المدينة تكافل
Al Madina Takaful

شركة المدينة للتأمين ش م ع ع، ص ب ٨٠
مسقط جراند مول، الرمز البريدي ١٣٦، سلطنة عمان، س.ت. رقم: ١/٨١٥٠٠/٨
Al Madina Insurance Company SAOG, PO Box 80
Muscat Grand Mall, PC 136, Sultanate of Oman. C.R. No. 1/81500/8

Dear Shareholders,

Assalamu alaikum wa rahamatullahi wa Barakatuh!
(May the Peace, Mercy and Blessing of Allah be with you!)

On behalf of the Board of Directors, and Management team of Al Madina Insurance Co ("Al Madina" or "the Company"), I am pleased to present to you the results achieved by your Company for the financial year ended on 31 December 2023.

2023 was a year of embracing challenges, opportunity, and restraint. The economic environment continues to be challenging, upended by high interest rates, volatile oil markets and global geopolitical headwinds. We saw extreme hardening of the reinsurance market accompanied by some capacity withdrawals from the region, increased claims trend along with competitive pricing and consolidation of insurance companies in Oman and the GCC.

Al Madina's adopted strategies yielded operational efficiencies which have contributed positively to the Company's financial performance. Your Company is one of the few companies operating in Oman to generate a remarkable surplus from insurance operations. The Company demonstrated a top-notch financial performance and is expected to maintain its market position in Oman being among the Top 5 companies (combined both Takaful and conventional insurance companies) and continues to remain the **Top takaful insurance provider** in Oman.

The Company delivered robust results and achieved another successful year of underwriting performance during FY2023. Your Company exceeded the budgeted performance for the year 2023 with Gross written contributions (GWC) of RO 42.7 million.

Al Madina continues to maintain a healthy and well-balanced portfolio across all lines of business. The FY2023 financial results delivered by your Company reflect its intent to deliver a consistent surplus from Insurance operations so that the participants' interest is safeguarded while we continue to reward our shareholders. The overall Profit before tax of the company grew by 5%, to RO 1.71 million for FY2023, as compared to RO 1.64 million in last financial year.

During the year 2023, the shareholders fund provided Hiba, amounting to RO 1.26 million to support the participant's fund (FY 2022: RO 2.3 million). This was done to support the participants fund and eliminate the deficit in the participant's fund account, as directed by the regulators.

Your Company has systematically reduced the accumulated deficit in participant's fund account from RO 6.2 million in FY 2019 to an accumulated surplus position of RO 8 K at the year ended, 31 December 2023. This is a significant accomplishment to achieve in the takaful industry not only in Oman but on a regional basis.

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Operating Environment

The listed Insurance companies in Oman are estimated to show an upward trend in their topline during FY 2023. However, the Insurance sector saw a significant decrease in profitability, due to higher claim reporting in the Motor and Medical segment as normalcy returned alongside the competitive pricing pressures in the market.

In this tough economic environment, your Company was able to deliver an exceptional performance and recorded a growth of 3% in Net earned contributions. (RO 15.2 million in FY2022 to RO 15.6 million in FY2023). This was achieved through the application of strict underwriting discipline and a focused sales strategy for the successful conversion of new business opportunities, with preference of retention based profitable business.

Results from Operations

Your Company continues to deliver stable growth while strengthening the adequacy & sufficiency of its reserves. The underwriting surplus from Takaful operations before investment income, mudarib share and Wakala fees, but after adjustment of commission expenses was maintained at RO 4.9 million in FY2023 which was in line with the previous year. This was achieved through the application of prudent underwriting, effective risk selection and efficient claims administration backed by high-quality global reinsurance arrangements.

Your Company strives to continuously improve its core competencies to enhance its customer experience and process efficiency, by adopting the best international practices in the field of insurance operations. The Company took corrective measures to control the Claims, as a result of which a 1% reduction was achieved in the net incurred claims in FY 2023 as compared to the financial year of 2022.

Investment Income

The investment environment remained very uncertain and unpredictable due to multiple headwinds, escalation of geopolitical tensions and inflationary concerns, and the looming possibility of global recession. In this volatile macroeconomic environment, your Company demonstrated a resilient investment performance and achieved a 5% growth in the total investment income (shareholders and policyholders) of RO 1.43 million, in FY2023 as compared to RO 1.37 million during FY2022.

Our resilient and balanced investment portfolio is consistently delivering sustainable investment income due to prudent, timely and tactical allocation strategies.

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Shareholders' profit

Al Madina achieved another year of successful financial performance from the perspective of shareholder's profit. Your Company reported a 20% increase in profit attributable to the shareholders amounting to RO 1.28 million, in FY2023 as compared to a profit of RO 1.06 million during FY 2022.

Risk Management

Your Company constantly evaluates its risks associated with the insurance business as well as its investments and adopts necessary measures to manage these risks.

Dividend policy

Your Company adopts a well-balanced dividend policy for the distribution of profit and remains committed to delivering value to your investments. Your Company has a track record of consistent dividend payments over the last 7 years, this reflects our continuing financial strength even in the most subdued market conditions.

The strong sustainable results and stable dividend payments over the years are a testament to our strong fundamentals and customer-centric business model.

Company's Outlook & Vision

As we embark into 2024, we are extremely optimistic in our outlook and our optimism springs from the resilience of the local market despite global political conflict and the economic fallout. The Insurance industry in Oman is poised for growth as the overall outlook appears to be positive due to continued increase in economic activity, favorable oil prices, continued fiscal reforms are expected to maintain fiscal and external balances in comfortable positions over the medium term. IMF also believes Oman's economy will continue to grow, and inflation would be contained at low levels.

Our emphasis will be on stability and sustainable growth, while keeping the focus on some key drivers such as profitability, superior customer service, launching of new products, technological innovations, and regulatory changes. Much will also depend on how the global reinsurance market responds to the rapid frequency of natural catastrophic events in Oman, subsequently impacting reinsurance pricing in addition to the availability of reinsurance capacities and issues of risk concentrations. Further public spending, foreign investment, market credit issue and cashflow will also be crucial factors for the growth of the Insurance industry.

Our position in the market, combined with strong underwriting fundamentals will enable us to continue our endeavor to provide sustained growth and profitability to all stakeholders in FY2024.

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We expect to maintain our market position in line with our projection for FY2024, by strengthening the distribution channels and supply chains. Furthermore, mandatory health insurance is expected to be rolled out in 2024 and it is expected to give a thrust to the Health Insurance market. Al Madina has fulfilled the licensing requirement and awaits further instructions from the Capital Market Authority.

The Company continues to maintain its steady track record of always being driven by and supportive of, national objectives, such as in job creation and Omanization.

Al Madina will continue to invest in technology - driven innovation, IT upgrades, process automation and increased digitalization of insurance processes. The Company, with its well-planned growth strategy and business continuity plan is well positioned to achieve stable growth and Operational Profit in FY2024 through disciplined underwriting, process efficiency, focused sales planning, expense management and superior customer service.

The Company will continue to look at growing opportunities within the Islamic finance space to generate stable yield on its investment book and to achieve the targeted investment returns for shareholders and policyholders.

Environmental, Social, and Corporate Governance (ESG)

As a leading Takaful operator Al Madina is empowered to integrate multiple ESG factors in our insurance business and investment operations. In line with the Oman's Vision 2040, which outlines the country's long-term development goals, places significant emphasis on sustainability and ESG considerations. We have begun integrating ESG awareness training sessions in our company and our strategy aims to foster an environment of strong governance, diversify an inclusive culture that empowers employees, and adopt sustainable business practices to ensure a safe environment.

Awards and recognition

As a Shari'ah compliant insurance solution provider Al Madina received an award for the **"Best General Takaful Provider Oman 2023"** by the prestigious UK-based Global Banking & Finance awarding organization. This award was given in recognition of the Company's exceptional performance in the Takaful sector in achieving overall market position backed by strong financial results, innovation, technical expertise, wide products offering and Superior Customer Service.

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Acknowledgements

It gives me immense pleasure to express appreciation on behalf of the Board. We extend our gratitude to our customers, business partners, shareholders, Sharia Supervisory committee, and staff members, for their sincere and dedicated contributions during the financial year ended, 31st December 2023.

We also thank and appreciate the Capital Market Authority for their constant support and their initiatives oriented towards the Insurance market, with a special emphasis on the development of Takaful Insurance in the country.

On behalf of the Board, I take this opportunity to express our most sincere gratitude to His Majesty Sultan Haitham Bin Tariq Al Said, for his dynamic and progressive leadership. We are confident that under the leadership of His Majesty, the Sultanate will continue to march toward further progress, development, and prosperity.

May God Bless you all.

Dr. Mohammed Ali Al Barwani
Chairman of the Board

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Al Madina Takaful

Management Discussion & Analysis Report

Introduction

2023 was a stable year for the Oman Insurance Market. The markets returned to pre-pandemic levels, in respect of both premiums and claims. Despite the tough market competition Al Madina exceeded the Budgeted performance of the year and recorded Gross Written Contributions (GWC) of RO 42.7 million.

It was another successful year of underwriting performance where Al Madina was among the few Companies in Oman who reported an operating profit from its insurance operations which was a remarkable achievement. Al Madina is expected to maintain its market position of being in the top 5 best performing company (Combined both Takaful and Conventional) and continues to remain the **Top takaful insurance provider** in Oman.

The reinsurance cost continued an upward trend in 2023 in view of Global losses and inflationary pressures on Reinsurers. We witnessed many treaty reinsurers imposed minimum rates for Natural Catastrophic perils. The financial results delivered by the Company reflect our intent to deliver a consistent surplus from Insurance operations so that the Participant's interest is safeguarded while we continue to reward our shareholders.

Al Madina received an award for the **"Best General Takaful Provider Oman 2023"** by the prestigious UK-based Global Banking & Finance awarding organization. This award was given in recognition of the Company's exceptional performance in the Takaful sector in achieving overall market position backed by strong financial results, innovation, technical expertise, wide products offering and Superior Customer Service.

In the year 2023, the shareholders provided Hiba amounting to RO 1.26 million to the participants fund General and Family Takaful (FY 2022-RO 2.3 million). This was primarily done to support and reduce the deficit in the participants' fund account. The Company also steadily reduced the accumulated deficit in the participants fund account from RO 6.2 million in the year 2019 to a surplus of RO 8 K as of 31 December 2023.

The Company made considerable progress on the implementation of the new AAOIFI standard (equivalent to IFRS 17). As of Q4-2023 the Company has completed the first phase of gap assessment and currently is in the Design phase to revise its policies and framework to align with the new AAOIFI standards. The Capital Market Authority (CMA) has allowed the company to comply with the standards issued by the AAOIFI according to their effective date from the annual financial reporting year beginning on or after 1 January 2025.

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Al Madina Takaful

Financial Performance

(In OMR '000)	Shareholders fund	Participants fund		Consolidated	
		General Takaful	Family Takaful	2023	2022
Gross Written Contributions	**-**	**39,992**	**2,755**	**42,747**	44,708
Net Retained Contributions	**-**	**16,561**	**762**	**17,323**	15,397
Net Earned Contributions	**-**	**14,875**	**742**	**15,617**	15,215
Net Claims Incurred	**-**	**(8,116)**	**(417)**	**(8,533)**	(8,654)
Provision for impairment of receivables	**-**	**(105)**	**(15)**	**(120)**	(120)
Surplus from Takaful Operations before investment income, mudarib share and Wakala fees	**-**	**6,676**	**311**	**6,987**	6,725
Investment income-net	**726**	**624**	**84**	**1,434**	1,367
Wakala Fees	**8,412**	**(7,999)**	**(413)**	**-**	-
Mudarib share	**390**	**(343)**	**(47)**	**-**	-
Hiba given from Shareholder to participants fund	**(1,260)**	**1,100**	**160**	**-**	-
General, administrative and commission expenses	**(6,708)**	**-**	**-**	**(6,708)**	(6,455)
Shareholders Profit before tax and participants fund surplus	**1,560**	**58**	**95**	**1,713**	1,637
Taxation	**(283)**	**-**	**-**	**(283)**	(252)
Total Profit after tax and surplus for the year	**1,277**	**58**	**95**	**1,430**	1,385
Earnings per share (in OMR)	**0.007**	**-**	**-**	**0.007**	0.006
Book value per share attributable to shareholders (in OMR)	**0.125**	**-**	**-**	**0.125**	0.125

Business

The Company has shown growth in all the key performance parameters such as Net retained Contribution, Net earned contribution, surplus from takaful operations and total profit after tax. The Company registered a growth of 4% in surplus from takaful operations before investment income, mudarib share and Wakala fees as compared to previous financial year.

Market witnessed a substantial increase in Motor claims particularly on Injury claims. This resulted in Insurance companies reviewing Motor Pricing and to take corrective measures.

Al Madina has the most balanced portfolios with all lines of business contributing positively to the Underwriting surplus. The Company is a major energy insurer in Oman, in a country where economy is largely Hydrocarbon based. It also continues to be a major player in infrastructure & Power sector. This was achieved through strong relationship with our customers and the international Reinsurance market.

We successfully maintained our market share and profitability despite the competition raised by mergers in the market and the resultant higher capacities brought to the market. This was achieved through our strategic planning and effective underwriting process.

The Company managed Reinsurance treaty renewals without much financial impact in view of best underwriting results although global reinsurance market was extremely hardened during the year.

Al Madina continued its commitment towards its all stakeholders through our superior service and consistent performance results. Our digital platforms ensure our customers receive a seamless service on all Insurance-related activities, be it policy, claim or financial transactions. Our aim is to maintain and grow our market share steadily by keeping profitability and brand value intact.

Claims

Al Madina continued to achieve motor line profitability despite the increase in the accident reporting by 4% compared to the previous year. The Motor Claims team managed to control the claim cost despite the reduction in discount by the agencies. Al Madina also took steps towards an efficient WhatsApp driven claim intimations enhancing the customer experience when making a claim submission. The company is in the process of claim automation to bring visible efficiency that contributed positively to the Company's operational performance.

The number of Injury relating to road traffic accidents continues to be a cause of concern in Motor Claims with a sharp rise close to 41% compared to last year. Further the trends of court awards for death / injury compensations have shown a significant increase.

The technical lines have fared well with Inhouse driven claim evaluations. The company also exhibited its strong claims management abilities in the Medical and family line of business where it expeditiously and efficiently processed, concluded & settled large number of claims instantly. This resulted in an overall improvement in the net incurred claim of 1% as compared to the previous year.

The Company's Claims Reserves & Pricing Adequacy is validated by an external actuary, and it has been found to be adequate in line with the requirements of the regulators.

Investment

The year 2023 was also incredibly challenging for the financial markets and the investment climate remained very unpredictable due to volatile oil markets and global geopolitical headwinds.

