR	OMR	OMR
Current tax	-	-	-
Deferred tax	(513,185)	168,739	235,721
Income tax for the year	(513,185)	168,739	235,721

Status of tax assessments

The Company's income tax assessments for the tax year up to 2007 have been finalised by the Secretariat General for Taxation at the Ministry of Finance.

4.13 Share capital

The Company expects to raise 66,666,670 shares of OMR 100 Baiza each as part of its initial public offering at a premium of OMR 38 Baiza and OMR.002 Baiza towards share issue expenses. Accordingly the Company will collect OMR 6,666,667, OMR 2,533,333 and OMR 133,333 as share capital, share premium and share issue expenses, respectively. Details of share issue expenses are set out in 4.14.

4.14 Share issue expenses

An analysis of share issue expenses is set out below:

	OMR
Lead manager	163,333
Marketing advisors	90,000
Collecting bank charges	28,000
CMA and MCDC fees	19,600
IPO insurance	19,250
Legal advisors	25,000
Consultation for business plan	12,000
Reporting accountant	7,500
Translation	7,500
Total	**372,183**

The Company has projected issue expense of OMR 372,183, of which OMR 133,333 will be recovered from the public and the remaining OMR 238,850 will be absorbed in the share premium reserve.

4.15 Legal reserve

As required by the Commercial Companies Law of Oman, 10% of the profit after tax for the year is transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution.

4.16 Contingency reserves

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 year in case of life insurance business is transferred from retained earnings to a contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital. The reserves shall not be used except by prior approval of the Capital Market Authority.

In the absence of specific regulations for Takaful companies, the Company has not made transfer for contingency reserve from 2014 onwards. Management believes that transfer to contingency reserve is not required for a takaful entity as the policyholders and shareholders funds are already segregated. Should the takaful regulation once issued, warrants the Company to make transfer then, OMR 650,429 and OMR 795,343 will be transferred to contingency reserve from retained earnings for 2014 and 2015 respectively.

4.17 Special reserves

In accordance with Article 78 of the Commercial Companies Law of 1974, the surplus of share issue fees over pre-formation expenses was transferred to a non-distributable special reserve. On 28 March 2013, the Company has passed a special resolution in Annual General Meeting to transfer the amount of OMR 150,310 from special reserve account to retained earnings.

4.18 Other liabilities

Other Liabilities consists of payables to garages, municipalities, hospitals, government tax liability, provisions for expenses, leave salaries and payables to suppliers etc.

4.19 Other assets

Other Assets consist of rentals receivable on investment property, loans and advances to staff, prepayment and advances to suppliers etc.

4.20 Earnings per share – Basic and diluted

Earnings per share basic and diluted have been derived by dividing the profit for the year attributable to shareholders by the weighted average of shares outstanding during the year. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

	2013	2014	2015
	OMR	OMR	OMR
Profit for the year (RO)	2,372,479	2,364,655	2,969,817
Weighted average number of shares during the year	111,111,112	166,666,667	166,666,667
Earnings per share- basic and diluted (RO)	0.021	0.014	0.018

4.21 Net asset per share

Net asset per share is calculated by dividing the total shareholders' equity at the year end by the number of shares outstanding at the year end, as follows:

	2013	2014	2015
	OMR	OMR	OMR
Net assets (RO)	21,199,239	22,730,561	24,867,045
Number of shares outstanding at the year end	166,666,667	166,666,667	166,666,667
Net assets per share (RO)	0.127	0.136	0.149

Chapter 12:

Dividend Policy

Dividends

The Offer Shares will rank equally with all other Shares for any rights to dividends that may be declared and paid in respect of the Financial Year ending in December 2013 and any subsequent Financial Years. Following the Offer, the Shareholders' register of the Company will be amended to allow new shareholders to receive any declared dividends. In accordance with the CCL, 10% of the profits for every corporation incorporated in Oman must be transferred to a legal reserve until the reserve amounts to at least one third of the corporation's share capital before distribution of dividends.

Dividend policy

The Company intends to distribute dividends from its annual net profits to its Shareholders, after payment of taxes, which will be calculated from the Company's net profit. The profit that accrues to the Shareholders will arise from the revenue in Shareholders' Funds comprising of Wakala fee, Mudaraba fee, investment income less operating expenses.

The Company proposes to follow a reasonable dividend payout policy, subject to its capital and operational expenditures requirements. Any declaration of Share dividends will depend on the Company's financial position, the market condition, the general economic conditions and other factors, including the availability of investment opportunities, reinvestment of dividends and the Company's need for cash and capital, as well as other legal and regulatory considerations to fulfil the contractual obligations of the Company. Dividends will be distributed in Omani Rials. Although the Company intends to distribute dividends to its Shareholders, it does not guarantee any actual distribution of dividends at any year, nor does it guarantee the amount which will be distributed in any year in the future.

Based on the projected financial information, the Company's estimates of dividend are as follows:

Expected dividend announcement date	Amount (OMR)	Dividend per Share (Bzs)
March 2014	833,333	5
March 2015	833,333	5
March 2016	1,000,000	6

Chapter 13:

Valuation and price justification

Overview:

The established operations of the Company coupled with an early stage of growth provide it with distinct competitive advantages as follows:

a. First mover advantage

The Company expects to be the first company to offer Takaful products in the Sultanate. The Company has received approvals for its Takaful products from the Shariah Board and the CMA. The Company has already launched the new Takaful brand logo based on its old established brand thereby leveraging on its current operations.

The Company has existing and established network of key distributors – 38 brokers, 35 agents and 3 banks and finance companies. This distribution strength shall benefit the Company to further building its client base and leading the Takaful segment. In addition to the new clients, the existing client base is also expected to migrate to Takaful thereby providing with a significant advantage in terms of market share in the Takaful segment.

The Company is the only insurance company in Oman to provide all its intermediaries access to its online system to issue motor insurance, marine insurance, travel insurance and housemaid insurance. The Company intends to leverage its modern technology platform to facilitate better service, improve information flow and take effective decisions based on real time information.

The Company is led by a highly experienced and stable management team supported by quality staff. The team has delivered growth in customer numbers, revenue and profitability. The management, with its prior experience in the Takaful industry, will be beneficial to the Company going forward. With its track record and a first mover advantage, the Company expects to be the leading player in the Takaful industry in Oman.

b. Growth opportunities coupled with differential portfolio strategy

With a strong and sustained economic growth, increased Government spending, favorable demographic trends, absence of Takaful as a medium of insurance, low insurance penetration and insurance density, Takaful is expected to be a vital means of increasing acceptance and awareness of insurance in the Sultanate, and a channel for leveraging the ample opportunities offered in the relatively untapped market. It is also expected that the development of Islamic banking and Islamic finance will create more opportunities for banctakaful and growth in asset based financing is expected to result in a corresponding growth in personal lines of insurance.

The Company has built its portfolio strategy differently for the motor insurance segment by making significant investment in technology and software, strengthening the underwriting process by segmenting portfolio into profitable parts and undertaking competitive pricing and selective book building. This has resulted in the Company becoming profitable even in the motor segment which has a combined operating ratio of over 100% for the local insurance companies.

For the medical portfolio, the Company has partnered with Munich Health and Mednet, to build a medical portfolio with high level of retention, applying the same underwriting principles as it does in motor – using sophisticated technology to segment the market and identify manageable risks which are profitable. The Company's partnership with reputed third party administrators for managing claims efficiently has led to consistent underwriting margins in its portfolio.

c. Existing profitable Company in early growth stage

Since its inception in 2006, the Company has been steadily increasing the gross premiums and has turned profitable from FY 2012. As on 31 December 2012, the Company had a 5% market share in terms of gross premiums in the insurance market in Oman. As of 30 June 2013, the Company wrote insurance policies for c.35,600 individuals and c.1,650 corporate clients in the Sultanate. The Company has been careful in selection of its underwriting business with relatively low risk. In the commercial segment, where the risk size tends to be medium to small, the Company retains larger share of risk. This is based on the expertise of its skilled resources and understanding of the business. In the specialty segment, where the risks are large and complex, the Company approaches the market with the support of its strategic partners like Allianz, HDI Gerling and Chubb. This has allowed the Company to increase its retention ratio from 40% in FY 2011 to 43% in FY 2012 and is projected to reach 52% in FY 2015. The Company has also increased its net retention per risk from OMR 57,750 to OMR 192,500 which has contributed towards reduction in premium ceded to the reinsurers. The success of this strategy is also reflected in the low claims ratio, which stood at 66% in FY 2012 and was further lower at 58.6% in HY 2013. In the motor segment, which is the main determinant of the overall claims ratio, the average cost of claims paid has dropped from OMR 1073 in FY 2011 to OMR 617 in HY 2013. The claims ratio for motor fell from 117% in FY 2011 to 66% in HY 2013.

Based on the potential opportunities combined with the understanding of its business, the gross insurance premiums of the Company are expected to increase at a CAGR of 14.4% for the period FY 2012 to FY 2015 and net insurance premium earned to increase at a CAGR of 21.6% for the same period. This growth in insurance premiums is expected to translate into higher profits and consequently a higher EPS.

	Historical			Projections		
(in OMR million)	**FY 2010A**	**FY 2011A**	**FY 2012A**	**FY 2013f**	**FY 2014f**	**FY 2015f**
Gross Insurance Premium	11.81	14.14	16.88	18.96	21.72	25.25
Growth (%)		19.7%	19.4%	12.3%	14.6%	16.2%
Net insurance premium earned	7.28	5.66	6.73	8.39	10.2	12.09
Growth (%)		-22.3%	18.9%	24.7%	21.6%	18.5%
Net profit for the year	-0.90	-1.44	1.07	1.86[1]	2.37	2.97
Growth (%)		-60.2%	174.0%	73.8%	26.9%	25.8%
Shareholder Funds	6.57	5.48	9.96	21.19	22.73	24.86
Growth (%)		-16.5%	81.7%	112.7%	7.3%	9.4%

Source: Company

1Excluding deferred tax credit of OMR 513,185

Comparables

The Takaful companies in the region are at different stages of lifecycle in their respective countries. In Oman, the Company is expected to the first Takaful Company. The Company is already operating as a profit making conventional insurance company, and expects to convert into a Takaful company by 1 January 2014. Various factors have been taken into account for identifying the list of comparable companies including nature of business, geographies, size and market characteristics. The Comparables have been divided into the following categories:

1. **Domestic comparables**
   a. Dhofar Insurance
   b. Oman United Insurance Company
2. **Regional Takaful comparables**
   a. Bahrain National Holding
   b. First Takaful Insurance Company
   c. Dubai Islamic Insurance Company
   d. Qatar Islamic Insurance Company

Offer Price

The Offer Price of Bzs 138 (excluding Bzs 2 as Issue Expenses) per Share for the Company has been arrived at after considering the valuation methodology appropriate for insurance companies and prevalent market conditions.

PB ratio

The PB ratio is considered to be the most appropriate method for valuing the Company considering that the insurance companies generally follow mark to market accounting practices. Hence, the PB ratio is a fair measure to compare the share prices of the insurance companies. Moreover, it also provides a better estimate of price to the prospective investor who can link the Company's Share Price to the intrinsic value of the Share. At the Offer Price of Bzs 138, the PB ratio of the Company works out to 1.09 times BV for FY 2013. This translates into a discount of c.18% to the average domestic trading comparables of 1.3 times BV and a discount of c.37% to the average regional takaful trading comparables of 1.7 times BV.

(in OMR)	FY 2013f	FY 2014f	FY 2015f
BVPS (Bzs per share)	127	136	149
P/BV (times)	1.09	1.01	0.93

Source: Company

	P/Bv trading multiples[1]
Domestic trading Comparables	
Dhofar Insurance	1.5x
Oman United Insurance Company	1.2x
Average of domestic trading comparables	1.3x
Regional Takaful trading Comparables	
Bahrain National Holding	1.0x
First Takaful Insurance Company	1.2x
Dubai Islamic Insurance Company	1.6x
Qatar Islamic Insurance Company	3.2x
Average of regional Takaful trading comparables	1.7x

1 For P/Bv ratios, the price has been taken as of October 2, 2013 and BV as on HY 2013 (Source: Bloomberg)

P/E multiples and Dividend Yield

For information purposes, the Company has also provided with P/E and Dividend yield comparison in view of a growth business model. At the Offer Price of Bzs 138, the P/E ratio of the Company works out to 8.2 times for FY 2013, which is at a discount of c.7% to the average domestic trading comparables of 8.8 times and a discount of c.37% to the average regional takaful trading comparables of 13 times.

The Company has projected to pay the dividends of Bzs 5 per Share on 31 March 2014 to all the prospective Shareholders. At the Offer Price of Bzs 138 per Share, the projected dividends will result in a yield of 3.62%. However, since the Shares are expected to be issued to the prospective Shareholders by mid-December, the annualized dividend yield translates to 10.9% at the Offer Price.

(in OMR)	FY 2013f	FY 2014f	FY 2015f
EPS (Bzs per Share)[1]	17	14	18
P/E (times)	8.2	9.9	7.7
DPS (Bzs per Share)	5	5	6
Dividend Yield (%)	3.62 (Annualised dividend yield of 10.9)[2]	3.6	4.3

Source: Company

1 EPS derived by calculating the profit for the year attributable to the shareholders by the weighted average of shares outstanding during the year (RO 10mn for 10 months and RO 16.67mn for 2 months)

2 Annualised based on the dividend of Bzs 5 per Share and price of Bzs 138 per share assuming that an investor holds the shares for a four month period (December 2013 – March 2014) before receiving dividends. Dividend distributions are projected to take place on 31 March each year

(in OMR)	P/E trading multiples[1]	Dividend Yield (%)[1]
Domestic trading comparables		
Dhofar Insurance	8.5x	2.0%
Oman United Insurance Company	9.1x	5.2%
Average of domestic trading comparables	8.8x	3.6%
Regional Takaful trading comparables		
Bahrain National Holding	11.6x	3.0%
First Takaful Insurance Company	NA	0.0%
Dubai Islamic Insurance Company	NA	0.0%
Qatar Islamic Insurance Company	14.4x	6.1%
Average of regional Takaful trading comparables	13.0x	2.3%

1 For P/E and dividend yield ratios, the price has been taken as of October 2, 2013 (Source: Bloomberg)

Chapter 14:

Risk factors and mitigants

1. Risks related to the market and regulatory environment

a. Regulatory risks

The final Takaful license has been issued subject to the completion of the IPO. In the event of the Takaful licence being delayed, the Company would not be in a position to commence Takaful operations and would continue as a conventional insurance company thereby not having impact on the financial projections contained in this Prospectus.

Takaful has only recently been permitted in Oman and the CMA has issued a draft Takaful Law. However, as of the Prospectus Date, the Takaful Law has not been formalised pursuant to a Royal Decree. The absence of a clear regulatory regime governing the provision of Takaful services exposes the Company to uncertainty with respect to its regulatory obligations.

It is likely that the CMA would, in due course, implement detailed rules and regulations in order to regulate and steer Takaful in Oman. The Company is committed to adhering to the highest standards of compliance. In addition, the management of the Company plans on diligently and regularly reviewing Takaful regulations in Oman in order to fulfil its legal and regulatory obligations.

b. Legal risks

Legal risks could arise in the documentation process of a particular Takaful product as it involves the drafting of legal contracts. Other legal issues may arise with respect to data protection as well as disclosure and auditing requirements.

Risk mitigation tools for this risk include the drafting of standard documents for the products approved by the legal department of the Company, legal department of the CMA and the Shariah Board. It is anticipated that the Company's legal department, experienced Shariah Board and reliance on tested legal practice would serve to mitigate the aforementioned legal risks.

c. Competition

The Company expects to operate in a competitive environment, consisting of more than 21 companies, which could adversely affect its revenue and its profit margins. The Company expects to compete with the conventional insurance companies initially and with the other Takaful and conventional companies subsequently. Competition in the insurance sector is based on several factors, including subscribed premiums, terms and conditions of coverage, the service provided, credit rating adopted by independent financial rating agencies, claims service, reputation and the market perception in relation to the Company's solvency and experience. In order to obtain a larger market share, some insurance companies may tend to adopt pricing policies that are more aggressive than those of the Company. No assurance can be made that the Company will achieve or maintain any specific level of premiums in such competitive environment. The increasing level of competition may affect the Company's business and its projections and financial position.

d. Market growth

The economic boom witnessed by the Sultanate over the last ten years may not continue at the same rate in the future, including in the insurance sector. Market growth was supported by high oil revenues and major projects under review and implementation in the Sultanate. In spite of diversification attempts, the Omani economy remains largely dependent on the oil industry. As a result, the Sultanate's income is subject to fluctuations in oil prices and its financial plans remain subject to global market factors and forces. In addition, economic issues may hinder the sustainability of growth in terms of numbers and sizes of major industrial, residential and infrastructure projects, which may consequently affect the growth opportunities for insurance companies including the Company.

The government has increased its focus to diversify its revenues resulting in spending on infrastructure and increased budgetary support for non-oil sector, such as airports, roads and port projects. The insurance sector is a likely beneficiary of this focus as a growing base of insurable assets of large value will provide new underwriting opportunities to insurance companies.

e. Required periodic reports

Pursuant to the CMA and MSM regulations, the Company must periodically produce financial statements and reports and disclose to the public all material information related to its business, its financial results, capital, ownership structure and financial position. Therefore, if the Company fails to comply with such requirements due to administrative or technical difficulties, the submission of required reports could be delayed, which could lead to the imposition of penalties or restrictions that may adversely affect the Company's profitability, its reputation, or its ability to operate in the future.

The Company has leveraged technology to facilitate better service and improve information flow and use of latest technology allows the Company to provide reports and data required for smooth functioning of the business. The Company has put proper systems and procedures in place and is geared to meet these additional regulatory reporting requirements.

f. Solvency reserves

The capital adequacy of a Takaful Operator is determined by the solvency margin requirement laid down by the Regulator. In absence of specific regulation pertaining to solvency of policyholder's fund the current solvency regulation applicable to shareholder's capital is applied. The current practice with most regulators and financial rating companies is to combine the balance sheet of policyholders and shareholders to determine the solvency of the fund. This evident from the fact that minimum capital requirement for the prospective shareholders is same as that of conventional companies. The Company carries out an analysis of its risk profile in various classes of business to determine the net retained line and its priority for whole account protection and the limit is fixed on the basis of risk pool profile, pool size and the capital available.

g. Unpredictable disasters

Insurance of industrial facilities and of residential and commercial buildings constitutes an important source of revenue for insurance companies along with health insurance and automobile insurance. The Company may be vulnerable to losses given that it covers properties against disasters that cause property damage. Disasters can be caused by various natural and unnatural events, the incidence and severity of which are inherently unpredictable, such as hailstorms, floods, winds, fires, explosions, industrial accidents and terrorist attacks, which may cause the Company financial and capital losses.

The extent of losses from disasters is a function of both the total amount of insured exposure and the severity of the event. Disasters can cause losses in a variety of property and casualty lines. Although the Company is determined to control the consequences of catastrophic events through underwriting controls, including policy limits with respect to the aggregate amount of coverage exposed to specific potential events and purchasing re-insurance coverage for the policies issued by the Company (among other procedures), such events are known to be hard to predict, the severity of which and frequency of occurrence may exceed the Company's expectations in terms of financial costs and risk management level. Such severe catastrophic events could have a material adverse effect on the Company's financial condition.

h. Reinsurer's risk and reliance upon them

Insurance companies enter into reinsurance arrangements with either international or regional companies in order to limit their insurance coverage risk. Consequently, a reinsurer becomes liable towards the Company within the limit of the reinsured risks. However, the Company shall not be released of its primary obligation toward the policy-holders considering that it is the direct insurer. There is no assurance that a reinsurer will pay its share of future claims, which may have a material adverse effect on the Company's financial performance and profitability.

The availability of reinsurance and its size and cost are subject to market prevailing terms, which are normally beyond the control of the Company. If the Company was unable to maintain or replace its reinsurance arrangements, the Company's risk exposure may increase or the Company would be required to reduce the level of its underwriting commitments. In addition, the Company is exposed to credit risks related to the reinsurers, considering that the reinsurers' risks do not release the Company of its commitments towards its insured customers.

The Company deals with highly rated and long standing reinsurers while conducting its business. The Company has set out to partner two leaders in health insurance segment – Munich Health as product and insurance provider and Mednet as Third Party Administrator. In the specialty segment the Company has positioned itself with leading names like Allianz and Chubb Insurance Group for the business which mitigates this risk.

i. Difficult to attract Takaful insurance qualified local personnel

The Company's business plan involves the provision of qualified and experienced personnel in the insurance industry to work with the existing employees of the Company upon the conversion into a Takaful company. Due to the scarcity of local and highly qualified competences in the Takaful insurance industry, competition among the companies may prevail, in order to attract such qualifications and maintain them. This in turn may increase the costs incurred in employing, qualifying and maintaining the qualified personnel, which could eventually lead to higher operating expenses and therefore may adversely affect the profitability of the Company.

2. Risk related to Company's operations

a. Investment risks

The Company's operation results shall depend to a certain extent on the performance of its invested assets, which is comprised of the Policyholders' portfolio and Shareholders' portfolio. The investment results may be subject to a combination of investment risks such as the risks related to the general economic conditions, fluctuation of market, fluctuations of the return on investment, liquidity and credit risks. If the Company is unable to synchronize its investment portfolio and liabilities, it may be forced to liquidate its investments at unfavourable times and at unfavourable rates, which in turn, may adversely impact the Company's financial condition and/or results of operation. The investment portfolio is also subject to regulatory restrictions and unavailability of certain financial products, which may reduce the diversification of asset classes leading to the reduction in returns on investment. The management of such investments requires an effective management system and a high degree of capability to select varied investments. If the Company is unable to diversify these investments, the Company's profitability and financial performance may be impacted.

b. Technology risk

The business and future prospects of the Company are dependent on the ability of the information technology system to process a large number of transactions in a timely and uninterrupted manner, at a time when processing operations is becoming increasingly complicated with the rapid growth of the Company's portfolio and the volume of its operations.

The proper operation of accounting systems, financial control, customer service, customer database and other information processing systems, including those related to subscription and claims administration, in addition to communications systems between the branch offices and the head office is extremely important for the Company's operations and its ability to compete successfully. There can be no assurance that the Company's business activities would not be subject to interruption or that they would not be materially affected in the event of a partial or complete breakdown of any of the main information technology or communications systems.

c. Product risk

A typical product comprises of set of risks or perils when triggered results in a financial loss for the policyholder. The product also contains terms and conditions that have to be complied with for the policy to respond to claims under the contract. Building such products require careful examination of data by actuaries and arriving at an appropriate pricing mechanism that will ensure that the pool maintains a surplus or at the minimum breaks even after meeting all expenses and providing for all technical reserves. As the forces driving the occurrences of peril can change with circumstances, regular review of the performance of the product and take corrective actions as and when necessary, which the Company is geared to make.

d. Trademark protection

The Company, up to the Prospectus Date, has trademarks (including its logo) or intellectual property rights registered in its name in the jurisdiction in which the Company exercises its activities. The Company intends to take the necessary legal measures in the future to protect its trademark and brands.

The Company's competitive position partially depends on its ability to use its name and logo on its media and marketing materials and on the systems which market its services, products and programs. The Company's inability to prevent the violation of its rights in the Sultanate could adversely affect its brand and the Company may incur more costs in the exercise of its activities, which in turn impairs the operations of the Company.

e. Disagreements with the insured and the actions, claims and procedures

The Company abides by the prompt settlement and payment of its liabilities towards insured claims; however, this does not guarantee that no disagreements would arise between some customers and the Company. This could lead to lawsuits being instituted against the Company before the judicial authorities, which in turn could expose it to reputational, judicial and statutory risks that may impair the operations of the Company.