Despite the overall pressures, the Company was able to grow the investment income (shareholders and policyholders) FY-2023 to RO 1.43 million as compared to RO 1.37 million as of Dec 2022. This has been possible due to the prudent investment strategy adopted by the Company. The investment portfolio of the Company continues to be well diversified with varied sources of return across various asset classes comprising of Wakala deposits, sukuks, real estate and equities.

The Company further intends to focus on prudent asset allocation strategy with increase in exposure to fixed income yielding sukuks and Wakala deposits. Within equities, a bottom-up approach would be adopted with emphasis on Shari'ah compliant equity stocks with strong cash flows and unleveraged balance sheet and high dividend yields.

The rental income from investment properties remained subdued due to the soft property market. However, Al Madina has enhanced its portfolio's ability to generate sustainable income from its investments to achieve the targeted investment returns for its shareholders and policyholders.

HR & Manpower

The Human Resources & Administration team at Al Madina successfully conducted various in-house training programs and workshops for employees, aligning with the training plan submitted to CMA as required for insurance companies. Collaborating with different departments, the HRA team implemented a strategic plan to maintain business as usual, ensuring no disruption to customer service. The department remained dedicated to enhancing employee knowledge, process understanding, and technological proficiency.

A new program, "Bina," was launched for graduates and job seekers in Oman. This program aids graduates in developing new skills, competencies, and gaining exposure to the work environment, with the aim of preparing them for the labor market.

During the year 2023, the Omanization Percentage reached 77.71%. Demonstrating its commitment, the company aims to nurture the capabilities of talented Omani professionals, particularly in technical domains. The initiation of a Mentoring program, coupled with comprehensive international training, reflects the company's dedication to preparing Omani managers for the future.

IT

The Company focused on Digitization of Insurance sales and services. The Company's Digital strategy on using latest technology to improve business performance and customer satisfaction by means of making relevant enhancement of existing system & processes, enabling automation, improving customer experience, paperless office etc.

Several IT Projects are ongoing to improve business and bring more process efficiency. This includes enhancing the website, online portal, e-payment, and in-house systems for quicker issuance of policy by integrating with ROP systems. We have successfully launched our salvage tendering module, bringing efficiency and transparency to the salvage disposal process. Other projects like what's app channel for claim registration, customer satisfaction survey is in the process of launching which will improve efficiency in the Company's operations. We have migrated our servers to the advanced hardware platform for improved system availability and data integrity.

Since, Information is an important business asset, the company always gave an important level of importance to protect the company's sensitive data. We have updated our existing IT policies and procedures documents in line with CMA guidelines and are scheduled to implement various mechanisms to protect our information assets. This includes Data classification, a tool to monitor Access management (PAM), data encryption etc. We have conducted the Vulnerability Assessment and Penetration Testing (VAPT) on our application, Firewall, endpoints, Wi-Fi, Internal/ external networks and have taken steps to fix all the high-risk points based on the report.

The Company is also in the process of evaluation and finalization with the assistance of the consultant for a suitable IT solution which will synchronize with the current IT software solution and meet the regulatory requirements of the new AAOIFI FAS 43 equivalent IFRS 17 standards.

Compliance department

Al Madina Insurance Company continued to focus on the Compliance with the regulatory requirements through supporting and developing the Company's compliance Department which conduct a consistent review of Company's operations in accordance with the rules and regulations set forth by the Regulator (CMA) and other Government entities.

Outlook

Overall outlook for the year 2024 looks positive with the announcement of various projects in Oman. However, this positive outlook comes with many challenges which must be overcome by the market. A steady growth is expected in the insurance market due to stability in Oil price and government plans for economy diversification.

Market credit issue and cash flow will continue to be a challenging concern to most of the industries. Political tension in the region may affect the regional economy which may indirectly affect the growth in the region. We expect the reinsurance market to remain hardened due to global catastrophic losses and inflationary pressures which consequently will result in higher costs for reinsurance protection. This will reflect in the pricing of Policies which would require support from global reinsurance market. However, locally retained policies will remain under pressure and prices are expected to come down further due to competition. Motor pricing will continue to see correction in view of the rise in Motor claims.

We will increase our visibility and reach by opening kiosks and agencies in strategic locations. Focus will be more on retention-based policies to increase our bottom line and expect to show sustainable growth and profitability in 2024. Continued IT upgrades, Process automations and digitization of

Insurance processes is expected to provide the necessary platform for a positive engagement with customers and grow on the back of superior customer service.

We expect mandatory health Insurance to be rolled out in 2024 and it would give a thrust to the Health Insurance Market. Al Madina also sees opportunity for growth, as Oman leverages its geographical location to become a global tourist and hospitality hub. At the same time, diversification efforts are likely to bring opportunities in the areas of logistics, mining, and manufacturing.

As we strive to attain a sustainable environment, we recognize there is more work to be done and we are dedicated to implementing concrete actions that will result in positive outcomes. Moving forward, we intend to increase our commitment to foster an environment of strong governance, diversify an inclusive culture that empowers employees, and adopt sustainable business practices to ensure a safe environment.

We expect to maintain our market position and focus more on increasing bottom line business and expect to show sustainable growth in profitability in 2024. Al Madina is expected to tread through its focused strategy to achieve stable growth, Operational Profit, and stable investment income in 2024 through an effective underwriting process, Expense Control, and effective use of its resources. We remain committed to delivering the expected results to all our stakeholders.

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Private and confidential
Our ref.: aud/km/zu/14666/24

Agreed-Upon Procedures Report on Code of Corporate Governance of Al Madina Insurance Company SAOG

To the Board of Directors of Al Madina Insurance Company SAOG

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Al Madina Insurance Company SAOG ("Company") for submission of agreed upon procedures report on the compliance with the Code of Corporate Governance (the "Code") to Capital Market Authority ("CMA") to assist in compliance of requirements prescribed in the CMA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose.

Responsibilities of the Company

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company (also the Responsible Party) are responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

CR No. 1358131
Tax Card No. 8063052

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, *which requires the firm to design, implement and operate a system of quality management including policies and procedures* regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the terms of engagement dated 17 February 2022, on the compliance with the Code:

S. No	Procedures	Findings
1	We checked that the corporate governance report (the Report) issued by the Board of Directors includes as a minimum, all items suggested by CMA to be covered by the Report as detailed in the Annexure 3 of the Code by comparing the Report with such suggested content in the Annexure 3.	No exceptions noted.
2	We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2023. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2023.	No exceptions noted.

This report relates only to the items specified above and does not extend to the Company's financial statements taken as a whole.

KPMG

KPMG
KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

KPMG LLC
25 February 2024

Enclosures:
Al Madina Insurance Company SAOG Corporate Governance Report

CR No. 1358131
Tax Card No. 8063052

AL MADINA INSURANCE COMPANY SAOG

REPORT ON CORPORATE GOVERNANCE

A COMPANY'S PHILOSOPHY

Al Madina Insurance Company SAOG (the Company) has adopted the principles of Corporate Governance in accordance with the Code of Corporate Governance for Muscat Stock Exchange (MSX) companies and the principles Code of Corporate Governance for Insurance Companies, as pronounced by the Capital Market Authority (CMA) of the Sultanate of Oman.

The Company has the vision of being a leading takaful insurance company in Oman where leadership is measured in terms of profitability for its stakeholders, satisfaction for its customers and commitment for its employees. The Company aims to provide insurance service that conforms to culture, social ethos and needs of the community. The Company operates on guiding principles of transparency, integrity, innovation, teamwork, and social responsibility.

The Board of Directors is committed to the highest standards of Corporate Governance. The Company deploys appropriate business strategy that is supplemented by sound internal controls. The performance of the Company and realization of its business objectives are based on transparency in its disclosures and compliance of code of corporate governance.

B THE BOARD OF DIRECTORS

The Board has overall responsibility for the Company, including approving and overseeing the implementation of the Company's strategic objectives, governance framework and corporate culture. The Board is also responsible for providing oversight of Senior Management.

The Directors are elected for a period of three years. The election of the Board was conducted in 2021. All members are non-executive Directors.

Details of Directors

Name	Position	Date of election	Independence of the director	Nomination
H.E. Dr Mohammed Ali Al Barwani	Chairman	25 March 2021	Non-Independent	Personal
Eng. Abdulrahman Awadh Barham	Dy. Chairman	25 March 2021	Independent	Personal
H.E. Sh. Abdulrahman Mohammed Jabor Al Thani	Director	25 March 2021	Independent	Personal
Mr. Saleh Nasser Al Riyami	Director	25 March 2021	Independent	Personal
Ms. Safana Mohammed Ali Al Barwani	Director	25 March 2021	Non-Independent	Personal
Mr. Said Saleh Al Jabri	Director	25 March 2021	Independent	personal
Dr. Yousuf Salim Al Hinai	Director	25 March 2021	Independent	Personal
Dr. Khalid Said Al Amri	Advisor	25 March 2021	Independent	Personal

B THE BOARD OF DIRECTORS (continued)

The Board of Directors of the Company met four times during the year ended 31st December 2023 -on 22nd February, 27th April, 27th July, and 19th October. Seven Directors attended the AGM that was held on 28th March 2023.

The details of the Directors' attendance during Board meetings are given below.

Name	22nd February	27th April	27th July	19th October
H.E. Dr. Mohammed Ali Al Barwani	Yes	Yes	Yes	Yes
Eng. Abdulrahman Awadh Barham	Yes	No	Yes	Yes
H.E. Shaikh Abdulrahman Mohammed Jabor Al Thani	Yes	Yes	Yes	Yes
Mr. Saleh Nasser Al Riyami	Yes	Yes	Yes	Yes
Ms. Safana Mohammed Al Barwani	Yes	Yes	Yes	Yes
Mr. Said Saleh Al Jabri	Yes	Yes	Yes	Yes
Dr. Yousuf Salim Al Hinai	Yes	Yes	Yes	Yes
Dr. Khalid Said Al Amri	Yes	Yes	Yes	Yes

The details of Directors' setting fees are given below for the attended meetings during 2023:

Name	Position	Board Meetings attended	Sitting Fees RO
H.E. Dr. Mohammed Ali Al Barwani	Chairman	4	4,000
Eng. Abdulrahman Awadh Barham	Dy. Chairman	3	3,000
H.E Sh.Abdulrahman Mohammed Jabor Al Thani	Director	4	4,000
Mr. Saleh Nasser Al Riyami	Director	4	4,000
Ms. Safana Mohammed Al Barwani	Director	4	4,000
Mr. Said Saleh Al Jabri	Director	4	4,000
Dr. Yousuf Salim Al Hinai	Director	4	4,000
Dr. Khalid Said Al Amri	Advisor	4	4,000

The AGM was held on 28th March 2023, and the details of Directors who attended the AGM meeting are as follow:

Name	Attended
H.E. Dr. Mohammed Ali Al Barwani	Yes
Eng. Abdulrahman Awadh Barham	Yes
H.E Shaikh Abdulrahman Mohammed Jabor Al Thani	Yes
Mr. Saleh Nasser Al Riyami	Yes
Ms. Safana Mohammed Al Barwani	Yes
Mr. Said Saleh Al Jabri	Yes
Dr. Yousuf Salim Al Hinai	Yes

Board Meeting	Date	Date Agenda was sent to the Board
1st Board Meeting	22-Feb-2023	15-Feb-2023
2nd Board Meeting	27-Apr-2023	18-Apr-2023
3rd Board Meeting	27-July-2023	18-July-2023
4th Board Meeting	19-Oct-2023	16-Oct-2023

B THE BOARD OF DIRECTORS (continued)

The minutes of the previous board meeting were presented in the next board meeting and approval has been obtained for the same from all the Board members.

During the AGM meeting that held during the year 2023, the shareholders approved the payment of remuneration to the members of the Board of Directors, which was estimated and paid at RO 80,000 (Eighty thousand Omani Riyals).

Dr. Khalid Al Amri is Advisor to the Board and Audit Committee and has attended four (4) Board Meetings and four (4) Audit Committee Meetings. Sitting fees amounting to RO 7,200 have been paid to the Board's Advisor for attending the Board and Audit Committee meetings.

Responsibilities of Board of Directors

The Board's responsibilities are in compliance with all applicable laws of the Sultanate of Oman.

The Board of Directors responsibilities are as per the laws applicable in Sultanate of Oman, and determined in accordance with the Commercial Companies Law of 2019, and the executive regulations of the public joint stock companies issued in 2021 as per MD (27/2021) date 25^{th} February 2021, the Insurance Companies Law (12/1979) as amended, and as per the code of corporate governance of the public joint stock companies and the code of corporate governance for the companies operating in the insurance sectors , and Takaful Insurance law that issued as per the Royal Decree No.(11/2016), in addition to all other relevant laws and regulations.

Profile of the members of the Board of directors

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

H.E. Dr. Mohammed Al Barwani is founder and Chairman of Mohammed Al Barwani LLC and has investments in various companies with interest in oil, gas, mining, engineering, financial services, and real estate. This experience gives him a deep understanding of the business and provides guidance to the Board and Management of the Company. He is also the Honorary Consul of the Principality of Monaco to the Sultanate of Oman and has received various awards for achievement in business and public life.

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

Eng. Abdulrahman Barham is the Vice Chairman of the Company's Board of Directors and has over 32 years of experience in handling and planning projects. He currently holds the position of CEO and investment committee member in Al Madina Development Real Estate and as an advisor in Al Madina Investment. He profoundly understands the products relevant to finance real estate projects. He also holds the position of Director in Salalah Mills Company SAOG, Tilal Development Company SAOC, and Chairman of the board of directors of Al Basateen Development Company and many other Companies in Oman.

c) H.E. Sheikh AbdulRahman Mohammed Jabor Al Thani (Nationality: Qatari)

Sheikh AbdulRahman has over 40 years of experience in the industry of business and investments. Including industrial investments in the public and private sectors, as well as financial and banking institutions. Where Sheikh Abdulrahman currently holds the position of chairman of the board of Directors of Qatar Manufacturing Industries Co., Ltd. M. He is also a board member of Al Madina investment company and chairman of the board of Directors of Oman and Qatar company in Doha. Based on his many acquired experiences, he can provide advice and guidance based on his knowledge in such institutions.

B THE BOARD OF DIRECTORS (continued)

Profile of the members of the Board of directors (Continued)

d) Mr. Saleh Nasser Al Riyami (Nationality: Omani)

Mr. Saleh Al Riyami has more than 22 years of experience as an investment expert. He currently holds the position of Vice Chairman at Taageer Finance. Mr. Saleh has put to attract key Islamic Shari'ah 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.

e) Ms. Safana Mohammed Ali Al Barwani (Nationality: Omani)

Ms. Safana has 17 years of experience in investment, insurance, and real estate. She holds the position of Director in Mazoon Petro Gas & Risk Management Services. Ms. Safana is the Managing Director of MUSSTIR, the Omani real estate developer Company. She overseas development and management of all properties.

f) Mr. Said Saleh Al Jabri (Nationality: Omani)

Mr. Said Al Jabri has a proven leadership track record of driving excellence and offers management and strategic analysis.

Mr. Said is the Chief Executive Officer of MB LLC. At the Group Level, he oversees the progress of subsidiary companies against their established strategies and leads, guides, and promotes operational excellence to maximize shareholder value. He also directs the corporate HR, Legal, Medical and Communication functions at MB LLC and guides their future direction.

Said holds a master's degree in business & Admin from the University of Wales Institute, Cardiff. His professional experience spans the public and private sectors in Oman and overseas. He is also the Chairman of Al Madina Investments SAOG (Muscat Securities Market) and Protection Group International (UK). Furthermore, he is a board director in Al Madina Takaful, a non-executive director in Turquoise Yachts, and sits on multiple MB Group Companies boards.

g) Dr. Yousuf Salim Al Hinai (Nationality: Omani)

Dr. Yousuf is a distinguished leader, strategist, and scholar with a diverse and impressive academic and professional journey. He holds a Doctor of Philosophy (PhD) in Information Systems from The University of Melbourne, Australia, MSc. in Information Technology from RIT, NY, USA, BSc. Information Systems from SQU, and more recently MSc. in Disaster Management (MSDM) with Distinction from Bournemouth University, UK .

Dr. Yousuf has many notable career achievements as a testament to his abilities as a strategic thinker and team leader. Having held various roles in academia (SQU), including Assistant Professor, Assistant Dean in the College of Business, and Dean of Student Affairs, he has demonstrated an exceptional ability to lead, strategize, and manage multifaceted responsibilities. In the corporate realm, Dr. Yousuf currently serves as the General Manager of ICT & Digital Solutions ,Business Unit (B2B) at Omantel. Additionally, he is serving as a Board Member and Audit Committee member for several organizations. Dr. Yousuf is one of the founders of the National Risk Register in Oman under the National Security Council, contributing to the establishment of Oman's first risk assessment organization. Beyond the work domains, Dr. Yousuf is actively engaged in voluntary and youth work .

In summary, Dr. Yousuf is a versatile professional with a rich background in academia, research, strategic planning, and community engagement. His dedication to knowledge, strategic thinking, and societal betterment exemplifies his commitment to making a meaningful impact in various spheres of life.

B THE BOARD OF DIRECTORS (continued)

Profile of the members of the Board of directors (continued)

h) Dr. Khalid Al Amri (Nationality: Omani)

Dr. Khalid Al Amri is the Advisor to the Board of Directors of the Company. Dr. Khalid has done his PhD in Financial Risk Management and Insurance (Major) and Finance (2nd Major) from the Temple University – Fox School of Business Philadelphia, USA. He is an MSc. in financial mathematics (Actuarial Science) from Boston University, USA and is currently a faculty member at the College of Economics and Political Science, Sultan Qaboos University.

C AUDIT COMMITTEE

The Audit Committee comprising of three non-executive members is constituted by the Board, out of which two are independent members to guide the Finance, Audit and Compliance functions and to ensure adherence to best practices.

The Audit Committee met four times during the year ended 31st December 2023, on 21st February 26th April 26th July, and 18th October.

The details of Audit Committee meetings attended and sitting fees paid during 2023 are as follows:

Name	Position	Meetings attended	Sitting Fees RO
Mr. Saleh Nasser Al Riyami	Chairman	4	3,200
Ms. Safana Mohammed Al Barwani	Member	4	3,200
Dr. Yousuf Salim Al Hinai	Member	4	3,200
Dr. Khalid Said Al Amri	Advisor	4	3,200

Audit Committee Functions

The Audit Committee undertakes its responsibilities in accordance with section I of chapter VII of the Regulation for Public Joint Stock Companies that issued as per decision No. (27/2021) dated 25 February 2021 and article No. (6) of the Code of Corporate Governance for Insurance Companies issued in Circular No. (7/T/2005) dated 1st August 2005 and in accordance with Appendix No. (2).

Terms of reference of the audit committee

1. Considering the name of the statutory auditor in context of their independence (particularly with reference to any other non-audit services), fees and terms of engagement and recommending its name to the board for putting before AGM for appointment.

2. Reviewing audit plan and results of the audit and as to whether auditors have full access to all relevant documents.

3. Checking financial fraud particularly fictitious and fraudulent portions of the financial statements. They should put in place an appropriate system to ensure the adoption of appropriate accounting policies and principles leading to fairness in financial statements.

4. Oversight of internal audit functions in general and with reference to reviewing of scope of internal audit plan for the year. Reviewing the report of internal auditors pertaining to critical areas like underwriting, settlement of claims, provisions of technical reserves (liabilities of policy holders) reinsurance management, solvency margin, investments etc. Reviewing the efficiency of internal auditing and reviewing whether internal auditors have full access to all relevant documents.

C AUDIT COMMITTEE (continued)

Terms of reference of the audit committee (continued)

5. Oversight of the adequacy of internal control systems as required by Article 5(11) of the Code for Corporate Governance, through the regular reports of the internal and external auditors. They may appoint external consultants if the need arises.
6. Oversight and review of the annual financial statements, returns and solvency margin computation required to be submitted to the CMA and prepared in accordance with the Insurance Companies Law and its regulations. The audit committee shall review the regulatory returns before submission to the CMA.
7. Review of the annual and quarterly accounts before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy and departure from AAOIFI Standards or International Financial Reporting Standards (IFRS), as applicable and non-compliance with disclosure requirements prescribed by the CMA should be critically reviewed.
8. Serving as channel of communication between external auditors, the board and the internal auditors and the board.
9. Reviewing risk management policies of the insurer as required by article 5 (3) of the Code for Corporate Governance of Insurance Companies.
10. Reviewing proposed specific transactions with the related parties for making suitable recommendations to the board.

D EXECUTIVE NOMINATION AND REMUNERATION COMMITTEE

The Executive Nomination and Remuneration Committee undertakes its responsibilities as per the Code of Corporate Governance for public listed companies.

The Committee held two meetings during the year 2023 on 22nd of February and 12th December 2023. The details of Executive Nomination and Remuneration Committee named members and paid sitting fees during 2023 are as follows:

Name	Position	Meetings	Sitting Fees RO
H.E. Dr. Mohammed Ali Al Barwani	Chairman	2	1,600
H.E Sh. Abdulrahman Mohammed Jabor Al Thani	Member	2	1,600
Eng. Abdulrahman Awadh Barham	Member	1	800
Mr. Said Saleh Al Jabri	Member	2	1,600

D EXECUTIVE NOMINATION AND REMUNERATION COMMITTEE (continued)

The main roles of the Executive Nomination and Remuneration Committee are as follows:

- To provide 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 and to monitor the performance of the business on an on-going basis.

- To review financial targets, Investment strategy, Investment performance, budgets, and forecasts before they are presented to the Board for sign-off and to ensure that the business is operating within the prescribed regulatory limits.

- To effectively manage Board and Board Committee appointments as required and to review the effectiveness of the Board on an annual basis. Further, the Committee are tasked with reviewing and approving any remuneration-based policy of the company including, and not limited to, senior management pay, company bonus schemes, company pay-rises, sales commission schemes, long term incentive plans and any changes to the HR policy.

- In performing its duties, the committee will maintain effective working relationships with the Board of Directors, the Company's management, the external and internal auditors.

- To perform their role effectively, each committee member will need to develop and maintain their skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations, and risks.

E SHARI'AH SUPERVISORY COMMITTEE

The Company's business activities are subject to the supervision of a Shari'ah Supervisory Committee (SSC) consisting of three members appointed by the shareholders of the Company. The SSC performs supervisory role to determine whether the operations of the Company are conducted in accordance with the Islamic Shari'ah rules and principles.

The Shari'ah Supervisory Committee met four times during the year ended 31st December 2023 on 14th February 30th April 23rd July and 19th October 2023.

The details of Shari'ah Supervisory Committee meetings attended and sitting fees paid during 2023 are as follows:

Name	Position	Meetings	Sitting Fees RO
Dr. Mohammed Daud Baker	Chairman	3	2,250
Sheikh Abdul Sattar Kattan	Vice Chairman	4	3,000
Dr. Amin Fateh	Executive Member	4	3,000

Shari'ah Supervisory Committee provides assurance that the accounting policies are in line with AAOIFI standards. The SSC also reviews the policies and procedures of the Company, Investment policies, financial statements, Re-Takaful arrangements and all other activities are in conformity with Islamic Shari'ah rules and principles.

F CORPORATE SOCIAL RESPONSIBILITY

The company places significant emphasis on sustainability and community engagement as key drivers. Employee involvement is at the forefront, fostering social awareness and active contribution to meaningful societal activities. Our initiatives align with the global United Nations Sustainability Goals, covering "environmental, social, and governance" aspects. Here are some key sustainability initiatives the company has taken:

- Internal CSR committee: the company has formed an internal committee to oversee effective sustainability programs and initiatives.
- Human Social Responsibility Training (HSR).
- Employees actively participate in HSR workshops, educating them on the UN's 17 sustainability goals, fostering awareness, and encouraging engagement in community-related activities.
- Employee Driven Community projects: the company has also engaged employees to participate in voluntary work and come up with social programs to support the community.
- Environmental initiative: The company has replaced plastic bottle usage within the company with environmentally friendly, reusable containers.
- Work life balance: Recognizing the importance of work-life balance, we've improved maternity benefits, allowing working mothers to leave work 2 hours earlier. This initiative aims to positively impact their lives and family time.
- Health and Safety Programs: promote health and safety awareness programs to selected groups of employees. This comes with our company direction towards providing safe and healthier work environment to the human capital.
- Healthcare Initiatives: Investing in healthcare facilities, upgrading the medical cards for all staff.
- Eco friendly and healthy chairs: The company have upgraded chairs to eco-friendly, ergonomic options for enhancing comfort and better blood circulation, aligning with our commitment to a healthier workplace.
- Corporate Social Responsibility Initiatives: A new initiative undertaken by a team of company employees; the initiative was to teach a group of teenage "mental disable" to determination to make artistic masterpieces.

All these sustainability initiatives are carefully aligned with our corporate governance and adhere to global ESG (Environmental, Social, Governance) standards. This comprehensive approach reflects our commitment to a responsible and impactful business model.

During the year 2023, the Company spent a total amount of RO 20,000 towards CSR activities. Out of which amount RO 4,000 (20% of total allocated budget for CSR activities) has been transferred to the Oman charitable organization as per CMA requirement.

G PROCESS OF NOMINATION OF DIRECTORS

The Company follows the process of Nomination and Election of the Board of Directors as governed by the provision contained in the Article of Association and Commercial Companies Law and its Executive Regulation.

H MANAGEMENT REMUNERATION MATTERS

The Company has appointed experienced and qualified professional managers as heads of departments. All employment is carried out based on a specific job profile and description. The goals of Chief Executive Officer (CEO) are set by the Board and based on these goals every department's manager is given well set out goals that are clearly measurable. The CEO in conjunction with the Human Resource department conducts performance reviews half yearly and annually to ensure that targets are met. The remuneration package incentives are decided based on performance. Every employee holds a valid employment contract, signed by self and the Company.

The contracts have been prepared in accordance with the guidelines issued by Ministry of Labor in the Omani Labor Law.

The gross remuneration paid during the year to the top 5 officers of the Company including salary and allowances amounted to RO 584,958 (Short term benefits RO 552,271 and Employee end of services benefit RO 32,687). The company does not offer any stock options to any of its directors or employees.

Profile of the Executive Management of the Company

a) Usama Al Barwani, Chief Executive Officer

Mr. Usama has Executive Diploma in Strategic Management & Leadership – CMI, U.K.; A Postgraduate Diploma in Human Resource Management – CABA, Canada; Professional Diploma Certificate in TQM – Kaizen Institute, Japan; Diploma Certificate in Information & Systems Management and a Diploma in Education. He is also a Certified Islamic Specialist in Islamic Insurance – CIBAFI and a Certified Compliance Officer – AAFM.

He has 30 years of experience in H.R., Education, and Management. He has played a vital role in Shariah consulting services to transform the Company's activities into Takaful based insurance.

b) Shakaib Mahmood, Deputy Chief Executive Officer

Mr. Shakaib is a Fellow Member of the Institute of Chartered Accountants of India. He also holds a bachelor's degree in law and a bachelor's degree in commerce. Mr. Shakaib has more than 30 years of experience of providing assurance and advisory services to the Insurance sector in Sultanate of Oman, including six years of work experience as CFO and Dy. CEO. Prior to joining the Company in 2017, he was working as an Empowered Director, with one of the International big four Audit and Advisory firms in Oman since 1992, wherein his responsibilities included, Assurance & Advisory services to Banking and Insurance sector, along with Risk Management and Quality control of the Firm at MESA level. He also acted as Head of Islamic Finance with the International Firm in Oman. He has extensive experience in the training of accountants and auditors. He has also provided his services as a Lecturer at Sultan Qaboos University for a couple of years, on behalf of his Firm. Shakaib has also provided advisory services to the Board of Directors of various listed entities in Oman.

He also acts as Chairman of various Board Committees and Non-Executive Independent Director on Board of a Regulated entity outside Sultanate of Oman.

I) AREAS OF NON-COMPLIANCE

During the past three years (2021, 2022 & 2023) there was no penalty imposed by CMA & MSX on the Company due to Non-Compliance.

The Company evaluates the Omanisation percentage on an annual basis and seeks to achieve the required percentages in each of the administrative levels.

J) MEANS OF COMMUNICATION WITH SHAREHOLDERS

As per the legal requirements, a notice is sent to the shareholders for the Annual General Meeting together with the annual audited financial statements including details of related party transactions (which are entered into on an arm's length basis) along with the Chairman's Report and management Discussion and Analysis Report. The nature and value of related party transactions are disclosed by way of a note to the financial statements.

The Company became a public joint stock company in December 2013. The quarterly results of the company are disclosed to the public through announcements in MSX website as per statutory requirements & Company's website (www.almadinatakaful.com).

K) MARKET PRICE DATA AND DISTRIBUTION OF HOLDINGS

Market price data

Shares of the Company have been listed on the Muscat Stock Exchange on 10th December 2013.

The market price data of the shares for the year 2023 is as given below.