In the ordinary course of business, the Company may pursue litigation or judicial claims against third parties and may also have litigation claims filed against it. Some of these claims may result in the payment of material compensations by the Company, which could adversely affect the financial standing or the operation results of the Company. Moreover, the amounts awarded by court judgments are constantly prone to increase due to inflation, which requires the Company to estimate any increase in trends and reflect it in its prices. The inability of the Company to make accurate estimations (due to competition or supervision) or to apply price increments with immediate effect may lead to a potential decrease in its profitability.

It is also possible that the Company would be exposed to future review at any time by regulatory authorities. The Company may not be able to predict the volume or results of such reviews, liabilities or related consequences thereof (in the event that they occur) and the Company cannot guarantee that such review would not lead to any changes which adversely affect the Company's results and/or financial standing.

f. Adequacy of technical reserves

The Company must maintain reserves and provisions to cover the projected future claims and liabilities as part of the insurance operations and in compliance with the applicable Takaful Law and its regulations.

The process of estimating the liabilities' reserves is a complicated process with several associated variables and assumptions. In view of the primary risks and inherent uncertainty associated with the determination of the liabilities resulting from unsettled claims, the Company shall not be able to determine the exact amount which it shall eventually pay in order to settle such claims. As a result of this uncertainty, it is possible that the Company's reserves at any given time may prove inadequate and that the Company may be required to increase its reserves and hence, the business and financial condition of the Company could be adversely affected.

g. Non-renewal of insurance policies

Insurance policies are for a one year period. The Company reasonably estimates that the existing policies shall get converted and renewed to Takaful policies. However, if the Company is not able to continue to renew insurance policies as expected, the Company's subscribed premiums in future years and its future results of operations may be materially and adversely affected.

h. Shariah specific risks

The Company will be subject to risks arising from the adoption of a Takaful model. Risk also arises from the consequences of the Company failing (or being perceived to fail) to comply with Shariah rules.

Takaful companies are exposed to the risk of non-compliance with the Shariah rules and principles determined by the Shariah Board or the relevant body in the jurisdiction.

The trust relationship between the Company and each investor and policy holder is such that the Company would look to respect the desires of the policy holder and to be fully compliant with Shariah regulations. Shariah compliance depends on the existence of that trust relationship. If the trust relationship is broken at any time, there is a risk that Shariah compliance of the Company may be prejudiced.

The Shariah Board shall carry out a regular review of the Takaful products and modify the same in accordance with emergence of new or modified standards or as per the requirements which the executive management deem appropriate and which do not conflict with the Company's standards and regulations.

3. Risk related to the Shares

a. Absence of a prior market for the Company's Shares

The Shares have not been traded on the MSM and there can be no assurance that an active trading market for the Company's shares will develop or be sustained after this Offering. If an active trading market is not developed or maintained, the trading liquidity or price of the Shares could be adversely affected. There is no assurance that the Shares shall be traded at a price equivalent to or higher than the Offer Price upon commencement of trade. The Shares may be subject to high volatility driven by a number of reasons including the general economic environment in the Sultanate, insurance market conditions, the Company's performance and results of operation, in addition to factors which the Company has no influence over and are beyond its control.

b. Dividends

The decision to distribute dividends by the Company depends on, among other things, the financial position of the Company, future profits, capital requirements, distributable reserves and credit available to the Company as well as economic conditions and other factors that the Board deem significant from time to time. Although it is the Company's intention to pay dividends to its Shareholders, the Company does not guarantee that dividends will actually be paid in any given Fiscal Year.

c. Future information

Some of the data included in this Prospectus relates to future information which involves both known and unknown risks, in addition to other factors of uncertainty which may affect the actual results of the Company. Such information includes, without limitation, data related to the Company's financial position, business strategy, plans and objectives related to the Company's future operations (including development plans and objectives related to the Company's programs and services). If such assumptions are proved inaccurate, then the actual results may be significantly different from those set out in this Prospectus.

Chapter 15:

Related Party transactions and material contracts

Related Party transactions

The Company, during the course of its normal business, enters into transactions with directors, key management personnel, shareholders and entities in which certain shareholders and directors 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 arms 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 year 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 comprehensive income are as follows:

Particulars	HY 2013	2012	2011
	OMR	OMR	OMR
Premiums written	1,378,612	3,435,546	3,050,121
Claims	357,602	1,321,732	1,116,786
Rental income from investment property	104,000	122,738	-
Directors sitting fees	23,200	74,200	51,200

(b) Balances with related parties, included under the following headings, are as follows:

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:

Particulars	HY 2013	2012	2011
	OMR	OMR	OMR
Insurance and reinsurance contract receivables - Premium balances receivable from related parties	259,901	165,145	200,397
Available For Sale – Investments – Tilal Fund at fair value	170,311	710,325	1,299,375
Accounts and other payables - Tilal Development Company SAOC	97,441	97,441	-
Other receivables and prepayments - Shaden Development Company SAOC	104,000	52,000	-

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. Assessment for impairment of receivables is undertaken each Financial Year 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 interest free and payable on demand.

Al Madina Takaful

(c) Compensation of key management personnel of the Company:

Compensation of key management personnel of the Company, consisting of salaries and benefits, was OMR 97,263 (2011 - OMR 87,950) made up as follows:

Particulars	HY 2013	2012	2011
	OMR	OMR	OMR
Short term benefits	192,262	94,200	85,200
Employee and service benefits	26,111	3,063	2,750
	218,373	97,263	87,950

Material Contracts

Particulars	Counterparty	Date of Execution	Date of Expiry
Group life reassurance agreement	Catlin Insurance Company Limited (Catlin)	19 July 2011	30th September 2013
Medical expenses quota share reinsurance agreement	Munich Re of Malta plc (Munich Re)	16 December 2010	Subject to mutual agreement between the Company and Munich Re
General Treaty reassurance agreement	Hannover Re Takaful B.S.C. (c), Bahrain (Hannover Re)	2 May 2010	Subject to mutual agreement between the Company and Hannover Re
Administrative services agreement	MedNet UAE (Mednet)	1 November 2007	Subject to mutual agreement between the Company and Mednet
Purchase of residential property situated at the Al Hail	Al Madina Real Estate Company SAOC	1 April 2012	Not Applicable
Purchase of office property situated in Al Khuwair	Al Madina Real Estate Company SAOC	9 January 2011	Not Applicable

Chapter 16:

Rights and liabilities of Shareholders

Responsibilities of Shareholders

The liability of a Shareholder is limited to payment of the value of the Shares subscribed. A Shareholder is not liable for the debts of the Company except to the limit of the nominal value of the Shares subscribed by him.

Any person whose shareholding along with his minor children's shareholding reaches 10% or more of the Company's share capital must also inform the CMA about the same through a written communication pursuant to Article 7 of the CML. Further, he must also inform the CMA regarding any transaction or dealing which leads to the increase of this percentage immediately after it happens.

No single person or related persons up to second degree are permitted to hold 25% or more of the shares of a SAOG except in accordance with the rules established by the CMA for acquiring and holding 25% or more of the shares of a SAOG.

Rights of Shareholders

All Shareholders shall enjoy equal and inherent (attached) rights in the ownership of Shares, which, in accordance with the CCL, are:

- The right to receive dividends declared in the AGM
- Preferential rights to subscribe for new Shares
- The right to share in the distribution of the proceeds of the Company's assets on liquidation
- The right to assign Shares in accordance with the CCL and the Articles
- The right to access the Company's balance sheet, profit and loss account and Shareholders' register
- The right to be invited to attend General Meetings and vote at such meetings personally or by proxy (each Shareholder shall have one vote for each Share he owns)
- The right to apply to the court pursuant to Article 126 of the CCL for annulment of any resolution made by the General Meeting or the Board if contrary to the CCL or the Articles or the internal regulations
- The right to sue the Directors or the Auditors on behalf of the Shareholders or the Company
- The CMA's board of directors may, upon material reasons raised by Shareholders who own at least 5% of the Company's shares, suspend the resolutions of the General Meeting which are made in favor of a certain category of Shareholders or against a certain category of Shareholders, or in the interest of the Directors

Reports and statements

The Board shall prepare un-audited quarterly financial statements for the first, second and third quarter of each Financial Year. It shall also prepare an annual report within two months from the end of the Financial Year, comprising the audited balance sheet, profit and loss statement, cash flow statement, changes in shareholders equity, report of the Board, report on the discussions held by the Board and their analysis and report on the organisation and management of the Company. These statements should be disclosed two weeks prior to the AGM through the electronic transmission system of the MSM website.

The un-audited quarterly financial statements must be forwarded to the information centre of the MSM within 30 days from the end of each quarter or any other legal period prescribed by the disclosure rules and conditions issued by CMA through the electronic transmission system of the MSM website. The Company shall publish quarterly financial statements within the aforementioned period in two daily newspapers of which one newspaper shall be an Arabic publication.

AGM

The Board shall convene and hold an AGM within three months from the end of the Company's Financial Year. The agenda for the AGM shall include the following agenda items:

- To consider and approve reports of the Board
- To consider and approve reports on the management and organisation of the Company
- To consider and approve the Auditors report on the balance sheet and profit and loss account of the Company
- To review the report on declaration of dividends However, such dividends shall be distributed only from the net profit generated by the Company or from the special reserves account subject always to the legal provisions set out in Article 106 of the CCL, which require the Board to transfer 10% of the Company's net profits after tax to the Legal Reserve until the Legal Reserve amounts to 1/3rd of the Share Capital
- To review the report on the sitting fees for the meetings of the Board and its committees for the forthcoming Financial Year and approve the same
- To review and approve the annual remuneration (if any) of the Directors for the forthcoming Financial Year
- To look into the transparency of any transactions entered into by the Company with Related Parties during the previous Financial Year (if any) for approval
- To make a note of any expected transactions with the Related Parties during the next Financial Year (if any) for approval
- To appoint Auditors for the next Financial Year and fix their fees, taking into consideration the provisions laid down in the CCL and applicable Executive Regulations
- To elect members to vacant positions on the Board

The Board may convene a General Meeting at any time and such meeting shall be convened whenever required by the CCL or the Articles, or upon request of one or more Shareholders who represent at least 25% of the Share Capital of the Company.

The Board shall establish the agenda of the General Meeting. If the meeting is convened by the Auditors, the agenda shall then be established by them. The Board or the Auditors, if necessary shall include in the agenda for the General Meeting any proposal put forward by Shareholders who represent more than 10% of the Share Capital provided that such proposal is submitted for inclusion in the agenda at least one month before the date of the General Meeting.

The resolutions of the OGM shall be void unless the OGM is attended by Shareholders or their proxies who represent at least half the Share Capital of the Company. If such a quorum is not formed, a second OGM shall be called to discuss the same agenda. The second OGM shall be notified to the Shareholders in the same manner as the first OGM, at least one week prior to the date set for the second OGM. The resolutions passed at the second OGM shall be valid regardless of the number of Shares represented, provided that such meeting is held within one month from the date of the first OGM.

EGMs

An EGM shall be convened to decide on the following issues:

- An increase or decrease in the Capital of the Company
- Dissolution, liquidation or merger of the Company
- The sale of all, or a substantial part of the Company's assets
- An amendment of the Articles
- The repurchase by the Company of some of its own Shares not exceeding 10% of its paid-up Share Capital, subject to the prior approval of the CMA
- The transformation or conversion of the Company into a closed joint stock company
- Approve final report of the liquidator upon completion of liquidation
- Any issue of bonds
- Any other matter specified in the Articles as requiring an EGM

Resolutions of the EGM shall not be valid unless the EGM is attended by Shareholders and proxies representing at least three quarters of the Company's Share Capital. Failing such a quorum, a second EGM shall be convened to discuss the same agenda. The Shareholders shall be notified of the second EGM in the same manner as the first EGM at least two weeks prior to the date set for the second EGM.

The Resolutions of the second EGM shall be valid if the EGM is attended by Shareholders or proxies representing more than half of the Share Capital, provided such EGM is held within six weeks of the date of the first EGM.

Resolutions of the EGM shall be adopted by a majority of three-quarters of the votes cast in respect of a certain resolution, provided such resolution shall always receive votes representing more than 50% of the Share Capital.

Any Shareholder or any interested party may within five years from the date on which a General Meeting was held apply to the Primary Court to annul any decision taken by the General Meeting in violation of the CCL or the provisions of the Articles or its regulations or through deceit or misuse of authority.

Transfer of ownership of the Shares

The transfer of ownership of the Shares shall take place in accordance with the provisions of the CML. The Shareholders may sell and transfer their Shares without restrictions in accordance with the CML subject to the conditions that:

- The aggregate foreign shareholding in the Company shall not exceed 70% of the Share Capital of the Company under any circumstances
- Any Person whose shareholding, along with his minor children's shareholding, reaches 10% or more of the Share Capital of a SAOG, is required to advise the CMA of the same in writing. Further, the Shareholder shall be obliged to inform the CMA in writing of any transaction or dealing which leads to any change in this percentage immediately after it happens
- No single Person or related Person up to the second degree may hold 25% or more of the shares of a SAOG, except in accordance with the rules established by the CMA for acquiring and holding 25% or more of the shares of a public joint stock company

Chapter 17:

Subscription conditions and procedures

Subscription for the Offer Shares - Eligibility

All Persons having an investor account with the MCDC may apply for Shares in the IPO (subject to the prohibited categories set out below). The aggregate foreign shareholding in the Company shall not exceed 70% of the Share Capital of the Company under any circumstances. It should be noted that pursuant to Ministerial Decision 205/2007 issued by MONE, all GCC nationals are treated as Omani nationals in respect of ownership of and trading in shares and the establishment of companies in Oman. No single person or related person up to a second degree can hold 25% or more of the shares of a public joint stock company, except with the explicit approval of the CMA.

Restrictions on Persons subscribing for Offer Shares

The following prohibitions shall apply in relation to the Offer:

- Sole proprietorship establishments: The owners of sole proprietorship establishments may only submit Applications in their personal names and not in the names of their sole proprietorship establishments
- Multiple applications: An Applicant may not submit more than one Application
- Joint applications: Applications made in the joint names of more than one Person is not permitted. Applications should only be made in single name
- Legal heirs: Applications should only be made in the single name of each Applicant and not in a capacity as legal heir of a deceased individual
- Related parties: Applications made by related parties, which would result in the restrictions on shareholdings may not be submitted.
- Trust Accounts: Applicants registered under trust accounts may only submit Applications in their personal names.

Applications that do not comply with these conditions or restrictions, as applicable, may be rejected without contacting the Applicant.

Subscription on behalf of minor children

- For the purpose of the Offer, any person under 18 years of age as on the date of submission of an Application will be defined as a minor.
- Only the father may subscribe for Offer Shares on behalf of his minor children
- If an Application is made on behalf of a minor by any person other than the father, the person submitting the Application will be required to attach a valid Power of Attorney notarized by the Shariah Courts of Oman authorising him to deal in the funds of the minor through sale, purchase and investment.

Registration with the MCDC

- Applicants must have an Investor Number. Applicants may apply to obtain an Investor Number and open an account by completing the MCDC application form. This may be obtained from the MCDC's head office or its website at www.csdoman.co.om, or from brokerage companies licensed by the CMA. The completed form may be submitted by an Applicant through any of the following channels:

- At the head office of the MCDC based in the first floor of the building of the Capital Market Authority, Commercial Business District, Muscat, Oman
- At the branch of the MSM based in Salalah, Oman, Tel: +968 23299822, Fax: +968 23299833
- At the office of any brokerage company licensed by the MSM
- By sending a facsimile to MCDC at +968 24817491
- By opening an account through the MCDC website at www.csdoman.co.om

• In order to open an account with the MCDC, a juristic person will be required to furnish a copy of its constitutional documents, in the form prescribed by the MCDC, along with a completed MCDC application form in order to open an account and receive an Investor Number

• Applicants who already hold accounts with the MCDC are advised, before the Offer, to confirm their details as noted in the Application. Applicants may update their particulars through any of the channels mentioned above

• All correspondence including allocation notices and dividend cheques will be sent to the Applicant's address as recorded at the MCDC. Applicants should ensure that their addresses as provided to the MCDC are correct and up to date

• Each Applicant should secure an Investor Number from the MCDC in order to complete the Application. Each Applicant is responsible for ensuring that the Investor Number which is set out in their Application is correct. Applications not bearing the correct Investor Number will be rejected without contacting the Applicants

• For more information on these procedures, Applicants should contact the MCDC at:

Muscat Clearing & Depository Co., SAOC

Tel. 24822222 - Fax. 24817491

www.csdoman.co.om

Offer Period

The Offer Period for both categories of investors will commence on 29 October 2013 and end on 27 November 2013, with the end of the official working hours of the Subscription Banks on the Offer Closing Date.

Allotment procedures

The allotment of Offer Shares shall be split between Category I Investors and Category II Investors as follows:

Category I Investors:

43,333,335 Shares, being 65% of the Offer, for Omani and Non-Omani Persons who apply for a maximum of 100,000 Shares. Allotment of Offer Shares amongst Category I Investors will be proportionate to the number of Offer Shares applied for by each Applicant.

Category II Investors:

23,333,335 Shares, being 35% of the Offer, for Omani and Non-Omani Persons who apply for more than 100,100 Shares. Allotment of Offer Shares amongst Category II Investors will be proportionate to the number of Offer Shares applied for by each Applicant. Any under subscription in relation to the Offer Shares allocated for allotment in a category will be carried over to the other category. Allotment for Non-Omani Shareholders will be limited to a maximum of 70% of Share Capital.

The final allocation of Offer Shares (including the minimum number of Offer Shares) on the above basis will be decided by the Issue Manager in consultation with the CMA and the Articles. In accordance with Article 65 of the CCL, a minimum number of Offer Shares may be distributed equally among the Applicants, taking into consideration small subscribers and the remaining Offer Shares shall be allocated on a pro-rata basis.

Minimum limit of public subscription

The minimum number of Shares for Category I Investors will be 1,000 Shares and in multiples of 100 Shares thereafter.

Maximum limit of public subscription

The maximum number of Shares that can be applied by Category I investors is 100,000 Shares.

The maximum number of Shares a Category II investor may subscribe for is c.10% of the Offer which equates to 6,666,600 Shares. It is not permissible for any Applicant to subscribe for more than this amount.

For the purpose of calculating this percentage, the Application for the subscription of the father (or guardian) shall be aggregated with the Applications of such individual's minor children. If the volume of the Offer Shares subscribed exceeds the said percentage, the Shares registered under each Application shall be reduced proportionately before making the allotment.

The Company, the Board of Directors and the Issue Manager are not liable for any changes in applicable laws or regulations that occur after the date of this Prospectus. Applicants are advised to make their own independent investigations to ensure that their Applications comply with prevailing laws and regulations.

Terms of payment

Each of the Subscription Banks shall open an escrow account entitled the "Al Madina Takaful IPO" account for the collection of the Application Money. This account will be managed by each Subscription Bank which shall, after allotment and refunds, transfer the balances in such account to the Issue Manager. Each Applicant can pay by cash, draw a cheque or demand draft or instruct an account transfer for the amount payable at the time of submission of the Application and/or on allocation.

Particulars of the bank account

- Each Applicant is required to furnish in the Application, the particulars of his bank account (registered in the name of the Applicant). The Applicant must not use bank account number of any other person except in the case of minor children.
- If the bank account of the Applicant is registered with a bank other than one of the Subscription Banks, the Applicant will be required to submit a document to confirm the details of the bank account particulars as provided in the Application. This can be done by submitting any document from the bank of the Applicant that states the account number and name of the account holder. Documents that may be accepted in this regard include account statements, a letter, or any document issued by the relevant bank confirming this information. The Applicant is responsible for ensuring that the evidence submitted is legible and contains the required information. The Applicant is not obliged to submit any evidence with regard to the accuracy of his bank account if he is subscribing through a Subscription Bank where he maintains his account. In this case, the Subscription Bank will be required to verify and

confirm the correctness of the Applicant's account through its own system and procedures or through the evidence submitted to it by the Applicant.

- In accordance with the instructions of the CMA, the details of the bank account will be listed in the records of the MCDC for transferring any refund as well as for crediting the dividends distributed by companies listed on the MSM. For Applicants who already have bank accounts registered with the MCDC, the account mentioned in the Application will be used for the transfer of refunds only.
- The Application containing the bank account number of a Person other than the Applicant will be rejected, with the exception of the Applications made on behalf of minors that contain the bank account particulars of their fathers.

Documentation required

- Submission of a document confirming the accuracy of the bank account number specified in the Application is required in the event that the bank account is registered with a bank that is not a Subscription Bank.
- Copy of a valid power of attorney duly endorsed by the competent legal authorities in the event that subscription is on behalf of another person (with the exception of the subscription made by a father on behalf of his minor children).
- In case of Applications submitted by juristic persons, which are signed by a person in his capacity as an authorised signatory, a copy of adequate and valid documentation should be attached.

Mode of Application

- The Applicant will be responsible for furnishing all his particulars and will ensure the correctness and validity of the information set out in the Application. The Applicant will be required, before completing the Application, to read this Prospectus including the conditions and procedures governing the subscription with total care and importance.
- The Applicant will be required to fill in the Application and furnish copies of all particulars as noted on the Application.
- The Applicant will be required to submit the Application to one of the Subscription Banks, together with the Application Money and the documents in support of the Application.
- Cheque or demand draft for the Application Money in favour of "Al Madina Takaful IPO".

Banks receiving the subscription

The Applications for subscription shall be accepted by one of the following Subscription Banks during official working hours only during the Offer Period:

- bank muscat SAOG
- National Bank of Oman SAOG
- Oman Arab Bank SAOC
- Bank Sohar SAOG
- Ahli Bank SAOG

The Subscription Bank receiving an Application is required to accept the Application after establishing its compliance with the procedures set out in this Prospectus. The Subscription Bank must instruct the Applicants to comply and fulfill any requirements set out in the Application.

The Applicant must submit an Application to one of the Subscription Banks on or before the Offer Closing Date. The Subscription Bank shall refuse any Application received after its official working hours on the Offer Closing Date.

Payment into escrow account

- All Investors will, with the submission of the Application, pay by cash, draw a cheque or demand draft or instruct an account transfer for the full amount payable at the time of submission of the Application and/or on allocation in favour of “Al Madina Takaful IPO”
- Where an Investor has been allocated fewer Shares than applied for in the Application, the excess amount, if any, paid on Application, will be refunded to the Investor from the escrow account of “Al Madina Takaful IPO”

Acceptance of the Applications for subscription

The Subscription Banks shall not accept Applications in the following circumstances:

- If the Application does not bear the signature of the Applicant
- If the Application Money is not paid by the Applicant in accordance with the conditions set out in this Prospectus
- If the Application Money is paid by cheque and the cheque is dishonoured for any reason
- If the Application does not include the Applicant’s Investor Number
- If the Application is submitted in joint names
- If the Applicant is a sole proprietorship establishment
- If the Investor Number furnished in the Application is incorrect
- If the Applicant submits more than one Application in the same name, all such Applications will be rejected
- If the prescribed supporting documents are not enclosed with the Application
- If the Application does not contain all the particulars of the bank account of the Applicant
- If the particulars of the bank account provided for in the Application are found to be incorrect or not relevant to the Applicant, with the exception of Applications submitted in the names of minor children, who are allowed to make use of the particulars of the bank accounts held by their father
- If the power of attorney is not attached to the Application in respect of an Applicant who subscribes on behalf of another person (with the exception of the fathers who subscribe on behalf of their minor children)
- If the Application does not comply with the legal requirements as provided for in this Prospectus

If a Subscription Bank receives an Application that does not comply with the procedures set out in this Prospectus, the Subscription Bank may reject the Application without contacting the Applicant, or at its sole discretion may contact the Applicant so that the mistake may be corrected. If the Applicant does not rectify the Application within a specified period, the Subscription Bank shall return the Application together with the Application Money to the Applicant.

Refusal of Applications

The Issue Manager may reject any Application under any of the conditions referred to above, subject to securing the approval of the CMA and submission of a comprehensive report furnishing the details of the Applications that are rejected and the reasons behind the rejections.

Enquiry and complaints

The Applicants who intend to seek clarification in respect of, or file complaints with regard to, issues related to the allotment, rejected Applications or refund of Application Money in excess of the subscription may contact the branch of the Subscription Bank where the Application was made. In case of absence of any response from the Subscription Bank, the subscriber may contact the person concerned as hereunder:

Bank	Person(s) in charge	Postal address	Phone	Fax	Email
bank muscat SAOG	Mr. Ahmed Al Busaidi	PO Box 134, PC 112, Ruwi, Sultanate of Oman	+968 24768064	+968 24787764	ahmedbu@ bankmuscat.com
National Bank of Oman SAOG	Ms. Koukab Ali Said Al Hasni	PO Box 751, PC 112, Ruwi, Sultanate of Oman	+968 24778757	+968 24778993	koukabh@nbo. co.om
Oman Arab Bank SAOC	Mr. Zaydoon Ibrahim	PO Box 2010, PC 112, Ruwi, Sultanate of Oman	+968 24827304; +968 24754663	+968 24827367	zaydoon@ oabinvest.com; corporatefinance@ oabinvest.com
Bank Sohar SAOG	Mr. Ibrahim Moosa Ibrahim	PO Box 44, PC 114, Hayy Al Mina, Muscat, Sultanate of Oman	+968 24761433	+968 24761741	ibrahim.moosa@ banksohar.net
Ahli Bank SAOG	Mr. Arun Bhat	PO Box 545, PC 116, Mina al Fahal, Sultanate of Oman	+968 24577082	+968 24567841	arun.bhat@ ahlibank-oman.com

If the Subscription bank fails to resolve the complaint with the Applicant, it shall refer the subject matter to the Issue Manager and keep the Applicant informed of the progress and development in respect of the subject matter of the dispute.

Allotment letters and refund of money

The Issue Manager shall arrange to allot the Offer Shares to the Applicants within 15 days after the end of the Offer Closing Date subject to receiving the approval of the CMA on the basis of allotment. The Issue Manager shall also arrange to refund the excess Application Money to the eligible Applicants within 15 days after the end of the Offer Closing Date and after receiving the approval of the CMA. The Issue Manager shall arrange to send allotment letters to the Applicants who have been allotted Shares through the MCDC as per the addresses registered with the MCDC.

Proposed timetable

The following table shows expected time schedule for completion of the subscription procedures:

Procedure	Date
Commencement of subscription	29-Oct-13
Closing of subscription	27-Nov-13
Due date for the Issue Manager to receive the subscription data and final registers from the Subscription Banks	5-Dec-13
Notifying the CMA of the outcome of the subscription and proposed allotment	8-Dec-13
Approval of CMA with regard to the proposed allotment	9-Dec-13
Completion of the allotment procedures and commencement of refund	9-Dec-13
Listing of Shares with MSM as estimated	10-Dec-13

Listing and trading of the Shares

The Shares shall be listed on the MSM in accordance with the laws and procedures that are in force on the date an application is made for the listing and registration. The above listing date is an estimated date and the exact date will be published on the MSM website.

Responsibilities and obligations

The Issue Manager, Subscription Banks and the MCDC shall abide by the responsibilities and obligations set out by the directives and regulations issued by the CMA. The Issue Manager and the Subscription Banks must also abide by any other responsibilities that are provided for in the agreements entered into among them and the Company and /or the Pre-IPO Shareholders.

The parties concerned shall be required to take remedial measures with regard to the damages arising from any negligence committed in the performance of the functions and responsibilities assigned to them. The Issue Manager shall be the body responsible before the regulatory authorities in taking suitable steps and measures for reparation of such damages.

Chapter 18:

Undertakings

Al Madina Insurance Company SAOG (Under Transformation)

The Board of Directors of the Company jointly and severally hereby confirm that:

- The information provided in this Prospectus is true and complete
- Due diligence has been taken to ensure that no material information has been omitted, the omission of which would render this Prospectus misleading
- All the provisions set out in the CML, the CCL, and the rules and regulations issued pursuant to them have been complied with

Names of the Board of Directors who are authorised to sign this Prospectus:

Name	Signature
Eng. Abdulrehman Awadh Barham	Sd/-
Mr. Saleh Nasser Sulaiman Al Riyami	Sd/-

Issue Manager

Pursuant to our responsibilities under Article 3 of the CML, Article 13 of the Executive Regulations of the CML and the directives issued by the CMA, we have reviewed all the relevant documents and other material required for the preparation of this Prospectus pertaining to the IPO of the Company.

The Board of the Company shall bear the responsibility with regard to the correctness of the information provided for in this Prospectus, and they have confirmed not to have omitted any material information from it, the omission of which would have made this Prospectus misleading.

We confirm that we have taken the due diligence required by our profession with regards to this Prospectus which was prepared under our supervision and, based on the reviews and discussions with the Bank and other related parties, we confirm the following:

We have taken reasonable due diligence to ensure the information given to us by the Company and included in this Prospectus is conformant with the facts in the documents and other material of the Offer.

To the best of our knowledge and from the information available from the Company, the Company has not omitted any material information, the omission of which would render this Prospectus misleading.

This Prospectus and the Offer to which it relates is in conformity with all the rules and terms of disclosure stipulated for in the CML, the Executive Regulation of the CML issued under Ministerial Decision No. 1/2009, this Prospectus models applied by the CMA, the CCL and the directives and decisions issued in this regard.

The information contained in this Prospectus in Arabic (and the unofficial translation into English) is true, sound and adequate to assist the Applicant to take the decision as to whether or not to invest in the securities offered.

Issue Manager

Sd/-

bank muscat SAOG

Legal Adviser

The Legal Adviser, whose name appears below, hereby confirms that all the procedures taken for the offering of the Shares and the subject matter of this Prospectus are in line with the laws and legislations applicable to the Company's business, the CCL, the CML and the regulations and directives issued pursuant to them, and the Articles. The Company has obtained all the consents and approvals of the official authorities required to carry out the activities the subject matter of this Prospectus.

Legal Adviser

Sd/-

Al Busaidy, Mansoor Jamal & Co.

Chapter 19:

Historical Financial Statements

Report on historical financial statements for the Financial Year 2010 – 2012

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
P.O Box 3075, Ruwi 112
Suites 205-210 Hatat House
Wadi Adai, Muscat
Sultanate of Oman
Telephone +(968) 2455 9110
Facsimile +(968) 2456 4408

Independent auditor's report to the shareholders of
Al Madina Insurance Company SAOC
(Formerly Al Madina Gulf Insurance Company SAOC)

Report on the financial statements

We have audited the accompanying financial statements of Al Madina Insurance Company SAOC (formerly Al Madina Gulf Insurance Company SAOC) ("the Company") which comprise the statement of financial position as of 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes. The previous year financial statements as at 31 December 2009 were audited by another auditor whose report dated 27 February 2010 expressed an unqualified opinion on the financial statements.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

10 March 2011
Muscat, Sultanate of Oman

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
PO Box 3075, Ruwi 112
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Independent auditor's report to the shareholders of Al Madina Insurance Company SAOC (Formerly Al Madina Gulf Insurance Company SAOC)

Report on the financial statements

We have audited the accompanying financial statements of **Al Madina Insurance Company SAOC** (formerly Al Madina Gulf Insurance Company SAOC) (the Company) which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

29 February 2012
Muscat, Sultanate of Oman

pwc

Independent auditors' report to the shareholders of Al Madina Insurance Company SAOC

Report on the financial statements

We have audited the accompanying financial statements of **Al Madina Insurance Company SAOC** (the Company) which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other legal and regulatory requirements

Further, as required by the Rules and Guideline on Disclosure by Issuers of Securities and Insider Trading (R&G) issued by the Capital Market Authority (CMA) of the Sultanate of Oman, we report that the accompanying financial statements have been properly prepared, in all material respects, in accordance with the R&G, with the Rules for Disclosure and Proformas issued by the CMA and with the Commercial Companies Law of 1974, as amended.

27 February 2013
Muscat, Sultanate of Oman

Summary audited financial statements for the past three years (FY 2010-2012)

STATEMENT OF FINANCIAL POSITION			
	2012	**2011**	**2010**
	OMR	**OMR**	**OMR**
ASSETS			
Non-current assets			
Property and equipment	786,736	216,909	242,187
Investment in properties	2,600,000	-	
Available-for-sale investments	1,162,924	1,729,060	1,478,610
Investments held-to-maturity	254,366	-	
Bank deposits			1,694,040
	4,804,026	1,945,969	3,414,837
Current assets			
Held for trading investments	4,183,513	3,841,123	4,837,462
Bank deposits, cash and bank balances	7,432,262	4,861,717	3,160,811
Insurance and reinsurance contract receivables	5,114,918	4,527,339	4,580,531
Deferred commission expense	535,628	264,467	
Reinsurers' share of insurance fund	6,013,663	5,301,962	4,851,938
Other receivables and prepayments	352,497	373,698	476,787
	23,632,481	19,170,306	17,907,529
Total assets	**28,436,507**	**21,116,275**	**21,322,366**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10,000,000	6,000,000	10,000,000
Legal reserve	216,226	109,491	109,491
Special reserve	150,310	150,310	150,310
Contingency reserve	175,483	175,483	175,483
Fair value reserve	233,609	799,745	444,295
Accumulated loss	-811,960	-1,750,570	-4,308,312
Total equity	**9,963,668**	**5,484,459**	**6,571,267**
Non-current liabilities			
Employees' end of service benefits	85,531	71,357	49,434
Current liabilities			
Insurance funds	12,194,535	10,643,581	10,569,167
Deferred commission income	401,890	71,016	
Due to reinsurers	4,036,146	2,927,184	2,000,767
Accounts and other payables	1,754,737	1,918,678	2,131,731
	18,387,308	15,560,459	14,701,665
Total liabilities	**18,472,839**	**15,631,816**	**14,751,099**
Total equity and liabilities	**28,436,507**	**21,116,275**	**21,322,366**
Net assets per share	**0.099**	**0.091**	**0.657**

STATEMENT OF COMPREHENSIVE INCOME

	2012	2011	2010
	OMR	OMR	OMR
INCOME			
Gross premiums written	16,885,090	14,143,038	11,811,576
Underwriting results	2,048,347	591,965	125,388
Net investment income/(loss)	1,508,728	-14,846	577,577
Other income	90,594	71,657	2,684
	3,647,669	**648,776**	**705,649**
EXPENSES			
General and administrative expenses	-2,497,533	-2,091,034	-1,606,572
Profit/(loss) for the year before finance costs and tax	1,150,136	-1,442,258	-900,923
Finance costs	-82,791	-	
Net profit/(loss) for the year	1,067,345	-1,442,258	-900,923
Other comprehensive income:			
Net change in fair value of available-for-sale investments	-566,136	355,450	462,295
Total comprehensive income/(loss) for the year	**501,209**	**-1,086,808**	**-438,628**
Basic and diluted earnings per share	**0.015**	**-0.018**	**-0.09**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Special reserve	Fair value reserve	Accumulated loss	Contingency reserve	Total
	OMR	OMR	OMR	OMR	OMR	OMR	OMR
At 1 January 2012	6,000,000	109,491	150,310	799,745	(1,750,570)	175,483	5,484,459
Comprehensive income:							
Profit for the year	-	-	-	-	1,067,345	-	1,067,345
Other comprehensive loss:							
Net change in fair value of available-for-sale investments	-	-	-	(566,136)	-	-	(566,136)
Total comprehensive income/(loss) for the year	-	-	-	(566,136)	1,067,345	-	501,209
Transaction with owners:							
Rights issue of shares	4,000,000	-	-	-	-	-	4,000,000
Share issue expenses	-	-	-	-	(22,000)	-	(22,000)
Transfer to legal reserve	-	106,735	-	-	(106,735)	-	-
Total transactions with owners	4,000,000	106,735	-	-	(128,735)	-	3,978,000
At 31 December 2012	**10,000,000**	**216,226**	**150,310**	**233,609**	**(8111,960)**	**175,483**	**9,963,668**

	Share capital	Legal reserve	Special reserve	Fair value reserve	Accumulated loss	Contingency reserve	Total
	OMR	OMR	OMR	OMR	OMR	OMR	OMR
At 1 January 2011	10,000,000	109,491	150,310	444,295	(4,308,312)	175,483	6,571,267
Comprehensive loss:							
Loss for the year	-	-	-	-	(1,442,258)	-	(1,442,258)
Other comprehensive income/loss:							
Net change in fair value of available-for-sale investments	-	-	-	355,450	-	-	355,450
Total comprehensive loss for the year	-	-	-	355,450	(1,442,258)	-	(1,086,808)
Transaction with owners:							
Reduction in share capital	(4,000,000)	-	-	-	4,000,000	-	-
	(4,000,000)	-	-	-	4,000,000	-	-
At 31 December 2011	**6,000,000**	**109,491**	**150,310**	**799,745**	**(1,750,570)**	**175,483**	**5,484,459**

	Share capital	Legal reserve	Special reserve	Fair value reserve	Accumulated loss	Contingency reserve	Total
	OMR	OMR	OMR	OMR	OMR	OMR	OMR
At 1 January 2010	10,000,000	109,491	150,310	(18,000)	(3,407,389)	175,483	7,009,895
Comprehensive loss:							
Loss for the year	-	-	-	-	(900,923)	-	(900,923)
Other comprehensive income/loss:							
Net change in fair value of available-for-sale investments	-	-	-	462,295	-	-	462,295
Total comprehensive loss for the year	-	-	-	462,295	(900,923)	-	(438,628)
At 31 December 2010	**10,000,000**	**109,491**	**150,310**	**444,295**	**(4,308,312)**	**175,483**	**6,571,267**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Madina Insurance Company SAOC (formerly Al Madina Gulf Insurance Company SAOC) (the Company) was incorporated on 15 May 2006 as a closed joint stock company in the Sultanate of Oman. The Company operates in Oman and is engaged in the business of insurance within the Sultanate of Oman. The Company commenced commercial operations from 1 August 2006. The Company was granted licence from Capital Market Authority on 15 July 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board, and comply with the disclosure requirements set out in the Rules for Disclosure and Proforma issued by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

The financial statements are prepared under the historical cost convention, except for the measurement of financial assets classified as held for trading and available-for-sale investments which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

b) Changes in accounting policy and disclosures

(a) Standards, amendments and interpretation effective in 2012 and relevant for the Company's operations:

For the year ended 31 December 2012, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2012.

The adoption of those standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current period.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2013 or later periods, but the Company has not early adopted them and the impact of these standards and interpretations is not reasonably estimable as at 31 December 2012:

IAS 1 (Amendments), 'Presentation of financial statements', (effective on or after 1 January 2013);

IAS 19 (Amendments), 'Employee benefits', (effective on or after 1 January 2013);

IFRS 9, 'Financial instruments', (effective on or after 1 January 2015);

IFRS 10, 'Consolidated financial statements' (effective on or after 1 January 2013);

IFRS 12, 'Disclosures of interests in other entities' (effective on or after 1 January 2013); and

IFRS 13, 'Fair value measurement' (effective on or after 1 January 2013).

(c) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Company are measured and presented in Rial Omani being the currency of the primary economic environment in which the Company operates (functional currency).

Transactions and balances

Foreign currency transactions are translated into Rial Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rial Omani at the exchange rate prevailing at the statement of financial position date. Differences on exchange are dealt with in the comprehensive statement of income as they arise

(d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful economic lives are as follows:

Office furniture and equipment	3-5 years
Motor vehicles	5 years
Leasehold improvements	3-5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts, are recognised within 'other income' and are taken into account in determining operating profit.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policy.

Interest costs on borrowings to finance specific property, plant equipment are capitalised, during the period that is required to bring the asset to a condition when it is ready for use.

(e) Investment properties

Investment properties are properties which are held either to earn rental income, for capital appreciation or for both. Investment properties are stated at fair value. External independent valuers having appropriate recognised professional qualifications and experience, value the investment at every reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gain or loss arising from the change in fair value of the investments is recognised in the statement of comprehensive income.

(f) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments classified as available-for-sale investments, held for trading investments, held-to-maturity investments, insurance and reinsurance contract receivables, due to reinsurers, bank deposits, cash and bank balances and account and other payables. Management determines the classification of its financial assets at initial recognition.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of other categories. Available-for-sale investments are initially recognised at fair value including transaction costs. Available-for-sale investments are subsequently carried at fair value. Changes in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold, the cumulative fair value changes recognised in equity are included in the statement of comprehensive income.

The fair value of available-for-sale investments is based on their quoted market prices as at the date of statement of financial position. The fair value of financial instruments that are not traded in an active market (for example, unquoted investments) is determined by using certain valuation techniques, unless it is impracticable to determine the fair value.

Held for trading investments

Held for trading investments are acquired or incurred principally for the purpose of selling or repurchasing in the short-term. These investments are initially recognised at fair value. Transaction costs for all held for trading investments are expensed as incurred.

Held for trading investments are subsequently carried at fair value. The fair value of held for trading investments is based on their quoted market prices as at the date of statement of financial position. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of comprehensive income in the period in which they arise.

Realised gains on sale of investments are determined by the difference between the sale proceeds and the carrying value and are included in the statement of comprehensive income in the period in which they arise.

Dividend income from held for trading investments is recognised in the statement of comprehensive income when the Company's right to receive dividends is established.

Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for- sale. Held-to-maturity financial assets are initially recognised at fair value plus transaction costs. Held-to-maturity financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company's loans and receivables comprise 'Insurance and reinsurance contracts receivables' and 'bank deposits, cash and bank balances' in the statement of financial position.

De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(g) Impairment

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of assets may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income.

Impairment is determined as follows:

- for assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;
- for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

- for assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

A provision for impairment of insurance receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the insurance receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of any provision is recognised in the statement of comprehensive income within "general and administrative expenses". Subsequent recoveries of amounts previously written of are credited against "general and administrative expenses" in the statement of comprehensive income.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on such equity instruments are not reversed through the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and bank deposits with a maturity of three months or less from the date of placement.

(j) Premium and insurance receivables

Premium and insurance receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. An estimate is made for impairment of receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(k) Insurance contracts

The Company mainly issues short term insurance contracts in connection with property and motor (collectively known as fire and accident) and marine risks. The Company also issues life insurance contracts.

Property insurance

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

Motor insurance

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles.

Marine insurance

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea or land resulting in the total or partial loss of cargo.

Life insurance

Life insurance is designed to compensate contract holders for loss of life or limbs of the insured.

(l) Reinsurance contracts held

In order to minimise financial exposure from large claims the Company enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as reinsurance share of insurance funds in the statement of financial position until the claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to “insurance and reinsurance contracts receivables”.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(m) Liability adequacy test

At each statement of financial position date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of comprehensive income and an unexpired risk provision is created

(n) Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to statement of comprehensive income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

Provisions for reported claims not paid at the statement of financial position date are made on the basis of individual case estimates. In addition a provision based on managements judgement and the Company's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting result for that year.

The Company does not discount its liability for unpaid claims.

(o) Contingency reserve

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979, and Capital Market Authority letter CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims at the statement of financial position date for general insurance and 1% of the premiums for the year for life business are transferred from retained earnings to contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital.

(p) Other liabilities and accruals

Liabilities are recognised initially at fair value and subsequently measured at amortised cost. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

(q) Employee benefits

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred

(r) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(s) Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(t) Revenue recognition

Premiums earned

Premiums are recognised as revenue (earned premium) proportionally over the period of coverage. A proportion of net retained premiums is provided as 'unearned premium reserve' (UPR) to cover portions of risks which have not expired at the statement of financial position date. An additional provision created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Company Law of 1979 calculated at 45% of the net retained premiums for the year for all classes of business.

Commissions earned and paid

Commissions earned and paid are recognized on pro-rata basis over the term of the related policy coverage.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

Dividends

Dividend income is recognised when the right to receive dividend is established.

(u) Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

(v) Income tax

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Current tax and deferred tax are recognised in statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(w) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability:

Financial instruments

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the statement of financial position date, adjusted for transaction costs necessary to realise the asset.

The fair value of investments that are not traded in an active market is determined by using estimated discounted cash flows or other valuation techniques.

The carrying amount of other financial assets and liabilities with a maturity of less than one year approximates their fair values.

3 CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the resultant provisions and change in fair value for the year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

- **Impairment of available-for-sale investments**

  The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

- **Claims outstanding**

  In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the statement of financial position date. The management uses the initial value of the claim provided by the surveyor for the expected ultimate cost of claims reported at the financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

- Impairment of receivables

  An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during the year and feedback received from their legal department. The difference between the estimated collectible amount and the carrying value is recognised as an expense in the statement of comprehensive income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of comprehensive income at the time of collection.

4 PROPERTY AND EQUIPMENT

	Leasehold improvements OMR	Office furniture and equipment OMR	Motor vehicles OMR	Capital work-in-progress OMR	Total OMR
Cost					
At 1 January 2012	**21,356**	**572,607**	**39,427**	**-**	**633,390**
Additions	**17,370**	**118,970**	**-**	**552,699**	**689,039**
At 31 December 2012	**38,726**	**691,577**	**39,427**	**552,699**	**1,322,429**
Depreciation					
At 1 January 2012	**938**	**393,852**	**21,691**	**-**	**416,481**
Charge for the year	**7,006**	**107,720**	**4,486**	**-**	**119,212**
At 31 December 2012	**7,944**	**501,572**	**26,177**	**-**	**535,693**
Net book value					
At 31 December 2012	**30,782**	**190,005**	**13,250**	**552,699**	**786,736**

	Leasehold improvements OMR	Office furniture and equipment OMR	Motor vehicles OMR	Capital work-in-progress OMR	Total OMR
Cost					
At 1 January 2011	-	499,948	39,427	-	539,375
Additions	21,356	72,659	-	-	94,015
At 31 December 2011	21,356	572,607	39,427	-	633,390
Depreciation					
At 1 January 2011	-	280,984	16,204	-	297,188
Charge for the year	938	112,868	5,487	-	119,293
At 31 December 2011	938	393,852	21,691	-	416,481
Net book value					
At 31 December 2011	20,418	178,755	17,736	-	216,909

During the year the Company has purchased an office space in Tilal Complex from Tilal Development Company SAOC, a related party (the seller). The building is under construction at the reporting date. OMR 97,441 is payable to the seller and is included in the statement of financial position under accounts and other payables (refer note 26(b)).

5 INVESTMENT PROPERTY

During the year, the Company has invested in building situated in Al Hail, at a cost of OMR 2,600,000. The property is under construction as at the reporting date and is held to earn rentals and for capital appreciation and accordingly, has been classified as investment property.

As the property has been purchased during the current year and accordingly management considers the carrying amount approximates its fair value at the reporting date.

6 AVAILABLE-FOR-SALE INVESTMENTS

	% of overall portfolio	Number of securities	Fair value OMR	Cost OMR
31 December 2012				
Tilal Fund	**62.13**	**618,750**	**710,325**	**570,938**
National Mass Housing	**13.47**	**150,000**	**160,950**	**157,500**
Shazah Hotel, Muscat	**8.89**	**100,000**	**106,200**	**102,500**
Omani Unified Bureau for the Orange Card SAOC	**13.26**	**71,428**	**158,499**	**71,427**
U.S. Residential Condominium Fund II	**2.25**	**1,750**	**26,950**	**69,666**
			1,162,924	**972,031**
31 December 2011				
Tilal Fund	75.82	618,750	1,299,375	570,938
National Mass Housing	9.32	150,000	156,150	157,500
Shazah Hotel, Muscat	6.16	100,000	106,300	102,500
Omani Unified Bureau for the Orange Card SAOC	7.13	71,428	140,285	71,427
U.S. Residential Condominium Fund II	1.57	1,750	26,950	69,666
			1,729,060	972,031

Included under available-for-sale investments are unquoted local and foreign investments that are carried at fair value and include amounts invested in certain real estate funds.