Month	Company's Market price (Baiza)		MSM 30 Index		Financial sector Index	
	High	Low	High	Low	High	Low
Jan-23	91	90	4,750	4,701	7,635	7,540
Feb-23	90	89	4,753	4,682	7,672	7,581
Mar-23	86	85	4,868	4,840	7,786	7,744
Apr-23	86	85	4,735	4,712	7,681	7,597
May-23	85	84	4,636	4,592	7,581	7,510
Jun-23	86	85	4,777	4,751	7,831	7,797
July-23	85	84	4,783	4,756	7,827	7,776
Aug-23	88	85	4,799	4,746	7,831	7,722
Sep-23	84	84	4,703	4,649	7,689	7,590
Oct-23	85	85	4,556	4,536	7,418	7,403
Nov-23	84	83	4,678	4,646	7,614	7,561
Dec-23	84	84	4,514	4,470	7,447	7,303

Pattern of Shareholding

SHAREHOLDER	NO. OF SHARES	% HOLDING
1. Mohammed Al Barwani Holding Co. L.L.C.	45,250,001	25.86

K) MARKET PRICE DATA AND DISTRIBUTION OF HOLDINGS (continued)

Distribution of Shareholdings

Distribution of Shares	Number of shareholders	Number of shares	Percentage of total
1-50,000	1,574	13,025,777	7%
50001 – 100,000	94	6,883,377	4%
100,001 – 200,000	68	9,902,193	6%
200,001 – 500,000	46	14,405,053	8%
500,001 – 1,000,000	27	18,531,641	11%
1,000,001 – 5,000,000	21	48,561,042	28%
Above 5,000,000	4	63,690,917	36%
Grand Total	**1,834**	**175,000,000**	**100%**

L) DECLARATION BY THE BOARD OF DIRECTORS

We the board of directors hereby confirms that:

- The financial statements are prepared and presented in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Necessary policies and procedures are approved which are necessary for strategy implementation and smooth operational performance.
- Internal control system of the Company is efficient and adequate and complies with the internal rules and regulations of the Company; and
- There are no material matters which will affect the Company's ability to continue its operations in the coming financial years.

M) EXTERNAL QUALITY ASSESSMENT

In line with the requirements of Article 173 of CMA Decision 27/2021, the (Protiviti) internal Audit, Risk, Business, and technology consulting conducted External Quality Assessment Review of internal audit activity in the company. Based on the outcome of review, Internal audit activity generally conforms with the requirements. Some improvement opportunities were also identified as part of the review and have been highlighted in the report. The next quality assessment will take place in 4 years.

N) PROFILE OF THE STATUTORY AUDITORS -KPMG

The shareholders of the Company appointed KPMG as its auditors for 2023. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are five partners and five directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and has 273,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms.

During the year 2023, audit fees amounting to RO 31,000 were charged by the external auditors in respect of the services provided by them to the company. In addition, an amount of RO 1,475 was paid for other non-audit services which were provided by the external auditors during the year 2023.

For Al Madina Insurance Company SAOG

Al Madina Takaful

بسم الله الرحمن الرحيم

In the name of Allah,
The Most Merciful, the All Beneficent

The report of the Shari'ah Supervisory Committee of Al Madina Insurance (Takaful) For the year ended on 31 December 2023

Praises to Allah, the Almighty, Prayers and Peace be Upon the True Messenger, His Relatives and All His Companions.

To the Shareholders of Al Madina Insurance (Takaful):

Peace and Blessings be upon you and hereafter,

In compliance with our appointment to undertake the duties of Shari'ah supervision, and after observing the company's activities, businesses, and investments we hereby submit the following report:

The Shari'ah Supervisory Committee reviewed the procedures relating to the Takaful transactions and the applications introduced by the company for the year ended on 31 December 2023. The Committee has reviewed and confirmed the implementation of the principles and guidelines governing the relationship between the participants and shareholders in order to identify the rights of each side. Discussions took place with the Company's officers with regard to its items and the attached Notes.

The Committee gave its Shari'ah directives for Takaful transactions and answered the queries made by the management.

The management is responsible for ensuring that the company conducts it is business in accordance with Islamic Shari'ah Rules and principles. It is our responsibility for an independent opinion based on our review of the operations of the Company, and reports to
In our opinion:

1. The Contracts, transaction, policies and deals concluded by Al Madina during the year ended 31 December 2023, which we have reviewed, are in compliance with rulings and principles of Islamic Shari'ah
2. The surplus distribution, charging of losses and expenses to the participants and shareholders fully confirm with the principles established by ourselves in compliance with Shari'ah rules and principles.
3. The steps and actions were taking to spend any gains realized from prohibited sources or methods to charitable causes according to Charity Manual approved by us.
4. The calculations of Zakah is being calculated in compliance with Islamic Shari'ah rules and principles and as directed by the Shari'ah supervisory Committee. It should be noted that responsibility for payment of Zakah is undertake by the shareholders.

We pray to Allah the Almighty to grant the Company continuous success for purifying business transactions from suspicions and prohibitions.

Peace and Blessings be upon you
Wednesday 4 Shaaban 1445 AH corresponding to 14 February 2024

AL MADINA INSURANCE المدينة للتأمين
Sharia Supervisory Board لجنة الرقابة الشرعية

Chairman of the Shari'ah Supervisory Committee Sheikh Dr. Mohd Daud Bakar

AL MADINA INSURANCE COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Registered address:

P.O. Box 1805
Postal Code 130
South Al Khuwair, Bousher, Muscat
Sultanate of Oman

Principal place of business:

Third floor 301 and 302
Muscat Grand Mall
Ghubra, Muscat
Sultanate of Oman

AL MADINA INSURANCE COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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KPMG LLC
Children's Public Library Building
4th Floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
Tel. +968 24 749600, www.kpmg.com/om

Independent auditors' report

To the Shareholders of Al Madina Insurance Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Al Madina Insurance Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statement of participants' revenue and expenses, statement of comprehensive income, statement of changes in shareholders' equity, statement of changes in participants' fund, statement of cash flows and statement of sources and uses of funds in the charity fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and results of its operations, changes in participants' fund, changes in owners' equity, its cash flows, and charity fund for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Company has also complied with the Islamic Shariah Principles and Rules as determined by the Shariah Supervisory Committee of the Company during the year ended 31 December 2023.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CR No. 1358131
Tax Card No. 8063052

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of takaful liabilities

See Note 2.3.1, 3(a),3(c), 9 and 35(f) to the financial statements.

The key audit matter	How the matter was addressed in our audit
• Takaful liabilities represents 67.42% of the total liabilities of the Company. • Valuation of these liabilities involves significant judgement and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported ("IBNR") to the Company. IBNR is calculated by an independent qualified external actuary for the Company. • Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on profit or loss. The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business. The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating takaful reserves, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.	**Our response:** Our audit procedures supported by our actuarial specialists included: • evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and consider if the amount recorded in the financial statements is valued appropriately; • obtaining an understanding of and assessing the methodology and key assumptions applied by the management; • testing the completeness and accuracy of the data used in the calculation of IBNR reserve; • assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process; • checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and • assessing the Company's disclosure in relation to these liabilities including claims development table is appropriate.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of Directors' report and other sections which forms part of the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board of Directors are responsible for the Company's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Company's Shariah Supervisory Committee.

The Board of Directors are also responsible for the preparation and fair presentation of the financial statements in accordance with FAS and their presentation in compliance with the relevant requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ASIFIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, we report that financial statements of the Company as at and for the year ended 31 December 2023, comply, in all material respects, with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

Kenneth Macfarlane
25 February 2024

KPMG LLC

AL MADINA INSURANCE COMPANY SAOG
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		Shareholders' fund		Participants' fund						Grand total	
				General takaful		Family takaful		Total participants' fund			
	Note	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	**2022**
		RO	RO	**RO**	RO	**RO**	RO	**RO**	RO	**RO**	**RO**
ASSETS											
Cash and cash equivalents	*4*	**3,438,492**	1,043,047	**6,442,689**	5,196,834	**1,423,506**	430,625	**7,866,195**	5,627,459	**11,304,687**	6,670,506
Takaful balance receivable	*7*	-	-	**16,675,146**	17,214,787	**1,254,827**	953,717	**17,929,973**	18,168,504	**17,929,973**	18,168,504
Retakaful / reinsurance balance receivable	*7*	-	-	**4,339,418**	309,936	**351,244**	597,561	**4,690,662**	907,497	**4,690,662**	907,497
Receivable from participants' fund - family takaful		-	-	**937,133**	711,304	-	-	**937,133**	711,304	**937,133**	711,304
Receivable from participants' fund	*8*	**3,386,009**	2,743,573	-	-	-	-	-	-	**3,386,009**	2,743,573
Due from retakaful / reinsurance companies in connection with takaful liabilities	*9*	-	-	**51,315,760**	53,834,700	**2,013,685**	1,454,586	**53,329,445**	55,289,286	**53,329,445**	55,289,286
Deferred policy acquisition cost	*10*	**1,029,138**	780,483	**3**	164	-	-	**3**	164	**1,029,141**	780,647
Other receivables and takaful assets	*11*	**897,716**	602,830	**1,678,323**	2,147,944	**785,944**	633,607	**2,464,267**	2,781,551	**3,361,983**	3,384,381
Investments carried at fair value through profit or loss	*6*	**1,016,796**	857,080		-	-	-	-	-	**1,016,796**	857,080
Investments at fair value through equity	*12*	**1,755,180**	2,068,442	-	-	-	-	-	-	**1,755,180**	2,068,442
Investments carried at amortised cost	*13*	**2,569,366**	5,710,977	**848,981**	460,519	**100,000**	100,000	**948,981**	560,519	**3,518,347**	6,271,496
Bank deposits	*5*	**4,300,000**	4,300,000	**9,175,000**	12,897,500	**1,475,000**	1,475,000	**10,650,000**	14,372,500	**14,950,000**	18,672,500
Deferred tax asset	*14(f)*	**287,146**	299,137	-	-	-	-	-	-	**287,146**	299,137
Investment in real estate	*15*	**5,170,000**	5,170,000	-	-	-	-	-	-	**5,170,000**	5,170,000
Property and equipment	*16*	**572,233**	611,927	-	-	-	-	-	-	**572,233**	611,927
Total assets		**24,422,076**	24,187,496	**91,412,453**	92,773,688	**7,404,206**	5,645,096	**98,816,659**	98,418,784	**123,238,735**	122,606,280

The notes and other explanatory information on pages 14 to 57 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 5.

		Shareholders' fund		Participants' fund						Grand total	
LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY				General Takaful		Family Takaful		Total participants' fund			
	Note	**2023 RO**	2022 RO	**2023 RO**	2022 RO	**2023 RO**	2022 RO	**2023 RO**	2022 RO	**2023 RO**	2022 RO
LIABILITIES											
Takaful liabilities	9	-	-	**65,830,587**	66,228,713	**2,507,122**	1,803,877	**68,337,709**	68,032,590	**68,337,709**	68,032,590
Unearned retakaful commission	22	-	-	**110,104**	163,979	-	-	**110,104**	163,979	**110,104**	163,979
Retakaful/reinsurance payables		-	-	**14,561,206**	17,899,454	**683,190**	443,971	**15,244,396**	18,343,425	**15,244,396**	18,343,425
Accounts and other payables	23	**1,968,835**	1,725,552	**9,489,892**	7,398,630	**1,303,236**	1,170,808	**10,793,128**	8,569,438	**12,761,963**	10,294,990
Charity fund payable		**6,711**	21,738	-	-	-	-	-	-	**6,711**	21,738
Payable to shareholders	8(b)	-	-	**1,182,358**	902,896	**2,203,651**	1,840,677	**3,386,009**	2,743,573	**3,386,009**	2,743,573
Payable to participants' fund - general takaful		-	-	-	-	**937,133**	711,303	**937,133**	711,303	**937,133**	711,303
Employees' end of service benefits	21	**555,768**	510,630	-	-	-	-	-	-	**555,768**	510,630
Total liabilities		**2,531,314**	2,257,920	**91,174,147**	92,593,672	**7,634,332**	5,970,636	**98,808,479**	98,564,308	**101,339,793**	100,822,228
PARTICIPANTS' FUND											
Deficit in participants' fund net		-	-	**238,306**	180,016	**(230,126)**	(325,540)	**8,180**	(145,524)	**8,180**	(145,524)
Total participants' fund		-	-	**238,306**	180,016	**(230,126)**	(325,540)	**8,180**	(145,524)	**8,180**	(145,524)
SHAREHOLDERS' EQUITY											
Capital and reserves											
Share capital	17	**17,500,000**	17,500,000	-	-	-	-	-	-	**17,500,000**	17,500,000
Share premium	18	**1,380,151**	1,380,151	-	-	-	-	-	-	**1,380,151**	1,380,151
Legal reserve	19	**1,401,361**	1,273,697	-	-	-	-	-	-	**1,401,361**	1,273,697
Investment fair value reserve	12(c)	**225,000**	315,457	-	-	-	-	-	-	**225,000**	315,457
Retained earnings		**1,384,250**	1,460,271	-	-	-	-	-	-	**1,384,250**	1,460,271
Total shareholders' equity		**21,890,762**	21,929,576	-	-	-	-	-	-	**21,890,762**	21,929,576
Total liabilities, participants' fund and shareholders' equity		**24,422,076**	24,187,496	**91,412,453**	92,773,688	**7,404,206**	5,645,096	**98,816,659**	98,418,784	**123,238,735**	122,606,280
Net assets per share attributable to shareholders	29	**0.125**	0.125	-	-	-	-	-	-	-	-

The financial statements on pages 6 to 57 were approved and authorised for issue by the Board of Directors on 22 February 2024 and were signed on their behalf by:

Director | **Director**

The independent auditors' report is set out on pages 1 to 5.