The fair value of the foreign real estate fund investment is OMR 26,950 at 31 December 2012 (2011 - OMR 26,950) and its cost was OMR 69,666 (2011 - OMR 69,666). During the year 2010, the Company recognised impairment loss of OMR 42,716 on the foreign real estate investment.

Movement in available-for-sale investments:	**2012**	2011
	OMR	OMR
Balance at 1 January	**1,729,060**	1,478,610
Net change in fair value	**(566,136)**	355,450
Redemption of investment	-	(100,000)
Realised loss on redemption of investment	-	**(5,000)**
	1,162,924	**1,729,060**

6 RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to a bank the investment in Tilal Fund (of 562,500 units), for the purpose of credit facility taken from the bank. The fair value of these units is included in the statement of financial position amounting to OMR 647,750 (2011 - OMR 1,181,250).

7 INVESTMENTS HELD-TO-MATURITY

During the year, the Company has invested in sukuks listed in the international bond market. The company has a positive intention and ability to hold these until their maturity in November 2018 and accordingly they have been classified as held-for-maturity.

The effective rate of return on the investments held-to-maturity at 31 December 2012 is 2.44%.

8 HELD FOR TRADING INVESTMENTS

	2012	**2012**	2011	2011
	Fair value	**Cost**	Fair value	Cost
	OMR	**OMR**	OMR	OMR
Services sector	**2,029,354**	**1,861,726**	2,034,340	1,978,822
Industrial sector	**1,984,095**	**1,737,653**	1,609,548	1,837,017
Financial sector	**170,064**	**180,121**	197,235	190,163
	4,183,513	**3,779,500**	3,841,123	4,006,002

Trading investments are local and foreign quoted investments. The cost of the foreign investments is OMR 412,123 (2011 - OMR 692,706) and the fair value of foreign investments at 31 December 2012 is OMR 421,691 (2011 - OMR 694,688).

8(a) RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority certain specific investments held-for-trading, included in the statement of financial position at fair value, amounting to OMR 2,213,834 (2011 - OMR 1,071,799). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

9 BANK DEPOSITS, CASH AND BANK BALANCES

Bank balances and cash in the statement of financial position comprise of the following:

	2012	2011
	OMR	OMR
Current		
Cash and bank balances	**2,330,127**	(68,043)
Cash balances with investment managers	**156,399**	144,369
Bank deposits with maturity of less than three months from the date of placement	**239,857**	217,851
Bank deposits with maturity of more than three months from the date of placement	**4,705,879**	4,567,540
	7,432,262	4,861,717

Bank deposits amounting to OMR 52,552 (2011 - OMR 1,746,596) are denominated in foreign currencies. Bank deposits carry interest at rates in the range of 0.55% to 5.00% (2011 - 0.35% to 4.75%) per annum.

9(a) RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority certain specific bank deposit, included in the statement of financial position, amounting to OMR 4,555,879 (2011 - OMR 4,567,540). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

10 INSURANCE AND REINSURANCE CONTRACT RECEIVABLES

	2012	2011
	OMR	OMR
Premiums receivable	**5,060,753**	3,718,385
Insurer's balances receivable	**382,986**	1,053,314
Gross receivables	**5,443,739**	4,771,699
Less: provision for impairment of receivables	**(328,821)**	(244,360)
	5,114,918	4,527,339

	2012	2011
	OMR	OMR
Not due	**3,387,174**	3,142,300
Past due but not impaired:		
Above 121 days	**1,727,744**	1,385,039
Past due and impaired:		
Above 121 days	**328,821**	244,360

The normal credit period allowed to insurance debtors and reinsurance companies is 120 days, after which amounts are considered past due. As at 31 December 2012, past due receivables above 121 days of

OMR 1,727,744 (2011 - OMR 1,385,039) 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 insurance business and with which there is no recent history of default. On assessment of these individual receivables for recovery and enquiries with them, the management believes that these amounts are collectible and hence are not considered impaired.

At 31 December 2012, insurance debtors of OMR 328,821 (2011 - OMR 244,360) were impaired and provided for fully.

Movement in the provision for impairment of receivables during the year is as follows:

	2012	2011
	OMR	OMR
At 1 January	**244,360**	91,943
Provision made during the year	**101,032**	152,417
Reversals of provisions during the year	**(16,571)**	-
At 31 December	**328,821**	244,360

11 DEFERRED COMMISSION EXPENSE

	2012 General business OMR	**2012 Life business OMR**	**2012 Total OMR**
Deferred commission expense	**534,542**	**1,086**	**535,628**

	2011 General business OMR	2011 Life business OMR	2011 Total OMR
Deferred commission expense	251,861	12,606	264,467

12 SHARE CAPITAL

	2012	2011
	OMR	OMR
Authorised share capital	**25,000,000**	25,000,000
Issued and fully paid up capital	**10,000,000**	6,000,000

The shareholders during the Extra Ordinary Meeting dated 25 February 2012 approved a resolution, for the change in the par value per share from OMR 1 per share to OMR 0.100 per share. In June 2012, the Company raised capital of OMR 4,000,000 through rights issue of 40,000,000 shares.

Significant shareholders

Shareholders of the Company who own 10% or more of the Company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	% of holding	2012 Number of shares	2011 Number of shares
Mohammed Al Barwani Holding Company LLC	43	**43,095,240**	1,500,000
Al Madina Financial Services Company SAOC	12	**12,000,000**	720,000
Ministry of Defense Pension Fund	10	**10,000,000**	600,000

13 LEGAL RESERVE

As required by the Commercial Companies Law of Oman, 10% of the profit after tax for the year is transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution.

14 SPECIAL RESERVE

In accordance with Article 78 of the Commercial Companies Law of 1974, the surplus of share issue fees over pre-formation expenses was transferred to a non-distributable special reserve.

15 CONTINGENCY RESERVE

Contingency reserve is not distributable without prior approval of the Capital Market Authority (CMA). No transfer has been made during the year ended 31 December 2012 since the Company does not have accumulated profits at 31 December 2012.

16 EMPLOYEES' END OF SERVICE BENEFITS

	2012 OMR	2011 OMR
Liability as at 1 January	**71,357**	49,434
Accrued during the year	**20,847**	22,529
Payments during the year	**(6,673)**	(606)
Liability as at 31 December	**85,531**	71,357

17 INSURANCE FUNDS

	2012 Gross	2012 Reinsurers' share	2012 Net	2011 Gross	2011 Reinsurers' share	2011 Net
	OMR	OMR	OMR	OMR	OMR	OMR
A) General business						
Claims outstanding	**4,102,334**	**(1,330,750)**	**2,771,584**	3,976,897	(1,534,548)	2,442,349
Claims incurred but not reported	**171,470**	**(64,858)**	**106,612**	148,700	(14,765)	133,935
Unearned premium reserve	**7,088,470**	**(3,976,789)**	**3,111,681**	5,784,890	(3,167,361)	2,617,529
	11,362,274	**(5,372,397)**	**5,989,877**	9,910,487	(4,716,674)	5,193,813
B) Life business						
Claims outstanding	**307,086**	**(271,050)**	**36,036**	388,553	(320,197)	68,356
Claims incurred but not reported	**15,354**	**(13,553)**	**1,801**	186,243	(153,478)	32,765
Unearned premium reserve	**509,821**	**(356,663)**	**153,158**	158,298	(111,613)	46,685
	832,261	**(641,266)**	**190,995**	733,094	(585,288)	147,806
	12,194,535	**(6,013,663)**	**6,180,872**	10,643,581	(5,301,962)	5,341,619

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

18 DEFERRED COMMISSION INCOME

	2012 General business OMR	2012 Life business OMR	2012 Total OMR
Deferred commission income	**401,890**	**-**	**401,890**

	2012 General business OMR	2012 Life business OMR	2012 Total OMR
Deferred commission income	71,016	-	71,016

19 UNDERWRITING RESULTS

	2012 General business OMR	2012 Life business OMR	2012 Total OMR
Revenue			
Gross premiums written	15,752,154	1,132,936	16,885,090
Movement in unearned premium reserve	(1,303,580)	(351,523)	(1,655,103)
Insurance premium revenue, net	14,448,574	781,413	15,229,987
Insurance premium ceded to reinsurers	(8,765,734)	(792,585)	(9,558,319)
Movement in unearned premium reserve	809,428	245,050	1,054,478
Insurance premium ceded to reinsurers, net	(7,956,306)	(547,535)	(8,503,841)
Net insurance premium earned	6,492,268	233,878	6,726,146
Commission received on business ceded to reinsurers	871,560	-	871,560
Commissions paid	(1,118,253)	(69,691)	(1,187,944)
Movement in deferred commission income and expense - net	(78,468)	18,755	(59,713)
Net commission expense	(325,161)	(50,936)	(376,097)
Policy fee and other underwriting income	154,807	115	154,922
Gross claims incurred (note 20)	(5,391,479)	(738,602)	(6,130,081)
Reinsurers' share of claims (note 20)	1,024,590	648,867	1,673,457
Net claims incurred	(4,366,889)	(89,735)	(4,456,624)
Net underwriting results	1,955,025	93,322	2,048,347

	2011 General business OMR	2011 Life business OMR	2011 Total OMR
Revenue			
Gross premiums written	13,196,596	946,442	14,143,038
Movement in unearned premium reserve	(426,175)	170,510	(255,665)
Insurance premium revenue, net	12,770,421	1,116,952	13,887,373
Insurance premium ceded to reinsurers	(7,745,828)	(678,138)	(8,423,966)
Movement in unearned premium reserve	318,896	(118,985)	199,911
Insurance premium ceded to reinsurers, net	(7,426,932)	(797,123)	(8,224,055)
Net insurance premium earned	5,343,489	319,829	5,663,318
Commission received on business ceded to reinsurers	725,906	456	726,362
Commissions paid	(920,532)	(67,631)	(988,163)

Movement in deferred commission income and expense - net	23,784	(10,373)	13,411
Net commission income/ (expense)	(170,842)	(77,548)	(248,390)
Policy fee and other underwriting income	85,742	111	85,853
Gross claims incurred (note 18)	(5,883,629)	(687,461)	(6,571,090)
Reinsurers' share of claims (note 18)	1,119,970	542,304	1,662,274
Net claims incurred	(4,763,659)	(145,157)	(4,908,816)
Net underwriting results	494,730	97,235	591,965

	2012		2011	
	Net premiums	**Insurance premium revenue before reinsurance**	Net premiums	Insurance premium revenue before reinsurance
	OMR	**OMR**	OMR	OMR
Fire, general accident, engineering and others	**580,955**	**6,191,227**	325,377	4,660,326
Motor	**5,584,114**	**706,455**	4,821,874	(51,395)
Marine cargo and hull	**154,090**	**758,308**	134,358	1,328,351
Life and medical	**406,989**	**91,639**	409,382	416,167
	6,726,148	**7,747,629**	5,690,991	6,353,449

The net claims ratios are as follows:

	2012	2011
	%	%
Motor	**76**	95
Fire, general accident, engineering and others	**3**	1
Marine cargo and hull	**(24)**	46
Life and medical	**61**	61

The net claims ratio is calculated by dividing the net incurred claims (gross claims less reinsurance and other recoveries) by the net earned premiums (gross premiums less premiums ceded add/less movement in unearned premium reserve).

20 NET CLAIMS INCURRED

	2012 Gross	2012 Reinsurers' share	2012 Net	2011 Gross	2011 Reinsurers' share	2011 Net
	OMR	OMR	OMR	OMR	OMR	OMR
Claims outstanding (note 17)	**4,409,420**	**(1,601,800)**	**2,807,620**	4,365,450	(1,854,745)	2,510,705
IBNR (note 17)	**186,824**	**(78,411)**	**108,413**	334,943	(168,243)	166,700
Outstanding at end of year (a)	**4,596,244**	**(1,680,211)**	**2,916,033**	4,700,393	(2,022,988)	2,677,405
Insurance claims paid during the year (b)	**6,234,230**	**(2,016,234)**	**4,217,996**	6,752,340	(1,412,164)	5,340,176
Claims outstanding (note 17)	**4,365,450**	**(1,854,745)**	**2,510,705**	4,090,571	(1,519,942)	2,570,629
IBNR (note 17)	**334,943**	**(168,243)**	**166,700**	791,072	(252,936)	538,136
Outstanding at the beginning of the year (c)	**4,700,393**	**(2,022,988)**	**2,677,405**	4,881,643	(1,772,878)	3,108,765
Claims recorded in the statement of comprehensive income(a+b-c) - (note 19)	**6,130,081**	**(1,673,457)**	**4,456,624**	6,571,090	(1,662,274)	4,908,816

21 NET INVESTMENT INCOME

	2012	2011
	OMR	OMR
Dividend income	**760,909**	207,875
Income from bank deposits	**141,829**	105,208
Realised gain/(loss) on sale of held for trading investments	**67,371**	(158,051)
Unrealised gain/(loss) on held for trading investments	**404,014**	(164,878)
Rental income from investment properties	**122,738**	-
Profit from investments held-to-maturity	**11,867**	-
Realised loss on sale of available-for-sale investments	-	(5,000)
	1,508,728	(14,846)

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 OMR	2011 OMR
Staff costs	**1,529,498**	1,219,189
Depreciation	**119,212**	119,293
Rent and utilities	**118,865**	88,859
IT expenses	**98,929**	44,633
Provision for impairment of insurance and reinsurance receivables (net)	**84,461**	152,418
Board expenses	**74,200**	51,200
Public relation expenses	**64,553**	43,266
Professional charges	**62,102**	117,585
Takaful expenses	**59,610**	-
Business travel	**58,982**	46,557
Communication	**58,032**	87,652
Miscellaneous expenses	**169,089**	120,382
	2,497,533	2,091,034

23 FINANCE COSTS

	2012 OMR	2011 OMR
Interest expense:		
Short term bank borrowings	**73,815**	-
Bank overdraft	**5,220**	-
Amortisation cost	**3,756**	-
	82,791	-

24 TAXATION

a) Income tax expense

The Company is subject to income tax at the rate of 12% of the taxable income in excess of OMR 30,000 in accordance with the income tax law of the Sultanate of Oman. No income tax provision has been made in these financial statements in view of the carried forward tax losses of OMR 5,175,273 (2011 - OMR 4,036,978) exceed the taxable income earned during the year.

b) Current status of tax assessments

The Company's income tax assessments for the years 2006 to 2007 have been finalised by the Secretariat General for Taxation at the Ministry of Finance. The Management is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 31 December 2012.

c) Deferred tax

No deferred tax asset on the carried forward tax losses has been recognised in these financial statements due to uncertainty regarding the availability of future taxable profits.

25 PROFIT/(LOSS) PER SHARE AND NET ASSETS PER SHARE

	2012 OMR	2011 OMR
Net profit/(loss) for the year	**1,067,345**	(1,442,258)
Weighted average number of shares outstanding during the year	**71,123,288**	80,000,000
Profit/(loss) per share	**0.015**	(0.018)
Net assets	**9,963,668**	5,484,459
Number of shares at the reporting date	**100,000,000**	60,000,000
Net assets per share	**0.100**	0.091

Basic earnings per share are calculated by dividing the loss for the year by the weighted average number of shares outstanding during the year.

Net assets per share are calculated by dividing net assets by the number of shares at the reporting date.

26 RELATED PARTIES

The Company, during the course of its normal business, enters into transactions with directors, key management personnel, shareholders and entities in which certain shareholders and directors 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 arms 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 year 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 comprehensive income are as follows:

	2012 OMR	2011 OMR
Premiums written	3,435,546	3,050,121
Claims	1,321,732	1,116,786
Rental income from investment property	122,738	-
Directors sitting fees	74,200	51,200

(b) Balances with related parties, included under the following headings, are as follows:

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:

	2012 OMR	2011 OMR
Insurance and reinsurance contract receivables		
Premium balances receivable from related parties	**165,145**	200,397
Available-for-sale investments		
Tilal Fund at fair value	**710,325**	1,299,375
Accounts and other payables		
Tilal Development Company SAOC	**97,441**	-
Other receivables and prepayments		
Shaden Development Company SAOC	**52,000**	-

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. Assessment for impairment of receivables is undertaken each financial year 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 interest 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 OMR 97,263 (2011 - OMR 87,950) made up as follows:

	2012 OMR	2011 OMR
Short-term benefits	**94,200**	85,200
Employee end of service benefits	**3,063**	2,750
	97,263	87,950

27 CONTINGENCIES

Contingent liabilities

At 31 December 2012 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to OMR 171,845 (2011 - OMR 165,299).

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.

28 SEGMENTAL INFORMATION

The Company has two reportable segments, as described below. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Chief Executive Officer ("CEO") reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Company's reportable segments:

- General Business - covering motor, marine cargo, marine hull and machinery, aviation, fire, engineering, energy, general accident and third party liability; and
- Life Insurance - includes group life insurance, group credit life, workmen's compensation and medical insurance.

Information regarding the results of each reportable segment is detailed in note 17. Performance is measured based on segment net insurance income, as included in the internal management reports that are reviewed by the CEO. Inter-segment pricing is determined on an arm's length basis.

29 RISK MANAGEMENT

a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company is in the process of establishing a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This will be in addition to a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

b) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

c) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The concentration of insurance risk exposure is mitigated by the implementation of the underwriting strategy of the Company, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Company principally issues general insurance contracts which constitutes mainly motor, marine and aviation and fire and general risks as well as life and medical insurance contracts.

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

The Company only deals with reinsurers approved by the management, which are generally international companies that are rated by international rating agencies.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company's premium retention levels are shown below:

	2012	2011
	%	%
Motor	**90**	95
Fire, general accident, engineering and others	**8**	5
Marine cargo and hull	**9**	8
Life and medical	**25**	32
Overall	**40**	41

The amount and timing of claims payments is expected to be settled within one year. Additional claim liabilities that could reasonably occur due to changes in key variables used in estimating the outstanding claims provision are considered to be adequately catered for through the IBNR provision.

Moreover, the Company limits insurance risk by monitoring changes in key variables that could give rise to additional claim liabilities.

Key assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and underwriting results.

31 December 2012	**Change in assumptions**	**Impact on liabilities**	**Impact on Underwriting results**
		OMR	**OMR**
Net incurred claims	**+10%**	**445,662**	**(445,662)**
	-10%	**(445,662)**	**445,662**
31 December 2011			
Net incurred claims	+10%	490,882	(490,882)
	-10%	(490,882)	490,882

Claims development

The Company maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

d) Financial risks

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed and unlisted investments, cash and cash equivalents and interest bearing deposits. The main risks arising from the Company's financial instruments are:

- Credit risk
- Liquidity risk.
- Market risk
  - Foreign currency risk
  - Interest rate risk
  - Price risk

The Company reviews and agrees policies for managing each of these risks and they are summarised below.

1) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of the financial assets, other than those relating to reinsurance contracts, represents the maximum credit exposure. The Company monitors receivables on a regular basis and ensures bank balances and deposits are placed with reputable financial institutions with minimum credit rating of P-2 as per Moody's Investors Service.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The maximum credit exposure to credit risk for premium and insurance receivables and other receivables at the reporting date by type was shown as below:

	2012	2011
	OMR	OMR
Insurance and reinsurance contract receivables	**5,114,918**	4,527,339
Other receivables excluding prepayments	**350,659**	237,291
Cash balance with investment managers	**156,399**	144,369
Bank deposits, cash and bank balances	7,275,863	4,717,348
	12,897,839	9,626,347

Ageing of the insurance and reinsurance contract receivables at the reporting date and movement of the provision of impairment of receivables during the year is disclosed in note 10 to the financial statements.

Insurance and reinsurance contract receivables

Insurance receivables comprise a number of customers within Oman and local and foreign reinsurers. The Company monitors these receivables on a regular basis. Most of the credit customers have been dealing with the Company for over 2 years and losses have occurred infrequently. The Company establishes an allowance for impairment that represents its estimate of likely losses in respect of these receivable accounts in accordance with the guidelines of the credit policy along with individually assessing each receivable for impairment. This assessment is carried out every six months and the adequacy of the provision for impairment is also assessed. With respect to reinsurers, as per Company policy of managing insurance risk, such contracts are placed only with internationally reputed well rated reinsurers.

The other classes within receivables do not contain impaired assets. The Company does not hold any collateral as security.

The maximum credit exposure to credit risk for insurance and reinsurance contract receivables at the reporting date by geographic region is as follows:

	2012	2011
	OMR	OMR
Oman	**4,901,432**	3,643,125
Middle east	**11,428**	839,449
Others	**202,058**	**44,765**
	5,114,918	**4,527,339**

The maximum credit exposure to credit risk for insurance and reinsurance contract receivables at the reporting date by classification of counterparties is as follows:

	2012 OMR	2011 OMR
Brokers and agents	**4,358,322**	2,927,176
Individuals and corporate clients	**542,531**	643,222
Reinsurers	**214,065**	956,941
	5,114,918	4,527,339

The 5 largest reinsurers account for 50% of the credit exposure at 31 December 2012 (2011- 85%).

The maximum credit exposure to credit risk for bank deposits and bank balances at the reporting date, by classification of counterparties, is as follows:

		2012 OMR
Bank A	A1	**3,201,932**
Bank B	A2	**637,797**
Bank C	A3	**1,346,431**
Bank D, E and balances with investment managers	Unrated	**1,740,009**
		6,926,169

		2011 OMR
Bank A and Bank B	P1	3,638,045
Bank C	P2	11,740
Bank D	Unrated	150,000
Balance with investment managers		56,909
		3,856,694

2) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are monitored on a weekly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Within 1 year OMR	1-3 years OMR	Non fixed maturity OMR	Total OMR
31 December 2012				
Insurance funds	**4,596,244**	-	-	**4,596,244**
Accounts and other payables	**1,754,737**	-	-	**1,754,737**
Due to reinsurers	**4,036,146**	-	-	**4,036,146**
Net principal liabilities	**10,387,127**	-	-	**10,387,127**
31 December 2011				
Insurance funds	4,700,393	-	-	4,700,393
Accounts and other payables	1,918,678	-	-	1,918,678
Due to reinsurers	2,927,184	-	-	2,927,184
Net principal liabilities	9,546,255	-	-	9,546,255

The maturity profiles of Company's assets are given below:

31 December 2012	Within 1 year OMR	1-3 years OMR	Non fixed maturity OMR	Total OMR
Investment in properties	-	-	**2,600,000**	**2,600,000**
Investments held-to-maturity	-	-	**254,366**	**254,366**
Bank deposits, cash and bank balances	**7,275,863**	-	-	**7,275,863**
Cash balances with investment managers	**156,399**	-	-	**156,399**
Held for trading investments	**4,183,513**	-	-	**4,183,513**
Insurance and reinsurance contract receivables	**5,114,918**	-	-	**5,114,918**
Reinsurers' share of insurance fund	**1,680,211**	-	-	**1,680,211**
Other receivables and prepayments	**352,497**	-	-	**352,497**
Available-for-sale investments	-	-	1,162,924	1,162,924
	18,763,401	-	**4,017,290**	**22,780,691**
31 December 2011				
Bank deposits, cash and bank balances	4,717,348	-	-	4,717,348
Cash balances with investment managers	144,369	-	-	144,369
Held for trading investments	3,841,123	-	-	3,841,123
Insurance and reinsurance contract receivables	4,527,339	-	-	4,527,339

Reinsurers' share of insurance fund	2,022,988	-	-	2,022,988
Other receivables and prepayments	373,698	-	-	373,698
Available-for-sale investments	-	-	1,729,060	1,729,060
	15,626,865	-	1,729,060	17,355,925

Given the total value of total investments to total liabilities, management does not believe there is significant exposure to liquidity risk

3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. These changes could be factors specific to the individual security, or its issuer, or factors affecting all securities in the market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition, the Company monitors actively the key factors that effect stock market movements.

a) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar, AED, Qatari Rial, Saudi Rial and Pounds sterling.