AL MADINA INSURANCE COMPANY SAOG
STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2023

		General takaful		Family takaful		Total	
	Note	**2023**	2022	**2023**	2022	**2023**	2022
		RO	RO	**RO**	RO	**RO**	RO
Takaful revenues							
Gross contributions		**39,991,932**	41,618,371	**2,754,881**	3,089,856	**42,746,813**	44,708,227
Retakaful/reinsurance share		**(23,430,747)**	(26,922,425)	**(1,993,188)**	(2,388,809)	**(25,423,935)**	(29,311,234)
Retained contributions		**16,561,185**	14,695,946	**761,693**	701,047	**17,322,878**	15,396,993
Net movement in unearned contributions reserve		**(1,686,055)**	(171,198)	**(19,506)**	(11,167)	**(1,705,561)**	(182,365)
Net earned contributions		**14,875,130**	14,524,748	**742,187**	689,880	**15,617,317**	15,214,628
Income earned from retakaful contracts	*22*	**465,530**	428,957	**-**	-	**465,530**	428,957
		15,340,660	14,953,705	**742,187**	689,880	**16,082,847**	15,643,585
Takaful expenses							
Gross claims settled	*9(a)*	**(24,006,840)**	(16,108,163)	**(1,881,934)**	(2,299,947)	**(25,888,774)**	(18,408,110)
Claims recovered from retakaful/reinsurance	*9(a)*	**16,325,108**	7,294,103	**1,589,952**	1,959,880	**17,915,060**	9,253,983
Net claims settled		**(7,681,732)**	(8,814,060)	**(291,982)**	(340,067)	**(7,973,714)**	(9,154,127)
Net movement in outstanding claims		**(434,759)**	462,057	**(124,640)**	37,763	**(559,399)**	499,820
Net claims incurred		**(8,116,491)**	(8,352,003)	**(416,622)**	(302,304)	**(8,533,113)**	(8,654,307)
Commission expense	*10*	**(161)**	(13,547)	**-**	(724)	**(161)**	(14,271)
		(8,116,652)	(8,365,550)	**(416,622)**	(303,028)	**(8,533,274)**	(8,668,578)
Surplus from takaful operations		**7,224,008**	6,588,155	**325,565**	386,852	**7,549,573**	6,975,007
Fees and other income and Takaful expense	*24*	**(443,282)**	(131,122)	**204**	472	**(443,078)**	(130,650)
Provision for impairment of receivables	*7(b)*	**(105,000)**	(105,000)	**(15,000)**	(15,000)	**(120,000)**	(120,000)
Surplus from takaful operations before investment income, mudarib share and wakala fees		**6,675,726**	6,352,033	**310,769**	372,324	**6,986,495**	6,724,357
Investment income – net	*26(b)*	**624,334**	471,891	**84,171**	64,024	**708,505**	535,915
Mudarib share	*25*	**(343,384)**	(259,540)	**(46,294)**	(35,213)	**(389,678)**	(294,753)
Hibah from Shareholders to Policyholders	*41*	**1,100,000**	1,950,000	**160,000**	350,000	**1,260,000**	2,300,000
Wakala fees	*25*	**(7,998,386)**	(8,323,674)	**(413,232)**	(617,971)	**(8,411,618)**	(8,941,645)
Surplus for the year		**58,290**	190,710	**95,414**	133,164	**153,704**	323,874

The notes and other explanatory information on pages 14 to 57 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 5.

AL MADINA INSURANCE COMPANY SAOG

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Shareholders' fund 2023 RO	2022 RO
Wakala fees	*25*	**8,411,618**	8,941,645
Investment income – net	*26(b)*	**724,642**	830,861
Hibah from Shareholders to Policyholders	*41*	**(1,260,000)**	(2,300,000)
Mudarib share	*25*	**389,678**	294,753
		8,265,938	7,767,259
General and administrative expenses	*27*	**(4,651,293)**	(4,680,320)
Commission expenses	*10*	**(2,055,058)**	(1,773,977)
Other income		**355**	119
		(6,705,996)	(6,454,178)
Profit before taxation		**1,559,942**	1,313,081
Taxation	*14(a)*	**(283,299)**	(251,831)
Profit for the year		**1,276,643**	1,061,250
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of investments at fair value through equity	*12(c)*	**(106,554)**	(652,132)
Deferred tax impact directly charged to shareholders' equity	*14(f)*	**16,097**	104,124
Total other comprehensive income		**(90,457)**	(548,008)
Total comprehensive income for the year		**1,186,186**	513,242
Earnings per share attributable to shareholders - basic and diluted	*28*	**0.007**	0.006

The notes and other explanatory information on pages 14 to 57 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 5.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital RO	Share premium RO	Legal reserve RO	Investment fair value reserve RO	Retained earnings RO	Total RO
At 1 January 2023	**17,500,000**	**1,380,151**	**1,273,697**	**315,457**	**1,460,271**	**21,929,576**
Comprehensive income:						
Profit for the year	**-**	**-**	**-**	**-**	**1,276,643**	**1,276,643**
Other comprehensive income						
Net change in fair value of investments at fair value through equity [note 12(c)]	**-**	**-**	**-**	**(106,554)**	**-**	**(106,554)**
Deferred tax impact directly charged to shareholders' equity [note 12(c)]	**-**	**-**	**-**	**16,097**	**-**	**16,097**
Total other comprehensive income	**-**	**-**	**-**	**(90,457)**	**-**	**(90,457)**
Total comprehensive income for the year	**-**	**-**	**-**	**(90,457)**	**1,276,643**	**1,186,186**
Transactions with owner:						
Dividend paid during the year (note 30)	**-**	**-**	**-**	**-**	**(1,225,000)**	**(1,225,000)**
Transfer to legal reserve (note 19)	**-**	**-**	**127,664**	**-**	**(127,664)**	**-**
	-	**-**	**127,664**	**-**	**(1,352,664)**	**(1,225,000)**
At 31 December 2023	**17,500,000**	**1,380,151**	**1,401,361**	**225,000**	**1,384,250**	**21,890,762**
At 1 January 2022	17,500,000	1,380,151	1,167,573	863,465	1,817,645	22,728,834
Comprehensive income:						
Profit for the year	-	-	-	-	1,061,250	1,061,250
Other comprehensive income						
Net change in fair value of investments at fair value through equity [note 12(c)]	-	-	-	(652,132)	-	(652,132)
Impairment loss on investment at fair value through equity reclassified to profit or loss						
Loss on revaluation of investment in real estate (note 15)						
Deferred tax impact directly charged to shareholders' equity [note 12(c)]	-	-	-	104,124	-	104,124
Total other comprehensive income	-	-	-	(548,008)	-	(548,008)
Total comprehensive income for the year	-	-	-	(548,008)	1,061,250	513,242
Transactions with owner:						
Dividend paid during the year (note 30)	-	-	-	-	(1,312,500)	(1,312,500)
Transfer to legal reserve (note 19)	-	-	106,124	-	(106,124)	-
	-	-	106,124	-	(1,418,624)	(1,312,500)
At 31 December 2022	17,500,000	1,380,151	1,273,697	315,457	1,460,271	21,929,576

The notes and other explanatory information on pages 14 to 57 form an integral part of these financial statements.

STATEMENT OF CHANGES IN PARTICIPANTS' FUND
FOR THE YEAR ENDED 31 DECEMBER 2023

	Deficit in participants' fund		Total
	General takaful	Family takaful	
	RO	RO	RO
At 1 January 2023	**180,016**	**(325,540)**	**(145,524)**
Surplus for the year	**58,290**	**95,414**	**153,704**
At 31 December 2023	**238,306**	**(230,126)**	**8,180**
At 1 January 2022	(10,694)	(458,704)	(469,398)
Surplus for the year	190,710	133,164	323,874
At 31 December 2022	180,016	(325,540)	(145,524)

The notes and other explanatory information on pages 14 to 57 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023**	2022
		RO	RO
Cash flows from operating activities			
Profit before tax for the year		**1,559,942**	1,313,081
Net Surplus from takaful operations		**153,704**	323,874
		1,713,646	1,636,955
Adjustments for:			
Depreciation	*16*	**117,274**	122,534
Dividend income	*26*	**(110,048)**	(95,486)
Profit on wakala deposits	*26*	**(906,287)**	(697,039)
Profit on the Mudarbah investment	*26*	**(33,493)**	(25,000)
Profit from investments carried at amortised cost	*26*	**(358,037)**	(409,075)
End of service benefits charge for the year	*27(a)*	**63,150**	95,733
Rental income from investment in real estate	*26*	**(304,648)**	(299,561)
Fair value loss on investments carried at fair value through profit or loss	*26*	**199,709**	102,047
Provision for impairment of receivables	*7(b)*	**120,000**	120,000
Realised gain on sale of investments – net	*26*	**(70,598)**	(11,035)
Purification charges		**5,736**	19,435
		436,404	559,508
Tax paid	*14(e)*	**(235,305)**	(282,454)
Donation paid		**(20,763)**	(4,024)
Payment of end of service benefits	*21*	**(18,012)**	(157,186)
Operating cash flows before working capital changes		**162,324**	115,844
Working capital changes:			
Takaful and retakaful / reinsurance balance receivables		**(3,664,634)**	(2,057,382)
Due from retakaful / reinsurance companies in connection with takaful liabilities		**1,959,841**	7,022,973
Other receivables and takaful assets		**37,556**	(813,329)
Deferred policy acquisition cost		**(248,494)**	9,868
Takaful liabilities		**305,119**	(7,340,428)
Accounts and other payables		**2,447,064**	3,386,814
Retakaful / reinsurance payables		**(3,099,028)**	5,528,092
Unearned retakaful commission		**(53,875)**	1,571
Net cash (used in) / generated from operating activities		**(2,154,125)**	5,854,023
Cash flows from investing activities			
Purchase of property and equipment	*16*	**(77,580)**	(48,369)
Purchase of investments carried at fair value through equity	*12(a)*	**(36,486)**	(453,950)
Purchase of investments carried at amortised cost	*13*	**(2,365,321)**	(1,421,432)
Purchase of investments fair value through profit or loss	*6(b)*	**(786,529)**	(140,995)
Proceeds from disposal of investments at fair value through profit or loss	*6(b)*	**444,133**	445,206
Proceeds from disposal of investments carried at fair value through equity	*12(a)*	**273,944**	-
Proceeds from disposal of investments carried at amortised cost		**5,141,289**	1,478,638
Movement in bank deposits		**3,722,500**	(6,222,500)
Rent received from investment property		**388,204**	175,373
Profit received from Bank Deposit and Sukuks		**1,199,103**	955,352
Dividends received	*26*	**110,048**	95,486
Net cash generated / (used in) from investing activities		**8,013,306**	(5,137,191)
Cash flow from financing activity			
Dividends paid	*30*	**(1,225,000)**	(1,312,500)
Net change in cash and cash equivalents		**4,634,181**	(595,668)
Cash and cash equivalents at the beginning of the year	*31*	**6,670,506**	7,266,174
Cash and cash equivalents at the end of the year	*31*	**11,304,687**	6,670,506

The notes and other explanatory information on pages 16 to 57 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 5.

STATEMENT OF SOURCES AND USES OF FUNDS IN THE CHARITY FUND
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 RO	2022 RO
At 1 January		**21,738**	6,327
Payment made during the year		**(20,763)**	(4,024)
Purification charges during the year	*26(a)*	**5,736**	19,435
At 31 December	*40*	**6,711**	21,738

The notes and other explanatory information on pages 14 to 57 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 5.

1 Legal status and principal activities

Al Madina Insurance Company SAOG (the "Company") was incorporated on 15 May 2006 as a closed joint stock company in the Sultanate of Oman. On 10 December 2013, the Company became a public joint stock company. The Company operates in Oman and is engaged in the business of General and Family Takaful activities and investments by adopting wakala and mudaraba models respectively, on behalf of the participants in accordance with the Islamic Shari'ah rules and principles. The retakaful / reinsurance activities are organised on an underwriting year basis with the participants pooling their contributions to compensate for losses suffered in the pool on occurrence of a defined event.

The Company commenced commercial operations from 1 August 2006. The Company was granted license from Capital Market Authority (CMA) on 15 July 2006. The Company started Takaful operations on 1 January 2014 after being granted the Takaful license by the CMA. The Company has 8 branches in the Sultanate of Oman (2022: 9).

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) These financial statements for the year ended 31 December 2023 have been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), applicable requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman and comply with the relevant disclosure requirements of the Capital Market Authority. For the matters which are not covered by AAOIFI standards, International Financial Reporting Standards (IFRS) have been applied.

(b) These financial statements have been prepared using historical cost convention except for investments carried at fair value through profit or loss, investments at fair value through equity and investment in real estate which are measured at fair value. The preparation of financial statements in conformity with applicable standards 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 these financial statements are disclosed in note 3.

(c) Functional and presentation currency

The financial statements are presented in Rials Omani, which is the Company's functional and presentation currency.

(d) New standards, amendments and interpretations effective from 1 January 2023

During the year, the Company applied the following standard and amendment to standards in preparation of these financial statements. The adoption of the below standard and amendment to standards did not result in changes to previously reported net profit or equity of the Company, however, may result in additional disclosures at year end.

(i) *<u>FAS 39 Financial Reporting for Zakah (effective 1 January 2023):</u>*

The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution and provides guidance on two main categories of institutions namely "institutions obliged to pay Zakah" and "institutions not obliged to pay Zakah". This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as relevant.

2 Summary of significant accounting policies *(continued)*

2.2 Takaful operations

The Company issues contracts that are based on co-operative activity by risk sharing. The Company classifies all its contracts as takaful contracts.

Takaful is a system where policyholders commit to donate all or part of the contributions to the takaful fund for paying the actual damages or to compensate any policyholder on occurrence of the insured risks according to the terms and conditions of the takaful contract. The Company's role, acting as agent (takaful operator), is limited to managing the takaful operations and investment of the assets of the takaful fund in compliance with Shari'ah rules and principles.

2.3 Takaful and retakaful / reinsurance contracts

2.3.1 Takaful contracts

(a) Recognition and measurement

Takaful contracts are classified into two main categories, short term and long term takaful contracts.

Short term takaful contracts

For all the short term contracts, contributions are recognised as revenue (earned contributions). A proportion of net retained contribution is provided as 'unearned contribution reserve' to cover portions of risks which have not expired at the statement of financial position date. Unearned contribution reserve is calculated by using 1/365 method of the net retained contributions for the year for all classes of takaful business as required by Capital Market Authority.

Claim and loss adjustment expenses are charged to the statement of participants' revenue and expenses as incurred based on the estimated liability for compensation owed to contract holders or third parties affected by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analysis for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Long term takaful contracts

Contributions are recognised as revenue when they become payable by the contract holder. Contributions are shown before deduction of income from retakaful contracts.

A proportion of net retained contribution is provided as 'unearned contribution reserve' to cover portions of risks which have not expired at the statement of financial position date. Unearned contribution reserve is calculated by using 1/365 method of the net retained contributions for the year for all classes of takaful business as required by Capital Market Authority.

Benefits payable to contract holders are recorded as an expense when they are incurred.

(b) Deferred policy acquisition costs

The costs attributable to the acquisition of new business and renewing existing contracts are capitalised as an intangible asset under deferred acquisition costs. All other costs are recognised as expenses when incurred. The expense is subsequently amortised over the life of the contracts as contribution is earned. The deferred policy acquisition cost is calculated using 1/365 method of the total commission expense for the year for general and family takaful business.

(c) Unearned retakaful income

The income from retakaful contracts attributable to the retakaful ceded contributions are deferred and classified as unearned retakaful income which is subsequently amortised over the life of the retakaful contracts as retakaful ceded contribution is expensed. Unearned retakaful commission is calculated using 1/365 method of the retakaful commission income for the year for general and family takaful business.