The Company's exposure to foreign currency risk was as follows:

	Amounts shown in OMR			
	2012		2011	
	USD	**Other currencies**	USD	Other currencies
Cash and bank balances	**59,331**	-	2,791	-
Held for trading investments	-	**421,691**	-	694,688
Available-for-sale investments	**26,950**	-	26,950	-
Bank deposits	**52,552**	-	1,746,596	-

Sensitivity analysis

The rate of exchange between the US Dollar and the Rial Omani has remained unchanged since 1986. Management, therefore, does not consider any significant risk arise from transactions in US Dollar.

During 2012, if Rial Omani were to have strengthened or weakened by 10% against currencies other than US Dollar with all other variables held constant, pre-tax losses for the year would have been higher or lower by approximately OMR 42,169 (2011- OMR 69,469).

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company limits interest rate risk by monitoring changes in interest rates.

	Change in assumptions	**2012**	2011
		OMR	OMR
Income from bank deposit	+0.5%	**24,729**	23,927
	-0.5%	**(25,729)**	(23,927)

At the reporting date, the interest rates (given in note 9) and maturity profile of the Company's interest bearing financial instruments was as follows:

The Company's interest rate risk based on contractual maturity at 31 December 2012 was as follows:

31 December 2012	**Less than 1 year**	**Over 1 year**	**Total**
	OMR	OMR	OMR
Bank deposits	**4,945,736**	-	**4,945,736**

31 December 2011	Less than 1 year	Over 1 year	Total
	OMR	OMR	OMR
Bank deposits	3,091,351	1,694,040	4,785,391

4) Price risk

The Company is exposed to market price risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition the Company monitors actively the key factors that affect stock market movements.

90% (2011- 83%) of the Company's equity investments at the statement of financial position date are within the Sultanate of Oman.

A 10% change in fair value of the Company's held for trading investments would have impact on profit/(loss) of approximately OMR 418,351 (2011 - OMR 377,950).

A 10% change in fair value of the Company's available-for-sale investments would have impact on equity of approximately OMR 116,292 (2011 - OMR 172,906).

e) Fair value estimation

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, by valuation techniques. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data.

	31 December 2012			31 December 2011		
	Level 1	**Level 3**	**Total**	Level 1	Level 3	Total
	OMR	**OMR**	**OMR**	OMR	OMR	OMR
Held for trading investments	**4,183,513**	**-**	**4,183,513**	3,841,123	-	3,841,123
Available-for-sale investments	**-**	**1,692,924**	**1,692,924**	-	1,729,060	1,729,060
	4,183,513	**1,692,924**	**5,876,437**	3,841,123	1,729,060	5,570,183

The fair values of other financial assets and liabilities with a maturity of less than one year approximates to their carrying amounts.

f) Capital management

The Company manages its capital so as to maintain both adequate working capital as well as meet regulatory solvency margin requirements as prescribed by the CMA and the Commercial Companies Law of 1974, as amended.

The board policy is to maintain a strong capital base so as to maintain investor and counter party confidence and to maintain future development of the business. The company objective for managing capital are:

- To safeguard the entity ability to continue as a going concern so that it can contribute to provide return for the shareholders and benefit for the other stakeholders.
- Provide an adequate return to shareholders by pricing products and services in commensuration with the level of risk.

The company is also subject to the capital requirement impose by the local regulatory authority. It is the company's policy to hold capital as an aggregate of the capital requirement of the capital market authority and a specified margin to absorb charges in both capital and capital requirements.

Insurance risk is also carefully managed as described in note 27 (c) to ensure that the company underwrites risk commensurate to its capital base. The company has reinsurance treaties and excess of loss covers to manage retention levels of the premium, thereby safeguarding the capital from any significant insurance risk exposure.

30 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the presentation adopted for the current year. Such reclassifications do not affect previously reported results or equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Madina Insurance Company SAOC (formerly Al Madina Gulf Insurance Company SAOC) (the Company) was incorporated on 15 May 2006 as a closed joint stock company in the Sultanate of Oman. The Company operates in Oman and is engaged in the business of insurance within the Sultanate of Oman. The Company commenced commercial operations from 1 August 2006. The Company was granted licence from Capital Market Authority on 15 July 2006.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and applicable requirements of the Commercial Companies Law of 1974, as amended, and the Insurance Companies Law of 1979, as amended, and in compliance with the disclosures requirements of the Capital Market Authority.

b) Basis of measurement

The financial statements are prepared under the historical cost convention, except for the measurement of financial assets classified as held for trading and available-for-sale investments which are measured at fair value were fair value can be determined reliably.

c) Use of estimates and judgements

The Company makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates is revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 26.

d) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Company.

(ii) New standards, amendments and interpretations issued not effective for the financial year beginning 1 January 2011 and not early adopted.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(a) Insurance contracts

The Company mainly issues short term insurance contracts in connection with property and motor (collectively known as fire and accident) and marine risks. The Company also issues life insurance contracts.

Property insurance

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

Motor insurance

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles.

Marine insurance

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea or land resulting in the total or partial loss of cargo.

Life insurance

Life insurance is designed to compensate contract holders for loss of life or limbs of the insured.

(b) Property and equipment

Items of Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Subsequent costs are included in the carrying amount of an item of property and equipment if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

(c) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful economic lives are as follows:

Office furniture and equipment	3-5 years
Motor vehicles	5 years

Assets useful lives as well as residual values are re-assessed annually.

Gains and losses on disposal of fixed assets are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income.

(d) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments classified as available-for-sale investments, held for trading investments, insurance and reinsurance contract receivables, due to reinsurers, bank deposits, cash and bank balances and account and other payables. Management determines the classification of its financial assets at initial recognition.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of other categories. Available-for-sale investments are initially recognised at fair value including transaction costs. Available-for-sale investments are subsequently carried at fair value. Changes in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold, the cumulative fair value changes recognised in equity are included in the statement of comprehensive income.

The fair value of available-for-sale investments is based on their quoted market prices as at the date of statement of financial position. The fair value of financial instruments that are not traded in an active market (for example, unquoted investments) is determined by using certain valuation techniques, unless it is impracticable to determine the fair value.

Held for trading investments

Held for trading investments are acquired or incurred principally for the purpose of selling or repurchasing in the short-term. These investments are initially recognised at fair value. Transaction costs for all held for trading investments are expensed as incurred.

Held for trading investments are subsequently carried at fair value. The fair value of held for trading investments is based on their quoted market prices as at the date of statement of financial position. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of comprehensive income in the period in which they arise.

Realised gains on sale of investments are determined by the difference between the sale proceeds and the carrying value and are included in the statement of comprehensive income in the period in which they arise. Dividend income from held for trading investments is recognised in the statement of comprehensive income when the Company's right to receive dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company's loans and receivables comprise 'Insurance and reinsurance contracts receivables' and 'bank deposits, cash and bank balances' in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows, consist of cash and bank balances and bank deposits with a maturity of three months or less from the date of placement.

De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(e) Impairment

The carrying amount of the Company's assets other than deferred tax asset are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment is determined as follows:

a) for assets carried at fair value, impairment is the difference between cost and fair value;

b) for assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

c) for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

A provision for impairment of insurance receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the insurance receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of any provision is recognised in the statement of comprehensive income within “general and administrative expenses”. Subsequent recoveries of amounts previously written of are credited against “general and administrative expenses” in the statement of comprehensive income.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on such equity instruments are not reversed through the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to statement of comprehensive income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

Provisions for reported claims not paid at the statement of financial position date are made on the basis of individual case estimates. In addition a provision based on managements judgement and the Company’s prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting result for that year.

The Company does not discount its liability for unpaid claims.

(g) Reinsurance contracts held

In order to minimise financial exposure from large claims the Company enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as reinsurance share of insurance funds in the statement of financial position until the claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "insurance and reinsurance contracts receivables".

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(h) Liability adequacy test

At each statement of financial position date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of comprehensive income and an unexpired risk provision created.

(i) Premium and insurance receivables

Premium and insurance receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(j) Contingency reserve

In accordance with the Insurance Companies Law of 1979, as amended, and its regulations, 10% of the net outstanding claims and 1% of life insurance premium at the statement of financial position date are transferred to a contingency reserve which is not distributable without prior approval of the Capital Market Authority. The Company may discontinue such annual transfers when the reserve equals the Company's paid up capital.

(k) Other liabilities and accruals

Liabilities are recognised initially at fair value and subsequently measured at amortised cost. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

(l) Employee benefits

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 as amended. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. The accrual relating to annual leave and leave passage is included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognised as an expense in the statement of comprehensive income as incurred.

(m) Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(n) Income tax

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Current tax and deferred tax are recognised in statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Revenue recognition

Premiums earned

Premiums are recognised as revenue (earned premium) proportionally over the period of coverage.

A proportion of the net written premiums (unearned premiums) are provided as 'unearned premium reserve' to cover portions of risks, which have not expired at the statement of financial position date. Unearned premium reserve is estimated using the 1/365th basis. Provision is made where necessary for any further loss expected to arise on unexpired risks after taking into account future investment income on related insurance funds, to cover anticipated liabilities arising from existing contracts.

Commissions received and paid

A portion of commissions received and paid are provided as 'unearned commission' and 'unexpired commission' respectively, which has not expired at the reporting date. Unexpired and unearned commission is estimated using the 1/365th basis.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

Dividends

Dividend income is recognised when the right to receive dividend is established.

(p) Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

(q) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Company are measured and presented in Rial Omani being the currency of the primary economic environment in which the Company operates (functional currency).

Transactions and balances

Foreign currency transactions are translated into Rial Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rial Omani at the exchange rate prevailing at the statement of financial position date. Differences on exchange are dealt with in the comprehensive statement of income as they arise.

(r) Provisions

A provision is recognised if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(s) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability:

Financial instruments

For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the statement of financial position date, adjusted for transaction costs necessary to realise the asset.

The fair value of investments that are not traded in an active market is determined by using estimated discounted cash flows or other valuation techniques.

The carrying amount of other financial assets and liabilities with a maturity of less than one year approximates their fair values.

4. PROPERTY AND EQUIPMENT

	Leasehold improvements OMR	Office furniture and equipment OMR	Motor vehicles OMR	Total OMR
Cost				
At 1 January 2011	-	499,948	39,427	539,375
Additions	21,356	72,659	-	94,015
At 31 December 2011	21,356	572,607	39,427	633,390
Depreciation				
At 1 January 2011	-	280,984	16,204	297,188
Charge for the year	938	112,868	5,487	119,293
At 31 December 2011	938	393,852	21,691	416,481
Net book value				
At 31 December 2011	20,418	178,755	17,736	216,909

	Leasehold improvements OMR	Office furniture and equipment OMR	Motor Vehicles OMR	Total OMR
Cost				
At 1 January 2010	-	377,097	39,427	416,524
Additions	-	122,851	-	122,851
At 31 December 2010	-	499,948	39,427	539,375
Depreciation				
At 1 January 2010	-	168,363	10,718	179,081
Charge for the year	-	112,621	5,486	118,107
At 31 December 2010	-	280,984	16,204	297,188
Net book value				
At 31 December 2010	-	218,964	23,223	242,187

5. NET INVESTMENT INCOME

	2011 OMR	2010 OMR
Dividend income	**207,875**	267,394
Income from bank deposits	**105,208**	164,280
Realised (loss)/gain on sale of held for trading investments	**(158,051)**	128,675
Unrealised (loss)/gain on held for trading investments	**(164,878)**	62,756
Impairment loss on available-for-sale investments	-	(42,716)
Realised loss on sale of available-for-sale investments	**(5,000)**	(2,812)
	(14,846)	577,577

6. INVESTMENT SECURITIES

(a) AVAILABLE-FOR-SALE INVESTMENTS

	% of overall portfolio	Number of securities	Fair value OMR	Cost OMR
31 December 2011				
Tilal Fund	**75.82**	**618,750**	**1,299,375**	**570,938**
National Mass Housing	**9.32**	**150,000**	**156,150**	**157,500**
Shazah Hotel, Muscat	**6.16**	**100,000**	**106,300**	**102,500**
Omani Unified Bureau for the Orange Card SAOC	**7.13**	**71,428**	**140,285**	**71,427**
U.S. Residential Condominium Fund II	**1.57**	**1,750**	**26,950**	**69,666**
			1,729,060	**972,031**
31 December 2010				
Tilal Fund	65.20	562,500	964,125	570,938
National Mass Housing	17.57	250,000	259,750	262,500
Shazah Hotel, Muscat	7.14	100,000	105,500	102,500
Omani Unified Bureau for the Orange Card SAOC	8.27	71,428	122,285	71,427
U.S. Residential Condominium Fund II	1.82	1,750	26,950	69,666
			1,478,610	1,077,031

Included under available-for-sale investments are unquoted local and foreign investments that are carried at fair value and comprise amounts invested in certain real estate funds.

The fair value of the foreign real estate fund investment is OMR 26,950 at 31 December 2011 (2010: 26,950) and its cost was OMR 69,666. During the year 2010, the Company recognised impairment loss of OMR 42,716 on the foreign real estate investment.

	2011 OMR	2010 OMR
Balance at 1 January	**1,478,610**	1,249,343
Net change in fair value	**355,450**	462,295
Redemption of investment	**(100,000)**	(187,500)
Realised loss on redemption of investment	**(5,000)**	(2,812)
Impairment loss	-	(42,716)
	1,729,060	1,478,610

(b) HELD FOR TRADING INVESTMENTS

	2011 Fair value OMR	2011 Cost OMR	2010 Fair value OMR	2010 Cost OMR
Industrial sector	**1,478,940**	**1,601,207**	1,741,019	1,874,105
Services sector	**1,810,598**	**1,774,169**	1,098,776	1,055,138
Power sector	**223,742**	**204,653**	825,835	706,415
Construction sector	**130,608**	**235,810**	508,266	516,807
Banking & Investments	**197,235**	**190,163**	150,430	138,033
Others	**-**	**-**	49,611	50,105
	3,841,123	**4,006,002**	4,373,937	4,340,603

Trading investments are local and foreign quoted investments. The cost of the foreign investments is OMR 692,706 (2010: OMR 388,883) and the fair value of foreign investments at 31 December 2011 is OMR 694,688 (2010: OMR 417,416).

The carrying amount of held for trading investment includes cash balances with investment managers amounting to OMR 144,369 (2010 – OMR 463,525).

7. BANK DEPOSITS, CASH AND BANK BALANCES

Bank balances and cash in the statement of financial position comprise of the following:

	2011 OMR	2010 OMR
Current		
Cash and bank balances	**(68,043)**	196,294
Bank deposits with maturity of less than three months from the date of placement	**217,851**	214,517
Bank deposits with maturity of more than three months from the date of placement	**4,567,540**	2,750,000
	4,717,348	3,160,811

Bank deposits amounting to OMR 1,746,596 (2010: OMR 1,746,260) are denominated in foreign currencies. Bank deposits carry interest at rates in the range of 0.35% to 4.75% (2010: 1.4% to 4.7%) per annum.

For the purpose of statement of cash flows, the cash balances with investment managers of OMR 144,369 (2010 - OMR 463,525) has been taken as cash and bank balance.

8. RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority certain specific bank deposits included in the statement of financial position at a total value of OMR 4,567,540 (2010: OMR 4,444,045). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

9. INSURANCE AND REINSURANCE CONTRACT RECEIVABLES

	2011 OMR	2010 OMR
Premiums receivable	**3,718,385**	2,914,126
Insurer's balances receivable	**1,053,314**	1,758,348
Gross receivables	**4,771,699**	4,672,474
Less: provision for doubtful debts	**(244,360)**	(91,943)
	4,527,339	4,580,531

	2011 OMR	2010 OMR
Not due	**3,142,300**	4,422,177
Past due but not impaired:		
Above 121 days	**1,385,039**	158,354
Past due and impaired:		
Above 121 days	**244,360**	91,943

The normal credit period allowed to insurance debtors and reinsurance companies is 120 days, after which amounts are considered past due. As at 31 December 2011, past due receivables above 121 days of OMR 1,385,039 (2010: OMR 158,354) 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 insurance business. On assessment of these individual receivables for recovery and enquiries with them, the management believes that these amounts are collectible and hence are not considered impaired.

At 31 December 2011, insurance debtors of OMR 244,360 (2010: OMR 91,943) were impaired and provided for fully.

Movement in the provision for doubtful debts during the year is as follows:

	2011 OMR	2010 OMR
At 1 January	**91,943**	16,695
Provision made during the year	**152,417**	75,248
At 31 December	**244,360**	91,943

10. SHARE CAPITAL

	2011 OMR	2010 OMR
Authorised share capital (at OMR 1 per share)	**25,000,000**	25,000,000
Issued and fully paid up capital (at OMR 1 per share)	**6,000,000**	10,000,000

During the year, the shareholders passed the resolution in the Extra Ordinary Meeting held on 30 March 2011 to set-off the accumulated losses of the company against the share capital by reducing the number of shares, of OMR 1 each, from 10,000,000 to 6,000,000. This was approved by CMA.

Significant shareholders

Shareholders of the Company who own 10% or more of the Company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	% of holding	**2011**	2010
		Number of shares	Number of shares
Mohammed Al Barwani Holding Company LLC	25	**1,500,000**	2,500,000
Al Madina Financial Services Company SAOC	12	**720,000**	1,200,000
Ministry of Defense Pension Fund	10	**600,000**	1,000,000

11. LEGAL RESERVE

As required by the Commercial Companies Law of Oman, 10% of the profit after tax for the year is transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution. No transfer has been made during the year ended 31 December 2011 since operations for this year have resulted in a loss.

12. SPECIAL RESERVE

In accordance with Article 78 of the Commercial Companies Law of 1974, the surplus of share issue fees over pre-formation expenses was transferred to a non-distributable special reserve.

13. CONTINGENCY RESERVE

Contingency reserve is not distributable without prior approval of the Capital Market Authority (CMA). No transfer has been made during the year ended 31 December 2011 since operations for this year have resulted in a loss.

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14. INSURANCE FUNDS

	2011 Gross OMR	2011 Reinsurers' share OMR	2011 Net OMR	2010 Gross OMR	2010 Reinsurers' share OMR	2010 Net OMR
A) General business						
Claims outstanding	**3,976,897**	**(1,534,548)**	**2,442,349**	3,558,625	(1,055,380)	2,503,245
Claims incurred but not reported	**148,700**	**(14,765)**	**133,935**	622,159	(105,420)	516,739
Unearned premium reserve	**5,784,890**	**(3,167,361)**	**2,617,529**	5,358,716	(2,848,464)	2,510,252
	9,910,487	**(4,716,674)**	**5,193,813**	9,539,500	(4,009,264)	5,530,236
B) Life business						
Claims outstanding	**388,553**	**(320,197)**	**68,356**	531,946	(464,562)	67,384
Claims incurred but not reported	**186,243**	**(153,478)**	**32,765**	168,913	(147,516)	21,397
Unearned premium reserve	**158,298**	**(111,613)**	**46,685**	328,808	(230,596)	98,212
	733,094	**(585,288)**	**147,806**	1,029,667	(842,674)	186,993
	10,643,581	**5,301,962**	**5,341,619**	10,569,167	(4,851,938)	5,717,229

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

15. CREDITORS AND ACCRUALS

	2011 OMR	2010 OMR
Accrued expenses and other payables	**1,918,678**	2,131,731
Employee end of service benefits	**71,357**	49,434
	1,990,035	2,181,165

Movement in the related liability for employee end of service benefits recognised in the statement of financial position is as follows:

	2011 OMR	2010 OMR
Liability as at 1 January	**49,434**	35,373
Accrued during the year	**22,529**	24,066
Payments during the year	**(606)**	(10,005)
Liability as at 31 December	**71,357**	49,434

16. TAXATION

a) Income tax expense

The Company is subject to income tax at the rate of 12% of the taxable income in excess of OMR 30,000 in accordance with the income tax law of the Sultanate of Oman. No income tax provision has been made in these financial statements in view of the tax loss incurred during the year.

b) Current status of tax assessments

The Company's income tax assessments for the years 2006 to 2007 have been finalised by the Secretariat General for Taxation at the Ministry of Finance. The Management are of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 31 December 2011.

17. UNDERWRITING RESULTS

	2011 General business OMR	2011 Life business OMR	2011 Total OMR
Revenue			
Gross premiums written	13,196,596	946,442	14,143,038
Movement in unearned premium reserve	(426,175)	170,510	(255,665)
Insurance premium revenue, net	12,770,421	1,116,952	13,887,373
Insurance premium ceded to reinsurers	(7,745,828)	(678,138)	(8,423,966)
Movement in unearned premium reserve	318,896	(118,985)	199,911
Insurance premium ceded to reinsurers, net	(7,426,932)	(797,123)	(8,224,055)
Net insurance premium earned	5,343,489	319,829	5,663,318
Gross claims incurred (note 18)	(5,883,629)	(687,461)	(6,571,090)
Reinsurers' share of claims (note 18)	1,119,970	542,304	1,662,274
Net claims incurred	(4,763,659)	(145,157)	(4,908,816)
Commission received on business ceded to reinsurers	725,906	456	726,362
Commissions paid	(811,006)	(77,893)	(888,899)
	(85,100)	(77,437)	(162,537)
Net underwriting results	494,730	97,235	591,965

	2010 General business OMR	2010 Life business OMR	2010 Total OMR
Revenue			
Gross premiums written	10,594,595	1,216,981	11,811,576
Movement in unearned premium reserve	363,034	6,031	369,065
Insurance premium revenue, net	10,957,629	1,223,012	12,180,641
Insurance premium ceded to reinsurers	(4,892,212)	(876,147)	(5,768,359)
Movement in unearned premium reserve	928,373	(60,727)	867,646
Insurance premium ceded to reinsurers, net	(3,963,839)	(936,874)	(4,900,713)
Net insurance premium earned	6,993,790	286,138	7,279,928
Gross claims incurred (note 18)	(8,448,732)	(1,052,849)	(9,501,581)
Reinsurers' share of claims (note 18)	2,030,917	893,833	2,924,750
Net claims incurred	(6,417,815)	(159,016)	(6,576,831)
Commission received on business ceded to reinsurers	464,299	180	464,479
Commissions paid	(980,527)	(61,661)	(1,042,188)
	(516,228)	(61,481)	(577,709)
Net underwriting results	59,747	65,641	125,388

	2011		2010	
	Net premiums OMR	**Insurance premium revenue before reinsurance OMR**	Net premiums OMR	Insurance premium revenue before reinsurance OMR
Motor	**4,821,874**	**5,110,964**	6,182,352	5,246,665
Fire, general accident, engineering and others	**325,377**	**5,846,525**	502,740	4,419,978
Marine cargo and hull	**134,358**	**1,823,009**	157,637	613,644
Life and medical	**409,382**	**1,362,540**	437,199	1,531,289
	5,690,991	**14,143,038**	7,279,928	11,811,576

The net claims ratios are as follows:

	2011 %	2010 %
Motor	**95**	95
Fire, general accident, engineering and others	**1**	70
Marine cargo and hull	**46**	3
Life and medical	**61**	72

The net claims ratio is calculated by dividing the net incurred claims (gross claims less reinsurance and other recoveries) by the net earned premiums (gross premiums less premiums ceded).