2 Summary of significant accounting policies *(continued)*

2.3 Takaful and retakaful / reinsurance contracts *(continued)*

2.3.1 Takaful contracts *(continued)*

(d) Liability adequacy test

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

(e) 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 the statement of participants' revenue and expenses 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, is recognised based on Actuarial valuation report on incurred but not reported (IBNR) at the date of the statement of financial position. 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 account for that year.

The Company may sell the salvaged vehicle or property to recover a part of the claim cost. The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included under other assets based on estimates through a tender mechanism. Subrogation reimbursements are also recognised under other assets based on the assessment of the amount that can reasonably be recovered from the action against the liable third party.

2.3.2 Retakaful / reinsurance contracts held

In order to minimise financial exposure, the Company enters into agreements with other parties for retakaful / reinsurance purposes. Under retakaful / reinsurance contracts, the Company is compensated for losses on one or more takaful contracts issued by the Company. Takaful contracts entered into by the Company under which the contract holder is another takaful company (inwards retakaful / reinsurance) are included within takaful contracts.

The benefits to which the Company is entitled under its retakaful / reinsurance contracts held are recognised as retakaful / reinsurance assets. These assets consist of short-term balances due from retakaful / reinsurance (classified within Retakaful / reinsurance balances receivable), as well as the retakaful / reinsurance portion of gross claims outstanding including IBNR and unearned contribution reserve that are dependent on the expected claims and benefits arising under the related retakaful / reinsurance contracts. Amounts recoverable from or due to retakaful / reinsurance are measured consistently with the amounts associated with the retakaful / reinsurance contracts and in accordance with the terms of each retakaful / reinsurance contract. Retakaful / reinsurance liabilities are primarily contributions payable for retakaful / reinsurance contracts.

The Company assesses its retakaful / reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the retakaful / reinsurance asset is impaired, the Company reduces the carrying amount of the retakaful / reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a retakaful / reinsurance asset is impaired using the same process adopted for takaful balances receivable. The impairment loss is also calculated following the same method used for these financial assets.

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as investments at fair value through equity, are included in other comprehensive income.

2.5 Revenue and income recognition

(a) Gross contributions

Gross contributions represent the total business written during the year and are recognised as revenue (contributions) at the time of entering into the takaful contract. A proportion of net retained contribution is provided as 'unearned contribution reserve' to cover portions of risks which have not expired at the statement of financial position date. In certain circumstances, the Company or the policyholder may cancel takaful contract and contribution refund is made as per the terms and conditions agreed with the policyholder and the local laws and regulations.

(b) Wakala fees and mudarib share

Wakala fees and mudarib share are recognised when the right to receive is established and are measured by applying a percentage approved by the Board of Directors and the Shari'ah Supervisory Committee to the gross contributions and income generated by participants' fund respectively.

(c) Income earned from retakaful contracts

Income earned from retakaful contracts is recognised at the time when takaful contracts are written. The amounts received by the Company from conventional reinsurance companies is treated as premium discounts and is accordingly netted off from reinsurance share of gross contributions.

(d) Investment income

Profit from investments carried at amortised cost, bank deposits and Murabaha deposit is recognised on a time proportion basis using effective profit method.

(e) Rental income

Rental income is recognised on accrual basis.

(f) Dividends

Dividends are recognised as income when the Company's right to receive the payment is established.

2 Summary of significant accounting policies *(continued)*

2.6 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to 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 recognised in respect of 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.

2.7 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:

Buildings	20 years
Leasehold improvements	3-5 years
Office furniture and equipment	3-5 years
Motor vehicles	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 results.

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.

2.8 Investment in real estate

Property that is held for rental yields or for capital appreciation or both, and that is not occupied by the Company is classified as investment in real estate.

Investment in real estate comprises residential and commercial building and the land on which it is constructed. After initial recognition, investment in real estate is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are carried out by third party property valuation consultant who has the necessary experience and qualifications to perform such valuations.

The fair value of investment in real estate assuming full possession reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

2 Summary of significant accounting policies *(continued)*

2.8 Investment in real estate *(continued)*

Subsequent expenditure is charged to the asset's carrying amount 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 costs are charged to the statement of comprehensive income during the financial year in which they are incurred.

Gains arising from change in fair value of investment in real estate is recognised directly in equity under 'property fair value reserve'. Losses resulting from fair valuation of investment in real estate are adjusted in equity against property fair value reserve to the extent of available credit balance of this reserve. In case such losses exceed the available balance, the losses are recognised in the statement of comprehensive income. If there are losses relating to investment in real estate that have been recognised in the statement of comprehensive income in a prior period, the gains relating to current financial period are recognised in the statement of comprehensive income to the extent of crediting back such previously recognised losses.

If an investment in real estate becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. Investment in real estate under construction is measured at fair value if the fair value is considered to be reliably determinable.

The fair value of investment in real estate is determined by independent professional property valuation consultant. The basis of valuation was open market rate represented by the best price for which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of the valuation.

Investment in real estate is derecognised on disposal or where it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain/loss on disposal of investment in real estate is recognised in statement of comprehensive income and is determined as the difference between the net disposal proceeds and the carrying amount of the asset after adjusting the available balance on the property fair value reserve account attributable to the asset disposed.

2.9 Financial instruments

The Company classifies its financial assets in the following categories: investments carried at fair value through profit or loss, investments at fair value through equity, investments carried at amortised cost and advance and receivables. Management determines the classification of its investments at initial recognition. Investments out of shareholders' fund are approved by investment executive committee.

(a) Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss are investments held for trading. Investments held for trading 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 investments carried at fair value through profit or loss are expensed as incurred.

Investments carried at fair value through profit or loss are subsequently carried at fair value. The fair value of investments carried at fair value through profit or loss 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 investments carried at fair value through profit or loss category are included in the statement of comprehensive income in the year 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 year in which they arise.

Dividend income from investments carried at fair value through profit or loss is recognised in the statement of comprehensive income when the Company's right to receive payments is established.

The fair value of investments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

2 Summary of significant accounting policies *(continued)*

2.9 Financial instruments *(continued)*

(b) Investments at fair value through equity

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

The fair value of investments at fair value through equity 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.

The Company follows guidance of AAOIFI standards to determine when investments carried at fair value through equity are 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.

(c) Investments carried at amortised cost

Investments which have fixed or determinable payments and where the Company has both the intent and ability to hold to maturity are classified as investments carried at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such instruments is recognised in the statement of comprehensive income when the instruments are de-recognised or impaired.

(d) Advances and receivables

Advances 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. Advances 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 profit method, less provision for impairment. Qard hassan (receivable from participants) is profit free advances and accordingly no effective profit method will apply. The Company's advances and receivables comprise of 'takaful balance receivable, retakaful / reinsurance balance receivable, bank deposits, cash and bank balances, other receivables and takaful assets' in the statement of financial position.

Reclassification

The Company reclassifies its financial assets in case its intention relating to the holding of investments changes. The Company measures the financial asset that have been reclassified from one category to the other at fair value. Subsequently, the Company applies the accounting policy relating to the category to which the financial asset were reclassified.

Derecognition

Investments 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.

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 or sell 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.

2 Summary of significant accounting policies *(continued)*

2.9 Financial instruments *(continued)*

Financial liabilities

Financial liabilities are measured at amortised cost using effective profit rate. The financial liabilities of the Company comprise of takaful liabilities, deferred income from retakaful contracts, payable to retakaful / reinsurance and accounts and other payables.

2.10 Impairment and un-collectability of financial assets

(a) Investments at fair value through equity

The Company assesses at the end of each reporting year whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as investments at fair value through equity, 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 investments at fair value through equity, 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 equity instruments are not reversed through the statement of comprehensive income.

(b) Assets carried at amortised cost

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, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of comprehensive income.

A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in profit or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; and,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets, including adverse changes in the payment status of borrowers, or national or local economic conditions that correlate with defaults on the assets.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For advances and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

2 Summary of significant accounting policies *(continued)*

2.11 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.

2.12 Impairment of 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 specific 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.

2.13 Takaful balances receivable

Takaful balances receivable are initially recognised at fair value less impairment losses. A provision for impairment of takaful balances receivable 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 takaful balances receivable are 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 profit rate. The amount of any provision is recognised in the statement of participants’ revenue and expenses. Subsequent recoveries of amounts for which provision is created in prior periods are credited in the statement of participants’ revenue and expenses.

2.14 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 subject to insignificant risk of change in fair value.

2.15 Legal reserve

In accordance with the Commercial Companies Law of Oman 2019, annual appropriations of 10% of the profit for the year are made to the legal reserve until the accumulated balance of the reserve is equal to one third of the of the Company’s paid up share capital.

Reserve is reviewed and transferred on a yearly basis.

2.16 Employees’ end of service benefits and leave entitlements

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 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.

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

2 Summary of significant accounting policies *(continued)*

2.17 Accounts and other payables

Accounts and other payables are initially measured at fair value and subsequently carried at amortised cost using the effective profit method. Liabilities are recognised for amount to be paid for goods or services received, whether or not billed to the Company.

2.18 Directors' remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority.

The Annual General Meeting shall approve the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed RO 300,000 for Companies that realized net profit equal to or exceeding the profit realized in the previous financial year and has no accumulated losses in the capital and shall not exceed RO 150,000 for the company that realized net profit less than the profits realized in the previous financial year and no losses in the capital, and the sitting fees for each Director shall not exceed RO 10,000 in one year according to the Executive Regulations for Public Joint Stock Companies that issued by the CMA on February 2021.

2.19 Earnings per share

The Company presents basic and diluted 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.20 Provisions

Provisions are recognised in the statement of financial position when the Company has a present (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.

2.21 Dividend and underwriting surplus distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements only in the year in which the dividends are approved by the Company's shareholders.

The Company operates in accordance with Shari'ah principles as a result, the net surplus from the operations of the takaful fund is attributable to policyholders in accordance with the terms and conditions of takaful contracts acquired by the policyholder. Any surplus distribution to the policyholders is done based on the advice of the Shari'ah Supervisory Committee.

2.22 Earnings prohibited by Shari'ah

The Company is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a separate account where the Company uses these funds based on advice from Shari'ah Supervisory Committee.

2.23 Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's shareholders), head office expenses, and income tax assets and liabilities.

2 Summary of significant accounting policies *(continued)*

2.24 Qard hassan

In the event of deficit in the participants' fund, the shareholders may cover the deficit in the participants' fund by granting an profit free advance i.e. Qard Hassan to the participants' fund. This will be repaid by the participants from the surpluses in subsequent periods.

2.25 Hibah

The Company may provide Hibah as other form of financial support to rectify the deficiency in the participants' fund that is an underwriting takaful risk fund, by a way of actual transfer of assets from shareholders fund to participants takaful fund with no obligation on the participants' takaful fund for the repayment of it to the shareholders' fund.

2.26 New standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued by AAOIFI, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

i) FAS 40 Financial Reporting for Islamic Financing Windows

This standard requires conventional financial institutions offering Islamic financial services through an Islamic financing window to prepare and present the financial statements of Islamic finance window in line with the requirements of this standard, read with other AAOIFI FAS's. This standard provides principles of financial reporting including the presentation and disclosure requirements applicable to Islamic finance windows.

This standard supersedes FAS 18 – Islamic financial services offered by Conventional Financial Institutions and is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt. This standard is not expected to have impact on the financial statements of the Company.

ii) FAS 1 General Presentation and Disclosures in the Financial Statements

This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:
a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
b) Definition of Quassi equity is introduced;
c) Definitions have been modified and improved;
d) Concept of comprehensive income has been introduced;
e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
f) Disclosure of Zakah and Charity have been relocated to the notes;
g) True and fair override has been introduced;
h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
i) Disclosures of related parties, subsequent events and going concern have been improved;
j) Improvement in reporting for foreign currency, segment reporting;
k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendments to other AAOIFI FAS's; and
l) The illustrative financial statements are not part of this standard and will be issued separately.

The Company is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its financial statements in line with the wider market practice.

2 Summary of significant accounting policies *(continued)*

2.26 New standards, amendments and interpretations issued but not yet effective *(continued)*

iii) FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model. This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement. This standard supersedes the existing FAS 12 General presentation and disclosures in the financial statements of Islamic Insurance Companies and introduces following key changes:

a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
b) the presentation and disclosure in the standard have been amended to be aligned with the Sharia principles and rules relating to Takaful, whereby the Takaful operator is distinct from the participants' funds (including participants' Takaful fund (PTF) and participants' investment fund (PIF));
c) the PTF and PIF are considered to be off-balance sheet assets under management, therefore, separate from the Takaful Operator;
d) statements for the managed PTF and managed PIF have been introduced, including separate statements for financial position and financial activities of the managed PTF;
e) disclosures of Zakah, Charity and Qard funds have been relocated to the notes to the financial statements in line with FAS 1; and
f) new definitions of Takaful, Takaful institution, Takaful operator, PIF and PTF have been introduced.

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations and is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

iv) FAS 45 Quasi-Equity (Including Investment Accounts)

Quasi-equity (Including Investment Accounts)" aims to prescribe the principles of financial reporting related to instruments classified as quasi-equity, such as investment accounts and similar instruments invested with the Islamic financial institutions. The standard improves upon and enhances the requirements related to quasi-equity, as contained in the earlier FAS 27 "Investment Accounts" and better aligns with the "AAOIFI Conceptual Framework for Financial Reporting " and FAS 1 "General Presentation and Disclosures in the Financial Statements.

v) FAS 46 Off-Balance-Sheet Assets Under Management

Off-Balance-Sheet Assets Under Management" establishes the principles of financial reporting related to off-balance-sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting", and improves upon and enhances the requirements of the earlier standard.

vi) FAS 47 Transfer of Assets between Investment Pools

Transfer of Assets Between Investment Pools" supersedes and intends to improve upon the earlier FAS 21 "Disclosure on Transfer of Assets". Its objective is to prescribe the financial reporting principles and disclosure requirements applicable to all transfers of assets between investment pools related to (and where material, between significant categories of) owners' equity, quasi-equity and off-balance-sheet assets under management of an Islamic financial institution. It requires adoption and consistent application of accounting policies for such transfers in line with Shari'ah principles and rules and describes general disclosure requirements in this respect, for improved transparency.

2 Summary of significant accounting policies *(continued)*

2.26 New standards, amendments and interpretations issued but not yet effective *(continued)*

vii) FAS 43 Accounting for Takaful Recognition and Measurement

This standard supersedes the following FAS; FAS 13 – Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Insurance Companies; FAS 15 – Provisions and Reserves in Islamic Insurance Companies and FAS 19 – Contributions in Islamic Insurance Companies introduces following key changes:

a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
b) the principal accounting treatments in respect of Takaful arrangements have been aligned with the globally generally accepted accounting principles and newer regulatory requirements (where applicable);
c) new accounting treatments have been introduced in respect of matters which were not addressed or superseded standards or were not in line with the global best practices, particularly with regard to the accounting for provisions (or liability, as appropriate) for Takaful arrangements and accounting treatment and presentation for the investment component;
d) accounting treatments mapped in the standard are mapped to the Sharia principles and rules relating to Takaful, including the rights and obligations of respective stakeholders of Takaful arrangements;
e) new definitions for the accounting terms in respect of the newly introduced accounting treatments, as well as, improved definitions for earlier used terms, have been incorporated; and
f) accounting treatments respect to ancillary transactions have been introduced, particularly the transactions and balances between various stakeholders of Takaful institutions, eg. Accounting for Wakala fees an Qard Hassan.

Under the transitional provisions of this standard, following approaches are prescribed upon first time adoption:

1) A full retrospective approach – whereby the effects of transition shall be incorporated from the beginning of the earliest period presented in the financial statements; however, the disclosure of the effect of such adoption in each line item and to the basic and diluted earnings per share shall not be mandatory; or

2) A modified retrospective approach – whereby effects of transition shall be taken to retained earnings, as well as accumulated surplus or deficit in the respective Takaful funds at the beginning of the current financial period; or

3) A fair value option – whereby the Takaful residual margin or loss component of the provision for the remaining entitlement period, at the transition date (beginning of the current period) shall be determined as the difference between fair value of Takaful arrangements at that date and the fair value of the fulfilment cashflows measured at that date, and the corresponding effects shall be adjusted in the retained earnings of Takaful institution, as well as accumulated surplus or deficit in the respective Takaful funds.

This standard shall apply to Takaful institutions (including in their capacity of being Takaful operators) and their managed participants' Takaful fund (PTF) and managed participants investment funds (PIF) in respect of the following, a) Takaful arrangements, including re-Takaful arrangements issued; b) re-Takaful arrangements held; c) investment contracts with or without discretionary features that are issued along with, and part of, the Takaful arrangements; and d) ancillary transactions related to Takaful operations. This standard is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

3 Critical accounting estimates and judgements

In the preparation of financial statements and application of the accounting policies mentioned in note 2, management is required 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.

3 Critical accounting estimates and judgements *(continued)*

(a) Outstanding claims

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 IBNR claims, is that of using past claims settlement trend to predict future claims settlement trends. The computation of IBNR is done using the services of independent actuary. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General takaful claims provisions are not discounted for the time value of money.

(b) Impairment of receivables

An estimate of the collectible amount of takaful and retakaful / reinsurance balances receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied on the basis of length of time past due and/or qualitative factors, based on historical recovery rates.

(c) Mathematical reserve

The determination of the liabilities under long-term insurance contracts (mathematical reserve) is dependent on estimates made by the management through appointing an independent actuary. Estimates are made as to the expected number of deaths for each of the periods in which the Company is exposed to risk. The Company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. The estimated number of deaths allowing for discounting at the valuation rate of discount determines the present value of the benefit payments and the present value of the future premiums, the difference between the two being the reserve required at the valuation date. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk.

4 Cash and Cash equivalents

	Shareholders	**Participants**		
		General	**Family**	**Total**
2023	**RO**	**RO**	**RO**	**RO**
Cash at bank in current accounts	**2,726,331**	**1,872,612**	**23,986**	**1,896,598**
Cash at bank in call accounts	**66,809**	**4,567,389**	**1,399,520**	**5,966,909**
Cash balances with investment managers	**640,760**	**-**	**-**	**-**
Cash in hand	**4,592**	**2,688**	**-**	**2,688**
	3,438,492	**6,442,689**	**1,423,506**	**7,866,195**
2022	RO	RO	RO	RO
Cash at bank in current accounts	45,811	2,151,204	6,305	2,157,509
Cash at bank in call accounts	170,057	2,995,977	424,320	3,420,297
Cash balances with investment managers	823,156	48,705	-	48,705
Cash in hand	4,023	948	-	948
	1,043,047	5,196,834	430,625	5,627,459

The Company has call accounts with Islamic banks in the Sultanate of Oman with profit rate of 2.5% per annum (2022 – 2.5% per annum). The above cash and bank balances include restricted cash for margin deposit for tender bonds amounting to RO 55,245 (2022 – RO 30,754).

5 Bank deposits

	Shareholders	Participants		
		General	Family	Total
2023	**RO**	**RO**	**RO**	**RO**
Bank deposits with maturity of more than three months	**4,300,000**	**9,175,000**	**1,475,000**	**10,650,000**
2022	RO	RO	RO	RO
Bank deposits with maturity of more than three months	4,300,000	12,897,500	1,475,000	14,372,500

5.1 Bank deposits carry profit rates in range of 4.5% to 5.9% per annum (2022 – 4.5% to 5.1% per annum).

5.2 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific bank deposits with carrying value of RO 11,850,000 (2022 – RO 7,600,000) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

5.3 The Company has kept a deposit of RO 50,000 (2022 – RO 50,000) which is under lien with Omani Unified Bureau for Orange Card Company SAOC in the Sultanate of Oman, against settlement of claims.

6 Investments carried at fair value through profit or loss

	Shareholders		Shareholders	
	2023		2022	
	Fair value	**Cost**	Fair value	Cost
Local quoted	**RO**	**RO**	RO	RO
Service sector	**287,716**	**293,060**	112,090	122,404
Industrial sector	**729,080**	**923,445**	744,990	836,723
	1,016,796	**1,216,505**	857,080	959,127

(a) At 31 December 2023, the financial assets at fair value through profit or loss are measured using level 1 of fair value hierarchy. The investments classified as ‘investment carried at fair value through profit or loss’ include equity securities.

(b) Movement in investments at fair value through profit or loss is as follows:

	Shareholders	
	2023	2022
	RO	RO
At 1 January	**857,080**	1,252,303
Purchases during the year	**786,529**	140,995
Disposals during the year	**(444,133)**	(445,206)
Realised gain on disposal (note 26)	**17,029**	11,035
Net change in fair value (note 26)	**(199,709)**	(102,047)
At 31 December	**1,016,796**	857,080

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

(c) Details of the Company's investments carried at fair value through profit or loss for which the Company's holding exceeds 15% of the fair value of investments held at fair value through profit or loss at 31 December are:

	% of Portfolio	Number of Securities	Fair value RO	Cost RO
2023				
OQ Gas Networks	**29**	**1,918,839**	**293,582**	**268,637**
Dubai Electricity & Water Authority Pjsc	**27**	**1,043,000**	**269,920**	**268,343**

	% of Portfolio	Number of Securities	Fair value RO	Cost RO
2022				
Salalah Mill Company SAOG	26	256,556	221,664	282,212
Al Maha Ceramic Company SAOG	30	587,443	256,125	262,000
Oman Refreshment Company SAOG	15	76,978	127,399	134,712

7 Takaful and retakaful / reinsurance balance receivable

	Participants		
	General RO	Family RO	Total RO
2023			
Takaful receivable including due from related parties	**18,339,599**	**1,349,572**	**19,689,171**
Less: specific and portfolio provision for impairment	**(1,664,453)**	**(94,745)**	**(1,759,198)**
	16,675,146	**1,254,827**	**17,929,973**
Retakaful / reinsurance balances receivable	**4,645,007**	**372,109**	**5,017,116**
Less: specific and portfolio provision for impairment	**(305,589)**	**(20,865)**	**(326,454)**
	4,339,418	**351,244**	**4,690,662**
	21,014,564	**1,606,071**	**22,620,635**
2022			
Takaful receivable including due from related parties	18,774,240	1,033,462	19,807,702
Less: specific and portfolio provision for impairment	(1,559,453)	(79,745)	(1,639,198)
	17,214,787	953,717	18,168,504
Retakaful / reinsurance balances receivable	615,525	618,426	1,233,951
Less: specific and portfolio provision for impairment	(305,589)	(20,865)	(326,454)
	309,936	597,561	907,497
	17,524,723	1,551,278	19,076,001

7 Takaful and retakaful / reinsurance balance receivable *(continued)*

Normal credit period allowed to takaful debtors and retakaful / reinsurance companies is 120 days after which amounts are considered as past due. As at 31 December 2023, receivables past due above 121 days amounting to RO 5,773,719 (2022 – RO 5,501,645) are not considered impaired as these are due from government, quasi-government entities, brokers and corporate clients with which the Company deals in the normal course of business and with which there is no recent history of default.

(a) An ageing analysis of takaful balances receivable including due from related parties and retakaful / reinsurance balances receivable as at year end is as under:

	2023			2022		
	General RO	**Family RO**	**Total RO**	General RO	Family RO	Total RO
Ageing						
Less than 120 days	**16,151,786**	**695,130**	**16,846,916**	12,766,624	807,732	13,574,356
Above 120 days	**6,832,820**	**1,026,551**	**7,859,371**	6,623,141	844,156	7,467,297
Total	**22,984,606**	**1,721,681**	**24,706,287**	19,389,765	1,651,888	21,041,653

(b) Movement in the provision for impairment of receivables during the year is as follows:

	Participants		
	General RO	**Family RO**	**Total RO**
At 1 January 2023	**1,865,042**	**100,610**	**1,965,652**
Charge for the year	**105,000**	**15,000**	**120,000**
At 31 December 2023	**1,970,042**	**115,610**	**2,085,652**
At 1 January 2022	1,760,042	85,610	1,845,652
Charge for the year	105,000	15,000	120,000
At 31 December 2022	1,865,042	100,610	1,965,652

(c) At 31 December 2023, 75% of the Company's takaful receivable is from 5 customers (2022 – 78% from 5 customers).

(d) At 31 December 2023, 85% of the Company's due from retakaful / reinsurance companies are from 5 retakaful / reinsurance companies (2022 – 63% from 5 retakaful / reinsurance companies).

8 Receivable from participants' fund

	Shareholders	
	2023 RO	2022 RO
At 1 January	**2,743,573**	2,666,587
Wakala fees income for the year (note 25)	**8,411,618**	8,941,645
Mudarib share for the year (note 25)	**389,678**	294,753
Amount received from policyholders	**(8,120,000)**	(9,100,000)
Net movement in policyholders' account	**(38,860)**	(59,412)
At 31 December	**3,386,009**	2,743,573

(a) Receivable from participants' fund includes due from general takaful and family takaful policyholders on account of qard hassan, wakala fees, mudarib share and inter-fund balances.

8 Receivable from participants' fund *(continued)*

(b) The break-up of receivable from participants is as follows:

	Shareholders	
	2023	2022
	RO	RO
On account of qard hassan		
- From general takaful	**483,956**	483,956
- From family takaful	**722,597**	722,597
	1,206,553	1,206,553
On account of wakala fees, mudarib share and inter-fund balances		
- From general takaful	**698,402**	418,940
- From family takaful	**1,481,054**	1,118,080
	2,179,456	1,537,020
	3,386,009	2,743,573

9 Takaful liabilities

	2023			2022		
	Gross	**Retakaful/ reinsurance**	**Net**	Gross	Retakaful / reinsurance	Net
	RO	**RO**	**RO**	RO	RO	RO
General takaful						
Claims incurred but not settled	**42,229,708**	**(37,432,608)**	**4,797,100**	41,973,911	(37,589,326)	4,384,585
Claims incurred but not reported	**3,900,898**	**(2,669,677)**	**1,231,221**	4,447,561	(3,238,584)	1,208,977
	46,130,606	**(40,102,285)**	**6,028,321**	46,421,472	(40,827,910)	5,593,562
Unearned contributions reserve	**19,699,981**	**(11,213,475)**	**8,486,506**	19,807,241	(13,006,790)	6,800,451
	65,830,587	**(51,315,760)**	**14,514,827**	66,228,713	(53,834,700)	12,394,013
Family takaful						
Claims incurred but not settled	**1,569,494**	**(1,339,130)**	**230,364**	939,940	(812,194)	127,746
Claims incurred but not reported	**369,742**	**(306,196)**	**63,546**	325,229	(283,705)	41,524
	1,939,236	**(1,645,326)**	**293,910**	1,265,169	(1,095,899)	169,270
Unearned contributions reserve	**567,886**	**(368,359)**	**199,527**	538,708	(358,687)	180,021
	2,507,122	**(2,013,685)**	**493,437**	1,803,877	(1,454,586)	349,291
	68,337,709	**(53,329,445)**	**15,008,264**	68,032,590	(55,289,286)	12,743,304

9 Takaful liabilities *(continued)*

(a) Claims and loss adjustment expenses

	2023			2022		
	Gross RO	**Retakaful reinsurance RO**	**Net RO**	Gross RO	Retakaful/ Reinsurance RO	Net RO
General takaful						
Notified claims	**41,973,911**	**(37,589,326)**	**4,384,585**	47,769,540	(42,894,241)	4,875,299
Incurred but not reported	**4,447,561**	**(3,238,584)**	**1,208,977**	5,769,474	(4,589,154)	1,180,320
Total at the beginning of the year	**46,421,472**	**(40,827,910)**	**5,593,562**	53,539,014	(47,483,395)	6,055,619
Cash paid for claims settled during the year	**(24,006,840)**	**16,325,108**	**(7,681,732)**	(16,108,163)	7,294,103	(8,814,060)
Increase in liabilities arising from current and prior period claims	**23,715,974**	**(15,599,483)**	**8,116,491**	8,990,621	(638,618)	8,352,003
Total at the end of the year	**46,130,606**	**(40,102,285)**	**6,028,321**	46,421,472	(40,827,910)	5,593,562
Notified claims	**42,229,702**	**(37,432,603)**	**4,797,099**	41,973,911	(37,589,326)	4,384,585
Incurred but not reported	**3,900,904**	**(2,669,682)**	**1,231,222**	4,447,561	(3,238,584)	1,208,977
Total at the end of the year	**46,130,606**	**(40,102,285)**	**6,028,321**	46,421,472	(40,827,910)	5,593,562

	2023			2022		
Family takaful	**Gross RO**	**Retakaful reinsurance RO**	**Net RO**	Gross RO	Retakaful/ reinsurance RO	Net RO
Notified claims	**939,940**	**(812,194)**	**127,746**	962,721	(825,388)	137,333
Incurred but not reported	**325,229**	**(283,705)**	**41,524**	509,051	(439,351)	69,700
Total at the beginning of the year	**1,265,169**	**(1,095,899)**	**169,270**	1,471,772	(1,264,739)	207,033
Cash paid for claims settled during the year	**(1,881,934)**	**1,589,952**	**(291,982)**	(2,299,947)	1,959,880	(340,067)
Increase in liabilities arising from current and prior period claims	**2,556,000**	**(2,139,378)**	**416,622**	2,093,344	(1,791,040)	302,304
Total at the end of the year	**1,939,235**	**(1,645,325)**	**293,910**	1,265,169	(1,095,899)	169,270
Notified claims	**1,569,495**	**(1,339,130)**	**230,365**	939,940	(812,194)	127,746
Incurred but not reported	**369,741**	**(306,196)**	**63,545**	325,229	(283,705)	41,524
Total at the end of the year	**1,939,236**	**(1,645,326)**	**293,910**	1,265,169	(1,095,899)	169,270