18. Claims

	2011 Gross OMR	2011 Reinsurers' share OMR	2011 Net OMR	2010 Gross OMR	2010 Reinsurers' share OMR	2010 Net OMR
Claims outstanding (note 14)	**4,365,450**	**(1,854,745)**	**2,510,705**	4,090,571	(1,519,942)	2,570,629
IBNR (note 14)	**334,943**	**(168,243)**	**166,700**	791,072	(252,936)	538,136
Outstanding at end of year (a)	**4,700,393**	**(2,022,988)**	**2,677,405**	4,881,643	(1,772,878)	3,108,765
Insurance claims paid during the year (b)	**6,752,340**	**(1,412,164)**	**5,340,176**	8,737,784	(3,744,722)	4,993,062
Claims outstanding (note 14)	**4,090,571**	**(1,519,942)**	**2,570,629**	3,526,975	(2,356,690)	1,170,285
IBNR (note 14)	**791,072**	**(252,936)**	**538,136**	590,871	(236,160)	354,711
Outstanding at the beginning of the year (c)	**4,881,643**	**(1,772,878)**	**3,108,765**	4,117,846	(2,592,850)	1,524,996
Claims recorded in the statement of comprehensive income (a+b-c) - (note 17)	6,571,090	(1,662,274)	4,908,816	9,501,581	(2,924,750)	6,576,831

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 OMR	2010 OMR
Staff costs	**1,219,189**	898,399
Provision for doubtful debts	**152,418**	75,248
Depreciation	**119,293**	118,107
Professional charges	**117,585**	107,717
Rent and utilities	**88,859**	70,496
Communication	**87,652**	63,469
Board expenses	**59,722**	59,836
Business travel	**46,557**	31,237
IT expenses	**44,633**	42,967
Public relation expenses	**43,266**	35,173
Training expenses	**23,653**	40,648
Office maintenance	**21,290**	19,964
Printing and stationery	**18,501**	18,635
Fees and expenses	**7,102**	2,329
Bank charges	**3,329**	2,339
Miscellaneous expenses	**37,985**	20,008
	2,091,034	1,606,572

20. LOSS PER SHARE AND ASSETS PER SHARE

	2011 OMR	2010 OMR
Net loss for the year	**(1,442,258)**	(900,923)
Net assets	**5,484,459**	6,571,267
Weighted average number of shares outstanding during the year	**8,000,000**	10,000,000
Loss per share	**(0.180)**	(0.090)
Net assets per share	**0.914**	0.657

Basic earnings per share are calculated by dividing the loss for the year by the weighted average number of shares outstanding during the year.

Net assets per share are calculated by dividing net assets by the number of shares at the closing date.

21. RELATED PARTIES

The Company, during the course of its normal business, enters into transactions with directors, key management personnel, shareholders and entities in which certain shareholders and directors 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 arms 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 year 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 comprehensive income are as follows:

	2011 OMR	2010 OMR
Premiums written	3,050,121	2,468,718
Claims	1,116,786	1,423,713
Service fees	-	42,557
Net commission received	-	38,025
Directors sitting fees	51,200	53,000

(b) Balances with related parties, included under the following headings, are as follows:

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:

	2011 OMR	2010 OMR
Insurance and reinsurance contract receivables		
Premium balances receivable from other related parties	**200,397**	1,603,521
Due to reinsurers		
Solidarity BSC	-	522,560
Available-for-sale investments		
Tilal Fund	**1,299,375**	552,938

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2011, the Company has provided RO 10,000 for impairment of receivables owed by related parties (2010: Nil). This assessment is undertaken each financial year 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 interest 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 OMR 87,950 (2010: OMR 79,300) made up as follows:

	2011	2010
	OMR	OMR
Short-term benefits	**85,200**	76,800
Employee end of service benefits	**2,750**	2,500
	87,950	79,300

22. CONTINGENCIES

Contingent liabilities

At 31 December 2011 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to OMR 165,299 (2010: OMR 160,309).

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.

23. COMMITMENTS

The company has signed a contract for purchase of office space in a commercial complex. The commitment is of OMR 550,299 (2010 - OMR 550,299) of which OMR 55,030 has been paid to the developer and is shown under "other receivables and prepayments".

24. SEGMENTAL INFORMATION

The Company has two reportable segments, as described below. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Chief Executive Officer ("CEO") reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Company's reportable segments:

General Business - covering motor, marine cargo, marine hull and machinery, aviation, fire, engineering, energy, general accident and third party liability; and

Life Insurance - includes group life insurance, group credit life, workmen's compensation and medical insurance.

Information regarding the results of each reportable segment is detailed in note 17. Performance is measured based on segment net insurance income, as included in the internal management reports that are reviewed by the CEO. Inter-segment pricing is determined on an arm's length basis.

25. RISK MANAGEMENT

a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company is in the process of establishing a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This will be in addition to a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers.

b) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

c) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The concentration of insurance risk exposure is mitigated by the implementation of the underwriting strategy of the Company, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Company principally issues general insurance contracts which constitutes mainly motor, marine and aviation and fire and general risks as well as life and medical insurance contracts.

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

The Company only deals with reinsurers approved by the management, which are generally international securities that are rated by international rating agencies or other GCC securities.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The 5 largest reinsurers account for 85% of the credit exposure at 31 December 2011 (2010: 91%).

The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company's premium retention levels are shown below:

	2011	2010
	%	%
Motor	**95**	97
Fire, general accident, engineering and others	**5**	12
Marine cargo and hull	**8**	18
Life and medical	**32**	23
Overall	**41**	51

The amount and timing of claims payments is expected to be settled within one year. Additional claim liabilities that could reasonably occur due to changes in key variables used in estimating the outstanding claims provision are considered to be adequately catered for through the IBNR provision.

Moreover, the Company limits insurance risk by monitoring changes in key variables that could give rise to additional claim liabilities.

Key assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and underwriting results.

31 December 2011

	Change in assumptions	Impact on liabilities OMR	Impact on Underwriting results OMR
Net incurred claims	**+10%**	**490,882**	**(490,882)**
	-10%	**(490,882)**	**490,882**

31 December 2010

Net incurred claims	+10%	657,683	(657,683)
	-10%	(657,683)	657,683

Claims development

The Company maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

d) Financial risks

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed investments, cash and cash equivalents. The main risks arising from the Company's financial instruments are:

- Credit risk
- Liquidity risk.
- Market risk
  - Foreign currency risk
  - Interest rate risk
  - Price risk

The Company reviews and agrees policies for managing each of these risks and they are summarised below.

(1) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of the financial assets, other than those relating to reinsurance contracts, represents the maximum credit exposure. The Company monitors receivables on a regular basis and ensures bank balances and deposits are placed with reputable financial institutions with minimum credit rating of P-2 as per Moody's Investors Service.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The maximum credit exposure to credit risk for premium and insurance receivables and other receivables at the reporting date by type was shown as below:

	2011	2010
	OMR	OMR
Insurance and reinsurance contract receivables	**4,527,339**	4,580,531
Other receivables excluding prepayments	**237,291**	168,210
Bank deposits maturing after one year from the date of placement	-	1,694,040
Cash balance with investment managers	**144,372**	463,525
Bank deposits, cash and bank balances	**4,717,348**	3,160,811
	9,626,350	10,067,117

Ageing of the insurance and reinsurance contract receivables at the reporting date and movement of the provision of doubtful debts during the year is disclosed in note 9 to the financial statements.

Insurance and reinsurance contract receivables

Insurance receivables comprise a number of customers within Oman and local and foreign reinsurers. The Company monitors these receivables on a regular basis. Most of the credit customers have been dealing with the Company for over 2 years and losses have occurred infrequently. The Company establishes an allowance for impairment that represents its estimate of likely losses in respect of these receivable accounts in accordance with the guidelines of the credit policy along with individually assessing each receivable for impairment. This assessment is carried out every six months and the adequacy of the provision for impairment is also assessed. With respect to reinsurers, as per Company policy of managing insurance risk, such contracts are placed only with internationally reputed well rated reinsurers.

The other classes within receivables do not contain impaired assets. The Company does not hold any collateral as security.

The maximum credit exposure to credit risk for insurance and reinsurance contract receivables at the reporting date by geographic region is as follows:

	2011	2010
	OMR	OMR
Oman	**3,643,125**	3,153,421
Middle east	**839,449**	1,355,715
Others	**44,765**	71,395
	4,527,339	4,580,531

The maximum credit exposure to credit risk for insurance and reinsurance contract receivables at the reporting date by classification of counterparties is as follows:

	2011 OMR	2010 OMR
Brokers and agents	**2,927,176**	2,214,685
Individuals and corporate clients	**643,222**	607,498
Reinsurers	**956,941**	1,758,348
	4,527,339	4,580,531

		2011 OMR	2010 OMR
Bank A and Bank B	**P1**	**3,638,045**	4,115,691
Bank C	**P2**	**11,740**	11,740
Bank D	**Unrated**	**150,000**	150,000
Balance with investment managers		**56,909**	279,452
		3,856,694	4,556,883

(2) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity requirements are monitored on a weekly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Within 1 year OMR	1-3 years OMR	Non fixed maturity OMR	Total OMR
31 December 2011				
Insurance funds	**10,643,581**	-	-	**10,643,581**
Accounts and other payables	**1,918,678**	-	-	**1,918,678**
Due to reinsurers	**2,927,184**	-	-	**2,927,184**
Net principal liabilities	**15,489,443**	-	-	**15,489,443**

31 December 2010				
Reserves withheld from reinsurers	10,569,167	-	-	10,569,167
Accounts and other payables	2,131,731	-	-	2,131,731
Due to reinsurers	2,000,767	-	-	2,000,767
Net principal liabilities	14,701,665	-	-	14,701,665

The maturity profiles of Company's investments are given below:

31 December 2011	Within 1 year OMR	1-3 years OMR	Non fixed maturity OMR	Total OMR
Bank deposits, cash and bank balances	**4,717,348**	-	-	**4,717,348**
Held for trading investments			**3,985,492**	**3,985,492**
Available-for-sale investments	-	-	**1,729,060**	**1,729,060**
	4,717,348	-	**5,714,552**	**10,431,900**
31 December 2010				
Bank deposits, cash and bank balances	3,160,811	1,694,040	-	4,854,851
Held for trading investments	-	-	4,837,462	4,837,462
Available-for-sale investments	-	-	1,478,610	1,478,610
	3,160,811	1,694,040	6,316,072	11,170,923

Given the total value of total investments to total liabilities, management does not believe there is significant exposure to liquidity risk

(3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. These changes could be factors specific to the individual security, or its issuer, or factors affecting all securities in the market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition, the Company monitors actively the key factors that effect stock market movements.

(a) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar, AED, Qatari Rial, Saudi Rial and Pounds sterling.

The Company's exposure to foreign currency risk was as follows:

	Amounts shown in OMR			
	2011		2010	
	USD	**Other currencies**	USD	Other currencies
Cash and bank balances	**2,791**	**-**	9,736	-
Held for trading investments	**-**	**694,688**	-	417,416
Available-for-sale investments	**26,950**	**-**	26,950	-
Bank deposits	**52,552**	**-**	1,746,260	-

Sensitivity analysis

The rate of exchange between the US Dollar and the Rial Omani has remained unchanged since 1986. Management, therefore, does not consider any significant risk arise from transactions in US Dollar.

During 2011, if Rial Omani were to have strengthened or weakened by 10% against currencies other than US Dollar with all other variables held constant, pre-tax losses for the year would have been higher or lower by approximately RO 69,469 (2010: RO 41,742).

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company limits interest rate risk by monitoring changes in interest rates.

	Change in assumptions	2011	2010
		OMR	OMR
Income from bank deposit	**+15%**	**41,106**	51,897
	-15%	**(41,106)**	(51,897)

At the reporting date, the interest rates (given in note 7) and maturity profile of the Company's interest bearing financial instruments was as follows:

The Company's interest rate risk based on contractual maturity at 31 December 2011 was as follows:

31 December 2011	**Less than 1 year**	**Over 1 year**	**Total**
	OMR	OMR	OMR
Bank deposits	**2,873,500**	**1,694,040**	**4,567,540**

31 December 2010	Less than 1 year	Over 1 year	Total
	OMR	OMR	OMR
Bank deposits	2,750,000	1,694,040	4,444,040

Price risk

The Company is exposed to market price risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition the Company monitors actively the key factors that affect stock market movements.

83% (2010: 75%) of the Company's equity investments at the statement of financial position date are within the Sultanate of Oman.

A 10% change in fair value of the Company's held for trading investments would have impact on loss of approximately OMR 398,549 (2010: OMR 483,746).

A 10% change in fair value of the Company's available-for-sale investments would have impact on equity of approximately OMR 172,906 (2010: OMR 147,861).

e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation techniques. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data.

	31 December 2011			31 December 2010		
	Level 1	**Level 3**	**Total**	Level 1	Level 3	Total
	OMR	**OMR**	**OMR**	OMR	OMR	OMR
Held for trading investments	**3,841,120**	**-**	**3,841,120**	4,373,937	-	4,373,937
Available-for-sale investments	**-**	**1,729,060**	**1,729,060**	-	1,487,610	1,478,610
	3,841,120	**1,729,060**	**5,570,180**	4,373,937	1,478,610	5,852,547

The fair values of other financial assets and liabilities with a maturity of less than one year approximates to their carrying amounts.

f) Capital management

The Company manages its capital so as to maintain both adequate working capital as well as meet regulatory solvency margin requirements as prescribed by the CMA and the Commercial Companies Law of 1974, as amended.

The board policy is to maintain a strong capital base so as to maintain investor and counter party confidence and to maintain future development of the business. The company objective for managing capital are:

To safeguard the entity ability to continue as a going concern so that it can contribute to provide return for the shareholders and benefit for the other stakeholders.

Provide an adequate return to shareholders by pricing products and services in commensuration with the level of risk.

The company is also subject to the capital requirement impose by the local regulatlry authority. It is the company's policy to hold capital as an aggregate of the capital requairement of the capital market authority and a specified margin to absorb charges in both capital and capital requirements.

Insurance risk is also carefully managed as described in note 25 (c) to ensure that the company underwrites risk commensurate to its capital base. The company has reinsurance treaties and excess of loss covers to manage retention levels of the premium, thereby safeguarding the capital from any significant insurance risk exposure.

26. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the resultant provisions and change in fair value for the year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

Impairment of available-for-sale investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Claims outstanding

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the statement of financial position date. The management uses the initial value of the claim provided by the surveyor for the expected ultimate cost of claims reported at the financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Impairment of receivables

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during the year and feedback received from their legal department. The difference between the estimated collectible amount and the carrying value is recognised as an expense in the statement of comprehensive income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of comprehensive income at the time of collection.

Liability adequacy test

At each statement of financial position, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of comprehensive income.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the presentation adopted for the current year. Such reclassifications do not affect previously reported results or equity.

Historical Financial Statements – Half Year 2013

pwc

Independent auditors' report to the shareholders of
Al Madina Insurance Company SAOC

Report on the interim financial statements

We have audited the accompanying interim financial statements of **Al Madina Insurance Company SAOC** (the Company) which comprise the interim statement of financial position as at 30 June 2013 and the interim statements of comprehensive income, changes in equity and cash flows for the six months period then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the interim financial statements

The Directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter

The accompanying interim financial statements include comparative information as required by International Accounting Standard 34 -Interim Financial Reporting. The comparative information presented in the interim statements of comprehensive income, changes in equity and cash flows for the six months period ended 30 June 2012 has not been audited.

Opinion

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2013, and its interim financial performance and its interim cash flows for the period then ended in accordance with International Financial Reporting Standards.

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Independent auditors' report to the shareholders of Al Madina Insurance Company SAOC (continued)

Other legal and regulatory requirements

Further, as required by the Rules and Guideline on Disclosure by Issuers of Securities and Insider Trading (R&G) issued by the Capital Market Authority (CMA) of the Sultanate of Oman, we report that the accompanying interim financial statements have been properly prepared, in all material respects, in accordance with the R&G, with the Rules for Disclosure and Proformas issued by the CMA and with the Commercial Companies Law of 1974, as amended.

PricewaterhouseCoopers LLC

27 August 2013
Muscat, Sultanate of Oman

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	30 June 2013 OMR	31 December 2012 OMR
ASSETS			
Non-current assets			
Property and equipment	4	**754,135**	786,736
Investment in properties	5	**2,600,000**	2,600,000
Available-for-sale investments	6	**636,535**	1,162,924
Investments held-to-maturity	7	**253,038**	254,366
Deferred tax asset	24	**572,244**	-
		4,815,952	4,804,026
Current assets			
Held for trading investments	8	**3,548,861**	4,183,513
Bank deposits, cash and bank balances	9	**8,139,878**	7,432,262
Insurance and reinsurance contract receivables	10	**7,552,314**	5,114,918
Deferred commission expense	11	**559,087**	535,628
Reinsurers' share of insurance fund	17	**6,517,345**	6,013,663
Other receivables and prepayments		**372,698**	352,497
		26,690,183	23,632,481
Total assets		**31,506,135**	**28,436,507**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**10,000,000**	10,000,000
Legal reserve	13	**348,132**	216,226
Special reserve	14	-	150,310
Contingency reserve	15	**423,339**	175,483
Fair value reserve		**135,551**	233,609
Retained earnings/(accumulated losses)		**277,644**	(811,960)
Total equity		**11,184,666**	9,963,668
Non-current liabilities			
Employees' end of service benefits	16	**121,949**	85,531
Current liabilities			
Insurance funds	17	**13,194,188**	12,194,535
Deferred commission income	18	**305,195**	401,890
Due to reinsurers		**5,270,942**	4,036,146
Accounts and other payables	19	**1,429,195**	1,754,737
		20,199,520	18,387,308
Total liabilities		**20,321,469**	18,472,839
Total equity and liabilities		**31,506,135**	28,436,507
Net assets per share	25	**0.112**	0.099

INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	Note	Six months ended 30 June 2013 OMR	Six months ended 30 June 2012 OMR (Unaudited - Note 1)
INCOME			
Gross premiums written	20	**10,717,527**	**9,513,639**
Underwriting results	20	**1,401,542**	967,950
Net investment income	22	**922,708**	974,358
Other income		**13,687**	42,815
		2,337,937	1,985,123
EXPENSES			
General and administrative expenses	23	**(1,591,069)**	(1,240,082)
Profit from operating activities		**746,868**	745,041
Finance costs		**(56)**	(44,028)
Profit before tax		**746,812**	701,013
Income tax	24	**572,244**	-
Profit after tax		**1,319,056**	701,013
Other comprehensive income:			
Net change in fair value of available-for-sale investments		**(98,058)**	(551,991)
Total comprehensive income for the period		**1,220,998**	149,022
Profit per share	25	**0.013**	0.012

The attached notes on pages 197 to 232 form an integral part of these interim financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	Share capital	Legal reserve	Special reserve	Fair value reserve	Contingency reserve	Retained earnings/ (accumulated losses)	Total
	OMR	OMR	OMR	OMR	OMR	OMR	OMR
At 1 January 2013	**10,000,000**	**216,226**	**150,310**	**233,609**	**175,483**	**(811,960)**	**9,963,668**
Comprehensive income:							
Profit for the period	-	-	-	-	-	**1,319,056**	**1,319,056**
Other comprehensive income:							
Gain transferred to comprehensive income on de-recognition of available-for-sale investments	-	-	-	**(104,540)**	-	-	**(104,540)**
Net change in fair value of available-for-sale investments	-	-	-	**6,482**	-	-	**6,482**
Total comprehensive income for the period	-	-	-	**(98,058)**	-	**1,319,056**	**1,220,998**
Transaction with owners:							
Transfer from special reserves (note 14)	-	-	**(150,310)**	-	-	**150,310**	-
Transfer to contingency reserve	-	-	-	-	**247,856**	**(247,856)**	-
Transfer to legal reserve	-	**131,906**	-	-	-	**(131,906)**	-
Total transactions with owners	-	**131,906**	**(150,310)**	-	**247,856**	**(229,452)**	-
At 30 June 2013	**10,000,000**	**348,132**	-	**135,551**	**423,339**	**277,644**	**11,184,666**

(Unaudited - Note 1)	Share capital	Legal reserve	Special reserve	Fair value reserve	Contingency reserve	Accumulated loss	Total
	OMR	OMR	OMR	OMR	OMR	OMR	OMR
At 1 January 2012	6,000,000	109,491	150,310	799,745	175,483	(1,750,570)	5,484,459
Comprehensive income:							
Profit for the period	-	-	-	-	-	701,013	701,013
Other comprehensive loss:							
Net change in fair value of available-for-sale investments	-	-	-	(551,991)	-	-	(551,991)
Total comprehensive income/(loss) for the period	-	-	-	(551,991)	-	701,013	149,022
At 30June 2012	**6,000,000**	**109,491**	**150,310**	**247,754**	**175,483**	**(1,049,557)**	**5,633,481**

The attached notes on pages 197 to 232 form an integral part of these interim financial statements.

INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	Note	**Six months ended 30 June 2013 OMR**	Six months ended 30 June 2012 OMR (Unaudited - Note 1)
Operating activities			
Profit for the period		**746,812**	701,013
Adjustments for:			
Depreciation		**70,049**	52,534
Finance cost		**56**	44,028
Dividend income		**(255,546)**	(740,479)
Income from bank deposit		**(27,922)**	(28,533)
Change in held to maturity investments - net		**1,328**	-
End of service benefits charge for the period/year		**36,851**	11,324
Unrealisedgain on held for trading investments		**(267,365)**	(111,408)
Realisedgainon sale of held for trading investments		**(223,854)**	(75,131)
Realised gain on redemption of available-for-sale investment		**(35,859)**	-
		44,550	(146,652)
Working capital changes:			
Insurance and reinsurance contract receivables		**(2,437,396)**	(1,951,373)
Reinsurers› share of insurance fund		**(503,682)**	(383,390)
Other receivables, prepayments and other assets		**(2,903)**	11,889
Deferred commission expenses		**(23,459)**	(214,365)
Insurance funds		**999,653**	1,130,664
Accounts and other payables		**(325,542)**	(496,613)
Due to reinsurers		**1,234,796**	1,747,230
Deferred commission income		**(96,695)**	286,782
Cash flows used inoperating activities before payment of end of service benefits		**(1,110,678)**	(15,828)
End of service benefits paid		**(433)**	(5,510)
Net cash flow used in operating activities		**(1,111,111)**	(21,338)
Investing activities			
Purchase of property and equipment	4	**(37,448)**	(111,635)
Purchases of held for trading investments		**(249,333)**	(696,126)
Proceeds from disposal of held for trading investments		**1,375,204**	1,242,720
Proceeds from redemption of investment in available for sale securities		**464,190**	-

Movement in bank deposits net of interest		**(1,591,049)**	1,722,577
Purchase of investment property		**-**	(2,600,000)
Dividends received		**255,546**	740,479
Net cash generated from investing activities		**217,110**	298,015
Financing activities			
Short term loan acquired		**-**	2,600,000
Finance cost paid		**(56)**	(44,028)
Net cash (used in) / generated from financing activities		**(56)**	2,555,972
Net change in cash and cash equivalents		**(894,057)**	2,832,649
Cash and cash equivalents at the beginning of the period/year		**2,726,383**	294,177
Cash and cash equivalent at the end of the year	9	**1,832,326**	3,126,826
Cash and cash equivalents comprise of:			
Cash and bank balances		**1,394,346**	928,978
Cash balances with investment managers		**426,536**	288,423
Bank deposits with maturity of less than three months from date of placement		**11,444**	1,909,425
	9	**1,832,326**	3,126,826

The attached notes on pages 197 to 232 form an integral part of these interim financial statements.

NOTES TO THE INTERIM FINANCIALSTATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Madina Insurance Company SAOC (formerly Al Madina Gulf Insurance Company SAOC) (the Company) was incorporated on 15 May 2006 as a closed joint stock company in the Sultanate of Oman. The Company operates in Oman and is engaged in the business of insurance within the Sultanate of Oman. The Company commenced commercial operations from 1 August 2006. The Company was granted licence from Capital Market Authority on 15 July 2006.

The comparative information included in the Company's interim statement of comprehensive income, changes in equity and cash flows for the six months period ended 30 June 2012, are unaudited.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim financial statements for the six months period ended 30 June 2013have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board, and comply with the disclosure requirements set out in the Rules for Disclosure and Proforma issued by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

The interim financial statements are prepared under the historical cost convention, except for the measurement of investment property and financial assets classified as held for trading and available-for-sale investments which are measured at fair value.

The preparation of interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period / year.

Changes in accounting policy and disclosures

(a) Standards, amendments and interpretation effective in 2013 and relevant for the Company's operations:

For the period ended 30 June 2013, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2013.

The adoption of those standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current period.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2013 or later periods, but the

Company has not early adopted them and the impact of these standards and interpretations is not reasonably estimable as at 30 June 2013:

IFRS 9, 'Financial instruments', (effective on or after 1 January 2015).

IAS 32, 'Financial instruments: Presentation', (effective on or after 1 January 2014).

IAS 36, 'Impairment of assets', (effective on or after 1 January 2014).

(c) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Company are measured and presented in Rial Omani being the currency of the primary economic environment in which the Company operates (functional currency).

Transactions and balances

Foreign currency transactions are translated into Rial Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rial Omani at the exchange rate prevailing at the statement of financial position date. Differences on exchange are dealt with in the statement of comprehensive income as they arise.

(d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful economic lives are as follows:

Office furniture and equipment	3-5 years
Motor vehicles	5 years
Leasehold improvements	3-5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts, are recognised within 'other income' and are taken into account in determining operating profit.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policy.

Interest costs on borrowings to finance specific property, plant equipment are capitalised, during the period that is required to bring the asset to a condition when it is ready for use.

(e) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. External independent valuers having appropriate recognised professional qualifications and experience, value the investment at every reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gain or loss arising from the change in fair value of the investments is recognised in the statement of comprehensive income.

(f) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments classified as available-for-sale investments, held for trading investments, held-to-maturity investments, insurance and reinsurance contract receivables, due to reinsurers, bank deposits, cash and bank balances and account and other payables. Management determines the classification of its financial assets at initial recognition.

Non-derivative financial assets are recognised initially at fair value plus any directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of other categories. Available-for-sale investments are initially recognised at fair value including transaction costs. Available-for-sale investments are subsequently carried at fair value. Changes in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold, the cumulative fair value changes recognised in equity are included in the statement of comprehensive income.

The fair value of available-for-sale investments is based on their quoted market prices as at the date of statement of financial position. The fair value of financial instruments that are not traded in an active market (for example, unquoted investments) is determined by using certain valuation techniques, unless it is impracticable to determine the fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Held for trading investments

Held for trading investments are acquired or incurred principally for the purpose of selling or repurchasing in the short-term. These investments are initially recognised at fair value. Transaction costs for all held for trading investments are expensed as incurred.

Held for trading investments are subsequently carried at fair value. The fair value of held for trading investments is based on their quoted market prices as at the date of statement of financial position. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of interim comprehensive income in the period in which they arise.

Realised gains on sale of investments are determined by the difference between the sale proceeds and the carrying value and are included in the statement of comprehensive income in the period in which they arise.

Dividend income from held for trading investments is recognised in the statement of comprehensive income when the Company's right to receive dividends is established.

Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are initially recognised at fair value plus transaction costs. Held-to-maturity financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company's loans and receivables comprise 'Insurance and reinsurance contracts receivables','other receivables excluding prepayments' and 'bank deposits, cash and bank balances' in the statement of financial position.

De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(g) Impairment

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of assets may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income.

Impairment is determined as follows:

for assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;

for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

for assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

A provision for impairment of insurance receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the insurance receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of any provision is recognised in the statement of comprehensive income within "general and administrative expenses." Subsequent recoveries of amounts previously written off are credited against "general and administrative expenses" in the statement of interim comprehensive income.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on such equity instruments are not reversed through the statement of interim comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and bank deposits with a maturity of three months or less from the date of placement.

(j) Premium and insurance receivables

Premium and insurance receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. An estimate is made for impairment of receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the period in which they are identified.

(k) Insurance contracts

The Company mainly issues short term insurance contracts in connection with property and motor (collectively known as fire and accident) and marine risks. The Company also issues life insurance contracts.

Property insurance

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

Motor insurance

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles.

Marine insurance

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea or land resulting in the total or partial loss of cargo.

Life insurance

Life insurance is designed to compensate contract holders for loss of life or limbs of the insured.

(l) Reinsurance contracts held

In order to minimise financial exposure from large claims the Company enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as reinsurance share of insurance funds in the statement of financial position until the claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to “insurance and reinsurance contracts receivables”.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(m) Liability adequacy test

At each statement of financial position date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of comprehensive income and an unexpired risk provision is created

(n) Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to statement of comprehensive income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

Provisions for reported claims not paid at the statement of financial position date are made on the basis of individual case estimates. In addition a provision based on managementsjudgement and the Company's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following period is included in the underwriting result for that period.

(o) 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 at the statement of financial position date for general insurance and 1% of the premiums for the year for life business are transferred from retained earnings to contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital.

(p) Other liabilities and accruals

Liabilities are recognised initially at fair value and subsequently measured at amortised cost. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

(q) Employee benefits

End of service benefits are accrued using actuarial techniques in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred

(r) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(s) Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(t) Revenue recognition

Premiums earned

Premiums are recognised as revenue (earned premium) proportionally over the period of coverage. A proportion of net retained premiums is provided as 'unearned premium reserve' (UPR) to cover portions of risks which have not expired at the statement of financial position date. An additional provision created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Company Law of 1979 calculated at 45% of the net retained premiums for the year for all classes of business.

Commissions earned and paid

Commissions earned and paid are recognized on pro-rata basis over the term of the related policy coverage.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

Dividends

Dividend income is recognised when the right to receive dividend is established.

(u) Deferred commission income

The commission income attributable to the reinsurance ceded premiums are deferred and classified as deferred commission income. Deferred commission income is subsequently amortised over the life of the reinsurance contracts as reinsurance ceded premium is expensed.

(v) Deferred commission expense

The costs attributable to the acquisition of new business and renewing existing contracts are capitalised as an intangible asset under deferred commission expense. All other costs are recognised as expenses when incurred. The expense is subsequently amortised over the life of the contracts as premium is earned.

(w) Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

(x) Income tax

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Current tax and deferred tax are recognised in statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is calculated using liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(y) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability:

Financial instruments

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the statement of financial position date, adjusted for transaction costs necessary to realise the asset.

The fair value of investments that are not traded in an active market is determined by using estimated discounted cash flows or other valuation techniques.

The carrying amount of other financial assets and liabilities with a maturity of less than one year approximates their fair values.

3. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the resultant provisions and change in fair value for the period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

Impairment of available-for-sale investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Claims outstanding

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the statement of financial position date. The management uses the initial value of the claim provided by the surveyor for the expected ultimate cost of claims reported at the financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Impairment of receivables

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during the period and feedback received from their legal department. The difference between the estimated collectible amount and the carrying value is recognised as an expense in the statement of comprehensive income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of comprehensive income at the time of collection.

4. PROPERTY AND EQUIPMENT

	Leasehold improvements OMR	Office furniture and equipment OMR	Motor vehicles OMR	Capital work-in-progress OMR	Total OMR
Cost					
At 1 January 2013	38,726	691,577	39,427	552,699	1,322,429
Additions	3,750	29,214	-	4,484	37,448
At 30 June 2013	42,476	720,791	39,427	557,183	1,359,877
Depreciation					
At 1 January 2013	7,944	501,572	26,177	-	535,693
Charge for the period	6,229	62,571	1,249	-	70,049
At 30 June 2013	14,173	564,143	27,426	-	605,742
Net book value					
At 30 June 2013	28,303	156,648	12,001	557,183	754,135

	Leasehold improvements OMR	Office furniture and equipment OMR	Motor vehicles OMR	Capital work-in-progress OMR	Total OMR
Cost					
At 1 January 2012	21,356	572,607	39,427	-	633,390
Additions	17,370	118,970	-	552,699	689,039
At 31 December 2012	38,726	691,577	39,427	552,699	1,322,429
Depreciation					
At 1 January 2012	938	393,852	21,691	-	416,481
Charge for the year	7,006	107,720	4,486	-	119,212
At 31 December 2012	7,944	501,572	26,177	-	535,693
Net book value					
At 31 December 2012	30,782	190,005	13,250	552,699	786,736

During the year 2012,the Company had purchased an office space in Tilal Complex from Tilal Development Company SAOC, a related party (the seller). The building is under construction at the reporting date. OMR 97,441 is payable to the seller and is included in the statement of financial position under accounts and other payables (refer note 26(b)).

5. INVESTMENT PROPERTY

During the year 2012, the Company had invested in building situated in Al Hail, at a cost of OMR 2,600,000. The property is under construction as at the reporting date and is held to earn rentals and for capital appreciation and accordingly, has been classified as investment property.

The property has been valued on 17 July 2013 by an independent valuer at OMR 2,600,000 on an open market basis.

6. AVAILABLE-FOR-SALE INVESTMENTS

	% of overall portfolio	**Basis of valuation**	**Number of securities**	**Cost / Fair value OMR**
30 June 2013				
Omani Unified Bureau for the Orange Card SAOC	**27.04**	**Fair value**	**71,428**	**172,124**
Tilal Fund	**26.76**	**Fair value**	**154,687**	**170,311**
National Mass Housing	**25.29**	**Cost**	**150,000**	**160,950**
Shazah Hotel, Muscat	**16.68**	**Cost**	**100,000**	**106,200**
U.S. Residential Condominium Fund II	**4.23**	**Cost**	**1,750**	**26,950**
	100.00			**636,535**
31 December 2012				
Omani Unified Bureau for the Orange Card SAOC	13.63	Fair value	71,428	158,499
Tilal Fund	61.08	Fair value	618,750	710,325
National Mass Housing	13.84	Cost	150,000	160,950
Shazah Hotel, Muscat	9.13	Cost	100,000	106,200
U.S. Residential Condominium Fund II	2.32	Cost	1,750	26,950
	100.00			1,162,924

Included under available-for-sale investments are unquoted local investments that are carried at fair value and amounts invested in certain real estate funds.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Movement in available-for-sale investments:	**30 June 2013 OMR**	31 December 2012 OMR
Balance at 1 January	**1,162,924**	1,729,060
Net change in fair value	**6,482**	(566,136)
Redemption of investment	**(464,190)**	-
Realised loss on redemption of investment	**(68,681)**	-
	636,535	1,162,924

6 (a) RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to a bank the investment in Tilal Fund of 140,625(31 December 2012 - OMR 562,500). units, for the purpose of credit facility taken from the bank. The fair value of these units is included in the statement of financial position amounting to OMR 154,829 (31 December 2012 - OMR 645,750).

7. INVESTMENTS HELD-TO-MATURITY

The Company has invested in sukuks listed in the international bond market. The company has a positive intention and ability to hold these until their maturity in November 2018.

The effective rate of return on the investments held-to-maturity at 30 June 2013 is 4.94% per annum (31December 2012-4.94% per annum)with coupon receipts on a semi-annual basis.

Movement in investments held-to-maturity	**30 June 2013 OMR**	31 December 2012 OMR
Balance at 1 January	**254,366**	-
Additions during the period/year	-	256,891
Amortisation during the period/year - net	**(1,328)**	(2,525)
Balance at 30June 2013 / 31 December 2012	**253,038**	254,366

8. HELD FOR TRADING INVESTMENTS

	30 June 2013 Fair value OMR	30 June 2013 Cost OMR	31 December 2012 FairValue OMR	31 December 2012 Cost OMR
Services sector	**1,742,135**	**1,714,202**	2,029,354	1,861,726
Industrial sector	**1,737,443**	**1,498,867**	1,984,095	1,737,653
Financial sector	**69,283**	**68,427**	170,064	180,120
	3,548,861	**3,281,496**	4,183,513	3,779,499

Trading investments are local and foreign quoted investments. The cost of the foreign investments is OMR 182,156 (31 December 2012 -OMR 412,123) and the fair value of foreign investments at 30 June 2013 is OMR 203,000(31 December 2012 -OMR 421,691).

8 (a) RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority certain specific investments held-for-trading, included in the statement of financial position at fair value, amounting to OMR 2,435,096(31 December 2012- OMR 2,213,834). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

9. BANK DEPOSITS, CASH AND BANK BALANCES

Bank balances and cash in the statement of financial position comprise of the following:

	30 June 2013 OMR	31 December 2012 OMR
Cash and bank balances	**1,394,346**	2,330,127
Cash balances with investment managers	**426,536**	156,399
Bank deposits with maturity of less than three months from the date of placement	**11,444**	239,857
Bank deposits with maturity of more than three months from the date of placement	**6,307,552**	4,705,879
	8,139,878	7,432,262

Bank deposits amounting to OMR 52,552 (31 December 2012 - OMR 52,552) are denominated in foreign currencies. Bank deposits carry interest at rates in the range of 1.00% to 2.10% (2012 - 0.55% to 5.00%) per annum.

9 (a) RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority certain specific bank deposit, included in the statement of financial position, amounting to OMR 6,105,000 (31 December 2012 - OMR 4,555,879). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

10. INSURANCE AND REINSURANCE CONTRACT RECEIVABLES

	30 June 2013 OMR	31 December 2012 OMR
Premiums receivable	**7,100,707**	5,060,753
Insurer's balances receivable	**780,428**	382,986
Gross receivables	**7,881,135**	5,443,739
Less: provision for impairment of receivables	**(328,821)**	(328,821)
	7,552,314	5,114,918

	2013 OMR	2012 OMR
Not due	**3,958,238**	3,387,174
Past due but not impaired:		
Above 121 days	**3,594,076**	1,727,744
Past due and impaired:		
Above 121 days	**328,821**	328,821

The normal credit period allowed to insurance debtors and reinsurance companies is 120 days, after which amounts are considered past due. As at 30 June 2013, past due receivables above 121 days of OMR 3,594,076 (2012 - OMR 1,727,744) 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 insurance business and with which there is no recent history of default. On assessment of these individual receivables for recovery and enquiries with them, the management believes that these amounts are collectible and hence are not considered impaired.

At 30 June 2013, insurance debtors of OMR 328,821 (2012 - OMR 328,821) were impaired and provided for fully.

Movement in the provision for impairment of receivables during the period/year is as follows:

	30 June 2013 OMR	31 December 2012 OMR
At 1 January	**328,821**	244,360
Provision made during the period/year	-	101,032
Reversals of provisions during the period/year	-	(16,571)
At 30 June 2013 / 31 December 2012	**328,821**	328,821

11. DEFERRED COMMISSION EXPENSE

30 June 2013

	General business OMR	Life business OMR	Total OMR
Deferred commission expense	**527,717**	**31,370**	**559,087**

31 December 2012

	General business OMR	Life Business OMR	Total OMR
Deferred commission expense	534,542	1,086	535,628

(a) Movement in deferred commission expenses

	30 June 2013 OMR	31 December 2012 OMR
At 1 January	**535,628**	264,467
Costs incurred during the year	**744,103**	1,187,944
Amortised during the year	**(720,644)**	**(916,783)**
At 30 June 2013 / 31 December 2012	**559,087**	**535,628**

12. SHARE CAPITAL

	30 June 2013 OMR	31 December 2012 OMR
Authorised share capital	**25,000,000**	25,000,000
Issued and fully paid up capital	**10,000,000**	10,000,000

The shareholders during the Extra Ordinary Meeting dated 25 February 2012 approved a resolution, for the change in the par value per share from OMR 1 per share to OMR 0.100 per share.

Significant shareholders

Shareholders of the Company who own 5% or more of the Company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	30 June 2013 % of holding	30 June 2013 Number of shares	31 December 2012 % of holding	31 December 2012 Number of shares
Mohammed Al Barwani Holding Company LLC	**43**	**43,095,240**	43	43,095,240
Al Madina Financial Services Company SAOC	**12**	**12,000,000**	12	12,000,000
Ministry of Defense Pension Fund	**10**	**10,000,000**	10	10,000,000

13. LEGAL RESERVE

As required by the Commercial Companies Law of Oman, 10% of the profit after tax for the year is transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution.

14. SPECIAL RESERVE

In accordance with Article 78 of the Commercial Companies Law of 1974, the surplus of share issue fees over pre-formation expenses was transferred to a non-distributable special reserve.On 28 March 2013, the Company has passed a special resolution in Annual General Meeting to transfer the amount of OMR 150,310 from special reserve account to retained earnings.

15. 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 amounting to OMR 242,519 (31 December 2012 - OMR nil) and 1% of the life assurance premiums for the year in case of life insurance business amounting to OMR 5,337 (31 December 2012 - OMR nil) 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 year 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.

16. EMPLOYEES' END OF SERVICE BENEFITS

	30 June 2013 OMR	31 December 2012 OMR
Liability as at 1 January	**85,531**	71,357
Accrued during the period/ year	**36,851**	20,847
Payments during the period/year	**(433)**	(6,673)
Liability as at 30 June 2013 / 31December 2012	**121,949**	85,531

Al Madina Takaful

17. INSURANCE FUNDS

	30 June 2013 Gross OMR	30 June 2013 Reinsurers' share OMR	30 June 2013 Net OMR	31 December 2012 Gross OMR	31 December 2012 Reinsurers' share OMR	31 December 2012 Net OMR
A) General business						
Claims outstanding	**3,330,939**	**(1,006,832)**	**2,324,107**	4,102,334	(1,330,750)	2,771,584
Claims incurred but not reported (IBNR)	**149,672**	**(48,592)**	**101,080**	171,470	(64,858)	106,612
Unearned premium reserve	**8,932,806**	**(4,885,491)**	**4,047,315**	7,088,470	(3,976,789)	3,111,681
	12,413,417	**(5,940,915)**	**6,472,502**	11,362,274	(5,372,397)	5,989,877
B) Life business						
Claims outstanding	**298,646**	**(250,854)**	**47,792**	307,086	(271,050)	36,036
Claims incurred but not reported (IBNR)	**16,931**	**(13,546)**	**3,385**	15,354	(13,553)	1,801
Unearned premium reserve	**465,194**	**(312,030)**	**153,164**	509,821	(356,663)	153,158
	780,771	**(576,430)**	**204,341**	832,261	(641,266)	190,995
	13,194,188	**(6,517,345)**	**6,676,843**	12,194,535	(6,013,663)	6,180,872

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

The Company has recognised gross unearned premium reserve of OMR 1,246,732 and reinsurers' share of OMR 674,488 in addition to gross unearned premium reserve of OMR 8,151,268 and reinsurers' share of OMR 4,523,033recognised in accordance with the regulations of the Capital Market Authority, in order to comply with the requirements of International Financial Reporting Standards.

18. DEFERRED COMMISSION INCOME

30 June 2013

	General business OMR	Life business OMR	Total OMR
Deferred commission income	**305,195**	**-**	**305,195**

31 December 2012

	General business OMR	Life business OMR	Total OMR
Deferred commission income	401,890	-	401,890

Movement in deferred commission income

	30 June 2013	31 December 2012
	OMR	OMR
At 1 January	401,890	71,016
Income during the year	404,537	871,560
Amortised during the year	(501,232)	(540,686)
At 30 June 2013 / 31 December 2012	305,195	401,890

19. ACCOUNTS AND OTHER PAYABLES

	30 June 2013	31 December 2012
	OMR	OMR
Accounts payable	817,848	951,620
Government tax payable	146,906	257,897
Amounts due to a related party	97,441	97,441
Premium received in advance	96,015	122,360
Provision for leave salary	93,164	101,037
Accrued expenses	72,518	134,063
Other payables	105,303	90,319
	1,429,195	1,754,737

20. UNDERWRITING RESULTS

Six months period ended 30 June 2013

	General business	Life Business	Total
	OMR	OMR	OMR
Revenue			
Gross premiums written	10,183,808	533,719	10,717,527
Movement in unearned premium reserve	(1,844,336)	44,627	(1,799,709)
Insurance premium revenue, net	8,339,472	578,346	8,917,818
Insurance premium ceded to reinsurers	(5,787,583)	(359,621)	(6,147,204)
Movement in unearned premium reserve	908,702	(44,633)	864,069
Insurance premium ceded to reinsurers, net	(4,878,881)	(404,254)	(5,283,135)
Net insurance premium earned	3,460,591	174,092	3,634,683

Commission received on business ceded to reinsurers	**404,537**	**-**	**404,537**
Commissions paid	**(707,082)**	**(37,021)**	**(744,103)**
Movement in deferred commission income and expense- net	**89,870**	**30,284**	**120,154**
Net commission expense	**(212,675)**	**(6,737)**	**(219,412)**
Policy fees and other underwriting income	**117,199**	**90**	**117,289**
Gross claims incurred (note 21)	**(2,285,902)**	**(367,404)**	**(2,653,306)**
Reinsurers' share of claims (note 21)	**217,091**	**305,197**	**522,288**
Net claims incurred	**(2,068,811)**	**(62,207)**	**(2,131,018)**
Net underwriting results	**1,296,304**	**105,238**	**1,401,542**

Six months period ended 30 June 2012
(Unaudited - Note 1)

	General business OMR	Life business OMR	Total OMR
Revenue			
Gross premiums written	8,855,225	658,414	9,513,639
Movement in unearned premium reserve	(803,798)	(233,442)	(1,037,240)
Insurance premium revenue, net	8,051,427	424,972	8,476,399
Insurance premium ceded to reinsurers	(5,266,112)	(463,791)	(5,729,903)
Movement in unearned premium reserve	652,500	158,395	810,895
Insurance premium ceded to reinsurers, net	(4,613,612)	(305,396)	(4,919,008)
Net insurance premium earned	3,437,815	119,576	3,557,391
Commission received on business ceded to reinsurers	592,481	-	592,481
Commission paid	(648,539)	(24,903)	(673,442)
Movement in deferred commission income and expense - net	(80,871)	7,699	(73,172)
Net commission expense	(136,929)	(17,204)	(154,133)
Policy and other fee income	99,505	75	99,580
Gross claims incurred (note 20)	(2,957,102)	(343,478)	(3,300,580)
Reinsurers' share of claims (note 20)	456,694	308,998	765,692
Net claims incurred	(2,500,408)	(34,480)	(2,534,888)
Net underwriting results	899,983	67,967	967,950

	Six months period ended 30 June 2013		Six months period ended 30June 2012 (Unaudited - Note 1)	
	Net premiums OMR	Insurance premium revenue before reinsurance OMR	Net premiums OMR	Insurance premium revenue before reinsurance OMR
Fire, general accident, engineering and others	473,058	3,805,349	400,254	3,307,816
Motor	2,731,250	522,890	2,848,048	384,901
Marine cargo and hull	65,297	808,355	46,466	774,247
Life and medical	365,078	407,274	262,623	727,932
	3,634,683	5,543,868	3,557,391	5,194,896

The net claims ratios are as follows:

	Six months period ended 30 June 2013	Six months period ended 30 June 2012 (Unaudited - Note 1)
	%	%
Motor	73	76
Fire, general accident, engineering and others	(5)	3
Marine cargo and hull	8	(24)
Life and medical	42	61

The net claims ratio is calculated by dividing the net incurred claims (gross claims less reinsurance and other recoveries) by the net earned premiums (gross premiums less premiums ceded add/less movement in unearned premium reserve).

21. NET CLAIMS INCURRED

	Six months period ended 30 June 2013			Six months period ended 30 June 2012 (Unaudited - Note 1)		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	OMR	OMR	OMR	OMR	OMR	OMR
Claims outstanding (note 17)	3,629,585	(1,257,686)	2,371,899	4,596,418	(1,520,820)	3,075,598
IBNR (note 17)	166,603	(62,138)	104,465	197,397	(74,663)	122,734
Outstanding at end of period (a)	3,796,188	(1,319,824)	2,476,364	4,793,815	(1,595,483)	3,198,332
Insurance claims paid during the year (b)	3,453,362	(882,675)	2,570,687	3,207,158	(1,193,197)	2,013,961
Claims outstanding (note 17)	4,409,420	(1,601,800)	2,807,620	4,365,450	(1,854,745)	2,510,705
IBNR (note 17)	186,824	(78,411)	108,413	334,943	(168,243)	166,700
Outstanding at the beginning of the year (c)	4,596,244	(1,680,211)	2,916,033	4,700,393	(2,022,988)	2,677,405
Claims recorded in the statement of comprehensive income (a+b-c) - (note 20)	2,653,306	(522,288)	2,131,018	3,300,580	(765,692)	2,534,888

22. NET INVESTMENT INCOME

	Six months period ended 30 June 2013	Six months period ended 30 June 2012 (Unaudited - Note 1)
	OMR	OMR
Unrealised gain on sale of held for trading investments	267,365	111,408
Dividend income	255,546	740,479
Realised gain on held for trading investments	223,854	75,131
Rental income from investment properties	104,000	18,807
Realised gain on redemption of available for sale investments - net	35,859	-
Income from bank deposits	27,922	28,533
Profit from investments held-to-maturity	8,162	-
	922,708	974,358

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months period ended 30 June 2013	Six months period ended 30 June 2012 (Unaudited - Note 1)
	OMR	OMR
Staff costs	**979,045**	693,039
Takaful expenses	**126,796**	11,091
Professional charges	**72,744**	42,943
Depreciation	**70,049**	52,534
Rent and utilities	**59,032**	57,531
IT expenses	**40,136**	76,521
Communication	**27,342**	28,395
Board expenses	**24,702**	51,548
Business travel	**20,377**	36,462
Training expenses	**15,794**	16,104
Public relation expenses	**15,509**	42,207
Licence and regulatory fees	**10,047**	3,556
Miscellaneous expenses	**129,496**	43,690
Provision for impairment of insurance and reinsurance receivables (net)	-	84,461
	1,591,069	1,240,082

The shareholders of the Company in the Extra Ordinary General Meeting held on 25 February 2012decided to convert the Company's operations into Islamic Insurance. Accordingly the Company is in the process of obtaining a license from the Capital Market Authority to carry out Takaful insurance in Oman. During the period, the Company has incurred expenses of OMR 126,729 (30 June 2012 - OMR 11,091) for formation of Takaful insurance Company.

24. TAXATION

a) Income tax expense

The Company is subject to income tax at the rate of 12% of the taxable income in excess of OMR 30,000 in accordance with the income tax law of the Sultanate of Oman. No income tax provision has been made in these financial statements in view of the carried forward tax lossesexceeds the taxable income earned during the period.

b) Current status of tax assessments

The Company's income tax assessments for the years 2006 to 2007 have been finalised by the Secretariat General for Taxation at the Ministry of Finance. The Management is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 30 June 2013.

c) Deferred tax

Deferred tax asset on the carried forward tax losses has been recognised in these financial statements as the Company has projected taxable profits.

Deferred tax asset

Deferred tax arises on account of temporary differences between the tax base of assets, liabilities and losses and their carrying values in the statement of financial position.

	At 31 December 2012 OMR	Credited to statement of comprehensive income OMR	At 30June 2013 OMR
Tax effect of tax depreciation on property and equipment	-	3,712	3,712
Tax effect of unrealised income on investments	-	2,625	2,625
Tax effect of provision for doubtful debts		39,459	39,459
Tax losses	-	526,448	526,448
Net deferred tax asset	-	572,244	572,244

No deferred tax asset was recognised in previous periods due to uncertainty regarding the availability of future taxable profits.

(d) The reconciliation of taxation on the accounting profit for the year at 12% (2011 - 12%) after the basic exemption limit of OMR 30,000 and the taxation charge in the interim financial statements is as follows:

	Six months period ended 30 June 2013 OMR	Six months period ended 30 June 2012 (Unaudited - Note 1) OMR
Tax on accounting profit	86,017	-
Add/(less) tax effect of:		
Recognition of previously unrecognized deferred taxes	(572,244)	-
Tax exempt revenue	(83,990)	-
Tax on disallowed expenses	1,468	-
Others	(3,495)	-
Tax charge/(credit) as per statement of comprehensive income	(572,244)	-

25. PROFIT PER SHARE AND NET ASSETS PER SHARE

	Six months period ended 30 June 2013	Six months period ended 30 June 2012 (Unaudited - Note 1)
	OMR	OMR
Net profit for the period	**1,319,056**	701,013
Weighted average number of shares outstanding during the period	**100,000,000**	60,000,000
Profit per share	**0.013**	0.012

	30 June 2013	31 December 2012
	OMR	OMR
Net assets	**11,184,666**	9,963,668
Number of shares at the reporting date	**100,000,000**	100,000,000
Net assets per share	**0.112**	0.099

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period.Net assets per share are calculated by dividing net assets by the number of shares at the reporting date.

26. RELATED PARTIES

The Company, during the course of its normal business, enters into transactions with directors, key management personnel, shareholders and entities in which certain shareholders and directors have the ability to control or exercise significant influence in financial and operating decisions. 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/year 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 comprehensive income are as follows:

	Six months period ended 30 June 2013	Six months period ended 30 June 2012 (Unaudited - Note 1)
	OMR	OMR
Premiums written	**1,378,612**	1,963,204
Claims	**(357,602)**	(621,911)
Rental income from investment property	**104,000**	-
Directors sitting fees	**23,200**	45,600

(b) Balances with related parties, included are as follows:

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:

	30 June 2013 OMR	31 December 2012 OMR
Insurance and reinsurance contract receivables		
Premium balances receivable from related parties	**259,901**	165,145
Available-for-sale investments		
Tilal Fund at fair value	**170,311**	710,325
Accounts and other payables		
Tilal Development Company SAOC	**97,441**	97,441
Other receivables and prepayments		
Shaden Development Company SAOC	**104,000**	52,000

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. Assessment for impairment of receivables is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(c) Compensation of key management personnel of the Company:

Compensation of key management personnel of the Company, consisting of salaries and benefits, was OMR 218,373 (30 June 2012- OMR 128,353) made up as follows:

	Six months period ended 30 June 2013 OMR	Six months period ended 30 June2012 (Unaudited - Note 1) OMR
Short-term benefits	**192,262**	121,812
Employee end of service benefits	**26,111**	6,541
	218,373	128,353

27. CONTINGENCIES

Contingent liabilities

At 30 June 2013 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to OMR 11,178(31 December 2012 - OMR 171,845).

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.

28. SEGMENTAL INFORMATION

OPERATING SEGMENT

The Company has two reportable 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 insurance: General business includes insurance and re-insurance of motor; fire and general accident; and marine cargo and hull.

Life insurance: Life business relates to the insuring of the life of an individual.

	General insurance OMR	Life insurance OMR	Total OMR
30June 2013			
Insurance revenue (net of reinsurance)	3,577,790	174,182	3,751,972
Insurance cost (net of reinsurance)	(2,281,486)	(68,944)	(2,350,430)
Segment results	1,296,304	105,238	1,401,542
Segment expenses	(1,471,652)	(119,473)	(1,591,125)
Investment income / (loss)	926,283	(3,575)	922,708
Allocated other income	13,687	-	13,687
Segment profit for the period	764,622	(17,810)	746,812
Unallocated income from deferred tax			572,244
Profit for the period			1,319,056
Segment assets	29,195,079	1,738,812	30,933,891
Unallocated assets			572,244
Total assets			31,506,135
Total and Segment liabilities	19,540,696	780,773	20,321,469

Six months ended 30 June 2012 (Unaudited)

	General insurance OMR	Life insurance OMR	Total OMR
Insurance revenue (net of reinsurance)	3,537,320	119,651	3,656,971
Insurance cost (net of reinsurance)	(2,636,883)	(52,138)	(2,689,021)
Segment results	900,437	67,513	967,950
Segment expenses	1,194,545	89,565	1,284,110
Allocated other income	42,815	-	42,815
Segment profit for the period	723,009	(21,996)	701,013

31 December 2012

	General insurance OMR	Life insurance OMR	Total OMR
Segment assets	27,229,049	1,207,458	28,436,507
Segment liabilities	17,640,578	832,261	18,472,839

29. RISK MANAGEMENT

a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company is in the process of establishing a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This will be in addition to a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

b) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

c) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The concentration of insurance risk exposure is mitigated by the implementation of the underwriting strategy of the Company, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, and amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Company principally issues general insurance contracts which constitutes mainly motor, marine and aviation and fire and general risks as well as life and medical insurance contracts.

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

The Company only deals with reinsurers approved by the management, which are generally international companies that are rated by international rating agencies.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company's premium retention levels are shown below:

	Six months period ended 30 June 2013	Six months period ended 30 June 2012 (Unaudited - Note 1)
	%	%
Motor	**98**	90
Fire, general accident, engineering and others	**10**	8
Marine cargo and hull	**5**	9
Life and medical	**35**	25
Overall	**43**	40

The amount and timing of claims payments is expected to be settled within one year. Additional claim liabilities that could reasonably occur due to changes in key variables used in estimating the outstanding claims provision are considered to be adequately catered for through the IBNR provision.

Moreover, the Company limits insurance risk by monitoring changes in key variables that could give rise to additional claim liabilities.

Key assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and underwriting results.

Six months period ended 30 June 2013

	Change in assumptions	**Impact on liabilities OMR**	**Impact on underwriting results OMR**
Net incurred claims	**+10%**	**213,102**	**(213,102)**
	-10%	**(213,102)**	**213,102**

Six months period ended 30 June 2012

(Unaudited - Note 1)	Change in assumptions	Impact on liabilities OMR	Impact on underwriting results OMR
Net incurred claims	+10%	253,489	(253,489)
	-10%	(253,489)	253,489

Claims development

The Company maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

d Financial risks

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed and unlisted investments, held-to-maturity investments, cash and cash equivalents and interest bearing deposits. The main risks arising from the Company's financial instruments are:

- Credit risk
- Liquidity risk.
- Market risk
  - Foreign currency risk
  - Interest rate risk
  - Price risk

The Company reviews and agrees policies for managing each of these risks and they are summarised below.

(1) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of the financial assets, other than those relating to reinsurance contracts, represents the maximum credit exposure. The Company monitors receivables on a regular basis and ensures bank balances and deposits are placed with reputable financial institutionsas per Moody's Investors Service.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The maximum credit exposure to credit risk at the reporting date by type was shown as below:

	30 June 2013 OMR	31 December 2012 OMR
Bank deposits, cash and bank balances	**7,713,342**	7,275,863
Insurance and reinsurance contract receivables	**7,552,314**	5,114,918
Cash balance with investment managers	**426,536**	156,399
Other receivables excluding prepayments	**306,036**	350,659
Investments held-to-maturity	**253,038**	254,366
	16,251,266	13,152,205

Ageing of the insurance and reinsurance contract receivables at the reporting date and movement of the provision of impairment of receivables during the year is disclosed in note 10 to the financial statements.

Insurance and reinsurance contract receivables

Insurance receivables comprise a number of customers within Oman and local and foreign reinsurers. The Company monitors these receivables on a regular basis. Most of the credit customers have been dealing with the Company for over 2 years and losses have occurred infrequently. The Company establishes an allowance for impairment that represents its estimate of likely losses in respect of these receivable accounts in accordance with the guidelines of the credit policy along with individually assessing each receivable for impairment. This assessment is carried out every six months and the adequacy of the provision for impairment is also assessed. With respect to reinsurers, as per Company policy of managing insurance risk, such contracts are placed only with internationally reputed well rated reinsurers.

The other classes within receivables do not contain impaired assets. The Company does not hold any collateral as security.

The maximum credit exposure to credit risk for insurance and reinsurance contract receivablesat the reporting date by geographic region is as follows:

	30 June 2013 OMR	31 December 2012 OMR
Oman	**6,997,576**	4,901,432
Middle East region (excluding Oman)	**356,973**	11,428
Others	**197,765**	202,058
	7,552,314	5,114,918

The maximum credit exposure to credit risk for insurance and reinsurance contract receivables at the reporting date by classification of counterparties is as follows:

	30 June 2013 OMR	31 December 2012 OMR
Brokers and agents	**5,597,791**	4,358,322
Individuals and corporate clients	**1,354,928**	542,531
Reinsurers	**599,595**	214,065
	7,552,314	5,114,918

Investments held-to-maturity

The Company has invested in sukuks listed in the international bond market in a government owned financial institution with a credit rating of A-2.

Bank deposits, cash and bank balances

The maximum credit exposure to credit risk for bank deposits and bank balances at the reporting date, by classification of counterparties, is as follows:

		30 June 2013 OMR
Bank A and bank B	P-1	**253,945**
Bank C and bank D	P-2	**7,553,296**
Bank E and balances with investment managers	Unrated	**321,089**
		8,128,230

		31 December 2012 OMR
Bank A and bank B	P-1	3,739,729
Bank C and bank D	P-2	2,813,594
Bank E and balances with investment managers	Unrated	272,846
		6,826,169

(2) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities that are settled by delivering cash or other financial asset. Liquidity requirements are monitored on a weekly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Within 1 year OMR	**Total OMR**
30 June 2013		
Insurance funds	**3,796,188**	**3,796,188**
Accounts and other payables	**1,429,195**	**1,429,195**
Due to reinsurers	**5,270,942**	5,270,942
Net principal liabilities	**10,496,325**	10,496,325
31 December 2012		
Insurance funds	4,596,244	4,596,244
Accounts and other payables	1,754,737	1,754,737
Due to reinsurers	4,036,146	4,036,146
Net principal liabilities	10,387,127	10,387,127

The maturity profiles of Company's assets are given below:

30 June 2013	**Within 1 year OMR**	**1-10years OMR**	**No fixed maturity OMR**	**Total OMR**
Investment in properties	-	-	**2,600,000**	**2,600,000**
Investments held-to-maturity	-	**253,038**		**253,038**
Bank deposits, cash and bank balances	**7,713,342**	-	-	**7,713,342**
Cash balances with investment managers	**426,536**	-	-	**426,536**
Held for trading investments	**3,548,861**	-	-	**3,548,861**
Insurance and reinsurance contract receivables	**7,552,314**	-	-	**7,552,314**
Reinsurers' share of insurance fund	**1,319,824**	-	-	**1,319,824**
Other receivables and prepayments	**372,698**	-	-	**372,698**
Available-for-sale investments	-	-	**636,535**	**636,535**
	20,933,575	**253,038**	**3,236,535**	**24,423,148**

31 December 2012	Within 1 year OMR	1-10years OMR	No fixed maturity OMR	Total OMR
Investment in properties	-	-	2,600,000	2,600,000
Investments held-to-maturity	-	254,366	-	254,366
Bank deposits, cash and bank balances	7,275,863	-	-	7,275,863
Cash balances with investment managers	156,399	-	-	156,399
Held for trading investments	4,183,513	-	-	4,183,513
Insurance and reinsurance contract receivables	5,114,918	-	-	5,114,918
Reinsurers' share of insurance fund	1,680,211	-	-	1,680,211
Other receivables and prepayments	352,497	-	-	352,497
Available-for-sale investments	-	-	1,162,924	1,162,924
	18,763,401	254,366	3,762,924	22,780,691

Given the total value of total investments to total liabilities, management does not believe there is significant exposure to liquidity risk

(3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. These changes could be factors specific to the individual security, or its issuer, or factors affecting all securities in the market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition, the Company monitors actively the key factors that effect stock market movements.

(a) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar, AED, Qatari Rial, Saudi Rial and Pounds sterling.

The Company's exposure to foreign currency risk was as follows:

	Amounts shown in OMR			
	30 June 2013		31 December 2012	
	USD	**Other currencies**	USD	Other currencies
Cash and bank balances	**141,118**	**-**	59,331	-
Held for trading investments	-	**203,000**	-	421,691
Available-for-sale investments	**26,950**	**-**	26,950	-
Bank deposits	**52,552**	**-**	52,552	-
Held to maturity investment	**253,038**	**-**	254,366	-

Sensitivity analysis

The rate of exchange between the US Dollar and the Rial Omani has remained unchanged since 1986. Management, therefore, does not consider any significant risk arise from transactions in US Dollar.

During 2012, if Rial Omani were to have strengthened or weakened by 10% against currencies other than US Dollar with all other variables held constant, pre-tax losses for the year would have been higher or lower by approximately OMR 20,300(31 December 2012 - OMR 42,169).

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company limits interest rate risk by monitoring changes in interest rates.

	Change in assumptions	**30 June 2013 OMR**	31 December 2012 OMR
Income from bank deposit and investment in held-to-maturity	+0.5%	**32,860**	26,001
	-0.5%	**(32,860)**	(26,001)

At the reporting date, the interest rates (given in note 9) and maturity profile of the Company's interest bearing financial instruments was as follows:

The Company's interest rate risk based on contractual maturity at 30 June 2013 was as follows:

30 June 2013	**Less than 1 year OMR**	**Over 1 year OMR**	**Total OMR**
Bank deposits	**6,318,996**	**-**	**6,318,996**
Investments held-to-maturity	**-**	**253,038**	**253,038**
	6,318,996	**253,038**	**6,572,034**

31 December 2012	Less than 1 year OMR	Over 1 year OMR	Total OMR
Bank deposits	4,945,736	-	4,945,736
Investments held-to-maturity	-	254,366	254,366
	4,945,736	254,366	5,200,102

Price risk

The Company is exposed to market price risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition the Company monitors actively the key factors that affect stock market movements.

94% (31 December 2012 - 90%) of the Company's equity investments at the statement of financial position date are within the Sultanate of Oman.

A 5% change in fair value of the Company's held for trading investments would have impact on profit/(loss) of approximately OMR 177,443 (31 December 2012 - OMR 418,351).

A 5% change in fair value of the Company's available-for-sale investments would have impact on equity of approximately OMR 17,121 (31 December 2012- OMR 58,146).

e) Fair value estimation

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, by valuation techniques. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data

	30 June 2013				31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	OMR	**OMR**	**OMR**	**OMR**	OMR	OMR	OMR	OMR
Held for trading investments	**3,548,861**	**-**	**-**	**3,548,861**	4,183,513	-	-	4,183,513
Available-for-sale investments	**-**	**172,124**	**170,311**	**342,435**	-	158,499	710,325	868,824
	3,548,861	**172,124**	**170,311**	**3,891,296**	4,183,513	158,499	710,325	5,052,337

The fair values of other financial assets and liabilities with a maturity of less than one year approximates to their carrying amounts.

f) Capital management

The Company manages its capital so as to maintain both adequate working capital as well as meet regulatory solvency margin requirements as prescribed by the CMA and the Commercial Companies Law of 1974, as amended.

The board policy is to maintain a strong capital base so as to maintain investor and counter party confidence and to maintain future development of the business. The company objective for managing capital is:

To safeguard the entity ability to continue as a going concern so that it can contribute to provide return for the shareholders and benefit for the other stakeholders.

Provide an adequate return to shareholders by pricing products and services in commensuration with the level of risk.

The company is also subject to the capital requirement impose by the local regulatory authority. It is the company's policy to hold capital as an aggregate of the capital requirement of the capital market authority and a specified margin to absorb charges in both capital and capital requirements.

Insurance risk is also carefully managed as described in note 27 (c) to ensure that the company underwrites risk commensurate to its capital base. The company has reinsurance treaties and excess of loss covers to manage retention levels of the premium, thereby safeguarding the capital from any significant insurance risk exposure.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the current period/year. Such reclassifications do not affect previously reported results or equity.

Al Madina Insurance

19 Jumada II 1434 AH
30 April 2013 AD

Dr./Mohammed bin Ali Al Barawani

Chairman of the Board, Al Madina Insurance Company

Sheikhs& Members of the Board of Directors

Subject: Final Report by Shariah Supervisory Board concerning Maqased remarks, as well as the separation between the Company's assets and investments, and the readiness of Al Madina Insurance Company to commence Takaful Insurance Business

With reference to the letter of the Capital Market Authority (CMA) dated 16 Jumada I 1434 AH/13 March 2013 AD including the above subject, the Shariah Supervisory Board at Al Madina Insurance Company has discussed the said subjet at its meeting dated 18 Jumada II 1434 Ah/29 April 2013 AD, whereas the Board has tackled in details the following: the Shariah auditing report provided by Maqased on 27/4/2013 concerning the handling of the Shariah-related remarks as well as the readiness of the Company to carry on Takaful insurance,in the presence of Shariah Auditor, Sheikh/Abdul Sattar Al Qattan, who made the said report.

Shariah Supervisory Board heard the following:

1- Briefing and feedback from the Executive Management at Al Madina Insurance Company.

2- Briefing and feedback from the internal Audit & Compliance Department at Al Madina Insurance Company.

After deliberation, the Shariah Board at Al Madina Insurance Company decided to assure CMA that:

a- Al Madina Insurance Company has successfully dealt with all the remarks that were included in the report of Maqased Consultancy Company, and has taken the necessary action so as to ensure that the Company's business does comply with the Islamic Shariah provisions.

b- Shariah Supervisory Board was assured that the Company is ready to separate the accounts of the shareholders from those of the policyholders as per the principles of takaful insurance, after setting the Shriah bases to address the effect of the conversion to takaful system, based on the principle of separation between the two accounts, and shall be applicable upon receipt of the license. The said bases are as follows:

1- After receiving the final approval from the relevant authorities so as to change its status to a takaful insurance company, and after completion of the formalities, the Company shall start to operate takaful insurance policies as approved by the Shariah Supervisory Board with effect from 1/11/2013 (tentative), and shall have a special takafulportfolio subject to takaful insurance principles.

2- The Company shall start to contact its current customers, holders ofconventional policies, inviting them to deal with the Company in accordance withtakaful insurance formula, provided that it shall be agreed with the person who accepts to convert to takaful insurance that this will take effect from 1/1/2014.

3- Takaful policy rate shall be calculated on pro-rata basis based on the remaining period thereof as from 1/1/2014, and the said value shall be the amount that will be deposited in the policyholders account in 2014, while the remainder shall remain in the Company's accounts for the year 2013,as applicable currently under the conventional system.

4- Should any customer, holder of conventional insurance policy, refuse to convert to takaful insurance policy, the Company shall remain liable by law towards the customer under the existing policy up to its expiry. It is important that Company shall take all the practical measures so as not to renew the same upon its expiry, and a special portfolio shall be arranged for the sameto be included within the shareholders account.

5- Based on the above, policyholders account shall become a new credit and independent account from the shareholders account effective 1/1/2014. The said account shall comprise the revenues from the new takaful insurance policies that have been operated and marketed since 1/11/2013, in addition to the remaining amounts of the previous insurance policies whose holders agreed to convert them to takaful insurance policies.

6- Policyholders account shall be, with effect from 1/1/2014, subject to takaful insurance principles in terms of separation between accounts, distribution of insurance surplus, and getting goodwill loans from the shareholders in the event of financial deficit, in addition to other takaful principles.

c. All insurance policies and insurance products have been reviewed in order to ensure their compliance with Islamic Shariah stipulations, namely:

1. Medical Insurance Policy-Individual
2. Medical Insurance Policy-Group
3. Travel Insurance
4. Housemaid Insurance
5. Personal Accident Insurance
6. Erection All Risks Insurance
7. Contractors Plant and Machinery Insurance
8. Contractor's All Risks Insurance
9. Life Insurance-Family
10. Life Insurance- Group
11. Motor Insurance (Unified Policy)
12. Fire Insurance

May Allah guide us all to the straightway.

Usama Al Barwani
Secretary to Shariah Board

Sheikh Dr. Abdul Sattar Abo Ghuddah
Chairman of Shariah Supervisory Board

المدينة تكافل
Al Madina Takaful