9 Takaful liabilities *(continued)*

(b) Provisions for unearned contributions and mathematical reserves

	2023			2022		
	Gross	**Retakaful reinsurance**	**Net**	Gross	Retakaful/ reinsurance	Net
	RO	**RO**	**RO**	RO	RO	RO
Unearned contributions reserves	**19,807,241**	**(13,006,790)**	**6,800,451**	19,810,385	(13,181,132)	6,629,253
Mathematical reserves	**538,708**	**(358,687)**	**180,021**	551,847	(382,993)	168,854
Total at the beginning of the year	**20,345,949**	**(13,365,477)**	**6,980,472**	20,362,232	(13,564,125)	6,798,107
Gross contributions during the year	**42,746,813**	**(25,423,935)**	**17,322,878**	44,708,227	(29,311,234)	15,396,993
Net (release) / increase during the year	**(42,824,895)**	**27,207,578**	**(15,617,317)**	(44,724,510)	29,509,882	(15,214,628)
Total at the end of the year	**20,267,867**	**(11,581,834)**	**8,686,033**	20,345,949	(13,365,477)	6,980,472
Unearned contributions reserves	**19,699,981**	**(11,213,475)**	**8,486,506**	19,807,241	(13,006,790)	6,800,451
Mathematical reserves	**567,886**	**(368,359)**	**199,527**	538,708	(358,687)	180,021
Total at the end of the year	**20,267,867**	**(11,581,834)**	**8,686,033**	20,345,949	(13,365,477)	6,980,472

10 Deferred policy acquisition cost

		Participants		
	Shareholder	**General takaful**	**Family takaful**	**Total**
	RO	**RO**	**RO**	**RO**
At 1 January 2023	**780,483**	**164**	**-**	**164**
Cost incurred during the year	**2,303,713**	**-**	**-**	**-**
Amortised during the year	**(2,055,058)**	**(161)**	**-**	**(161)**
At 31 December 2023	**1,029,138**	**3**	**-**	**3**

	Shareholder	General takaful	Family takaful	Total
	RO	RO	RO	RO
At 1 January 2022	776,080	13,711	724	14,435
Cost incurred during the year	1,778,380	-	-	
Amortised during the year	(1,773,977)	(13,547)	(724)	(14,271)
At 31 December 2022	780,483	164	-	164

11 Other receivables and takaful assets

	Shareholders	**Participants**		
		General takaful	**Family takaful**	**Total**
2023	**RO**	**RO**	**RO**	**RO**
Accrued profit on bank deposits and Sukuk	**420,095**	**427,189**	**66,736**	**493,925**
Prepayments	**26,895**	**-**	**-**	**-**
Advances	**56,207**	**14,861**	**719,208**	**734,069**
Rent receivable	**52,805**	**-**	**-**	**-**
Other	**341,714**	**1,236,273**	**-**	**1,236,273**
	897,716	**1,678,323**	**785,944**	**2,464,267**

11 Other receivables and takaful assets *(continued)*

	Shareholders	Participants		
		General takaful	Family Takaful	Total
2022	RO	RO	RO	RO
Accrued profit on bank deposits and Sukuk	195,021	580,667	39,618	620,285
Prepayments	28,616	-	-	-
Advances	47,065	14,861	593,989	608,850
Rent receivable	136,361	-	-	-
Other	195,767	1,552,416	-	1,552,416
	602,830	2,147,944	633,607	2,781,551

12 Investments at fair value through equity

	Shareholders			
	2023 Fair value	**2023 Cost**	2022 Fair value	2022 Cost
	RO	**RO**	RO	RO
Local quoted				
Service sector	**97,500**	**117,600**	132,000	117,600
Real estate development	**434,000**	**392,000**	406,000	392,000
Industrial sector	**33,750**	**6,330**	25,500	6,330
	565,250	**515,930**	563,500	515,930
Local unquoted				
Service sector	**284,283**	**71,428**	258,569	71,428
Real estate development	**133,950**	**129,600**	129,750	129,600
	418,233	**201,028**	388,319	201,028
Total Local	**983,483**	**716,958**	951,819	716,958
Foreign quoted				
Financial sector	**50,229**	**51,340**	281,969	259,037
Service sector	**681,874**	**710,690**	788,662	710,690
Real estate development	**32,349**	**19,231**	38,132	19,231
Industrial sector	**7,245**	**10,610**	7,860	10,611
Total Foreign	**771,697**	**791,871**	1,116,623	999,569
Total investments	**1,755,180**	**1,508,829**	2,068,442	1,716,527

12 Investments at fair value through equity *(continued)*

(a) Movement in investments at fair value through equity

	Shareholders	
	2023	2022
	RO	RO
At 1 January	**2,068,442**	2,266,624
Purchases	**36,486**	453,950
Disposals	**(273,944)**	-
Realised gain (note 26)	**30,750**	-
Net change in fair value [see note (c) below]	**(106,554)**	(652,132)
At 31 December	**1,755,180**	2,068,442

(b) At the reporting date, details of the Company's investments at fair value through equity for which the Company's holding exceeds 20% of investments held at fair value through equity at 31 December are:

	% of portfolio	**Basis of valuation**	**Number of securities**	**Fair Value**
2023				**RO**
Investment from shareholders' fund				
Watania International Holding PJSC	**38**	Fair value	**10,504,203**	**664,273**
2022				RO
Investment from shareholders' fund				
Watania International Holding PJSC	37	Fair value	10,504,203	769,853

(c) Movement in investments fair value reserve:

	Shareholders	
	2023	2022
	RO	RO
At 1 January	**315,457**	863,465
Net change in fair value of investment during the year	**(106,554)**	(652,132)
Impact of deferred tax	**16,097**	104,124
	(90,457)	(548,008)
At 31 December	**225,000**	315,457

(d) Investments classified as 'investments at fair value through equity' consists of investments in equity securities.

13 Investments carried at amortised cost

	Shareholders		**General takaful**		**Family takaful**	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022
	RO	RO				
At 1 January	**5,710,977**	6,229,113	**460,519**	-	**100,000**	100,000
Purchased during the year	**1,976,859**	960,913	**388,462**	460,519		-
Disposal during the year	**(5,141,289)**	(1,478,638)	**-**	-		-
Realised gain (note 26)	**22,819**	-	**-**	-	**-**	-
Amortised during the year	**-**	(411)	**-**	-		-
At 31 December	**2,569,366**	5,710,977	**848,981**	460,519	**100,000**	100,000

13 Investments carried at amortised cost *(continued)*

(a) The Company has invested in sukuks listed in the local and international markets. The Company has a positive intention and ability to hold sukuks until their maturity which ranges from June 2024 to June 2030. The effective average rate of return on investments carried at amortised cost at 31 December 2023 ranges from 4.8% to 8.50% (2022 – from 4.8% to 8.50%) per annum with coupon receipts on a semi-annual basis. All the investments classified as 'investments carried at amortised cost' are debt instruments. The fair value of investments carried at amortised cost at 31 December 2023 is RO 3,518,347 (2022 – RO 6,271,496).

(b) Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified Nil (2022 – 1,565,000 units) with total face value of Nil (2022 – RO 4,000,064) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

14 Taxation

(a) The Company is subject to income tax at the rate of 15% (2022 – 15%) in accordance with the income tax law of the Sultanate of Oman.

	Shareholders	
	2023	2022
	RO	RO
Current tax		
- For the current year	**255,211**	244,919
Deferred tax		
- For the current year	**17,506**	6,912
- For the prior year	**10,582**	-
	28,088	6,912
Tax expense for the year	**283,299**	251,831

(b) Reconciliation of income tax

	Shareholders	
	2023	2022
	RO	RO
Accounting profit for the year (note c)	**1,713,646**	1,636,955
Tax expense at the rates mentioned in 'a' above	**257,047**	245,543
Non-deductible expense	**29,909**	18,932
Tax exempt income	**(14,239)**	(12,644)
Deferred tax – prior year	**10,582**	-
	283,299	251,831

(c) Accounting profit for the year includes surplus of RO 153,704 (2022 – RO 323,874) as per the statement of participants' revenues and expenses and profit before tax RO 1,559,942 (2022 – RO 1,313,081) as per the statement of comprehensive income.

14 Taxation *(continued)*

(d) Status of tax assessments

The Company's income tax assessments have been finalized up to 2020 by the Secretariat General for Taxation at the Ministry of Finance. The management is of the opinion that additional taxes, if any, relating to the income tax return for the year would not be significant to the Company's financial position as at 31 December 2023.

(e) The movement of the tax payable at the year-end is as follows:

	Shareholders	
	2023	2022
	RO	RO
At 1 January	**277,841**	315,376
Charged for the year	**255,211**	244,919
Paid during the year	**(235,305)**	(282,454)
At 31 December	**297,747**	277,841

(f) Deferred tax

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 15% (2022 - 15%).

	At 1 January 2023 RO	**(Charged) / credit to the statement of comprehensive income RO**	**Credited to shareholders' equity RO**	**At 31 December 2023 RO**
<u>Deferred tax asset</u>				
Depreciation on property and equipment	**31,220**	**(11,189)**	**-**	**20,031**
Investment in real estate	**(220,799)**	**(34,899)**	**-**	**(255,698)**
Provision for doubtful debts	**294,848**	**18,000**	**-**	**312,848**
Unrealised income on investments	**193,868**	**-**	**16,097**	**209,965**
	299,137	**(28,088)**	**16,097**	**287,146**

	At 1 January 2022 RO	(Charged) / credit to the statement of comprehensive income RO	Credited to shareholders' equity RO	At 31 December 2022 RO
<u>Deferred tax asset</u>				
Depreciation on property and equipment	21,233	9,987	-	31,220
Investment in real estate	(185,900)	(34,899)	-	(220,799)
Provision for doubtful debts	276,848	18,000	-	294,848
Unrealised income on investments	89,744	-	104,124	193,868
	201,925	(6,912)	104,124	299,137

15 Investment in real estate

Movement of carrying amounts of investment in real estate:

	Shareholders	
	2023	2022
	RO	RO
At 1 January	**5,170,000**	5,170,000
Impairment on investment in real estate	**-**	-
At 31 December	**5,170,000**	5,170,000

(a) Following are the details related to the fair valuation estimation:

Property description	**Valuation**	**Valuation technique**	**Valuation date**	**Valuer name**	**Fair value level hierarchy**	**Impact of 5% change**
	RO					**RO**
Building at Al Khuwair	**2,700,000**	**Market value**	**31 December 2023**	**Muscat Surveyors LLC**	**Level 2**	**135,000**
Building at Al Hail	**2,470,000**	**Market value**	**31 December 2023**	**Muscat Surveyors LLC**	**Level 2**	**123,500**
	5,170,000					

Property description	Valuation	Valuation technique	Valuation date	Valuer name	Fair value level hierarchy	Impact of 5% change
	RO					RO
Building at Al Khuwair	2,700,000	Market value	31 December 2022	Muscat Surveyors LLC	Level 2	135,000
Building at Al Hail	2,470,000	Market value	31 December 2022	Muscat Surveyors LLC	Level 2	123,500
	5,170,000					

As of 31 December 2023, the Company has investment in real estate of RO 5,170,000 (31 December 2022 – RO 5,170,000) which is 13.71% of overall investments of the Company. As per the Regulation, investments in real estate should not exceed 20% of the total investments of the insurer.

15.1 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has pledged investment properties amounting to RO 2,470,000 (31 December 2022 – RO 5,170,000) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the CMA.

16 Property and equipment

	Buildings	**Leasehold improvements**	**Office furniture and equipment**	**Motor vehicles**	**Total**
	RO	**RO**	**RO**	**RO**	**RO**
Cost					
At 1 January 2023	**724,462**	**179,012**	**2,008,274**	**38,327**	**2,950,075**
Additions	**-**	**-**	**77,580**	**-**	**77,580**
At 31 December 2023	**724,462**	**179,012**	**2,085,854**	**38,327**	**3,027,655**
Accumulated depreciation					
At 1 January 2023	**261,864**	**157,259**	**1,880,700**	**38,325**	**2,338,148**
Charge for the year	**29,544**	**6,615**	**81,115**	**-**	**117,274**
At 31 December 2023	**291,408**	**163,874**	**1,961,815**	**38,325**	**2,455,422**
Carrying value					
At 31 December 2023	**433,054**	**15,138**	**124,039**	**2**	**572,233**

16 Property and equipment *(continued)*

	Buildings RO	Leasehold improvements RO	Office furniture and equipment RO	Motor vehicles RO	Total RO
Cost					
At 1 January 2022	724,462	179,012	1,959,905	38,327	2,901,706
Additions	-	-	48,369	-	48,369
At 31 December 2022	724,462	179,012	2,008,274	38,327	2,950,075
Accumulated depreciation					
At 1 January 2022	232,320	146,236	1,798,733	38,325	2,215,614
Charge for the year	29,544	11,023	81,967	-	122,534
At 31 December 2022	261,864	157,259	1,880,700	38,325	2,338,148
Carrying value					
At 31 December 2022	462,598	21,753	127,574	2	611,927

17 Share capital

	2023 RO	2022 RO
Authorised share capital:		
Ordinary shares		
250,000,000 ordinary shares of 100 Baiza each (2022 – 250,000,000 ordinary shares of 100 Baiza each)	**25,000,000**	25,000,000
Issued and fully paid-up capital:		
Ordinary shares		
175,000,000 ordinary shares of 100 Baiza each (2022 – 175,000,000 ordinary shares of 100 Baiza each)	**17,500,000**	17,500,000

(a) 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 2023	**Number of shares 2023**	% of holding 2022	Number of shares 2022
Mohammed Al Barwani Holding Company LLC	**25.86**	**45,250,001**	25.86	45,250,001

18 Share premium

Share premium represents the premium of RO 0.038 per share collected at the time of initial public offering of 66,666,670 shares and incurred expenses of RO 319,849 relating to initial public offering. During the year 2014, the Company utilised share premium of RO 833,333 to issue free shares.

19 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.

20 Contingency reserve

During 2020, the Company has adjusted the opening balance of Contingency reserve amounting to RO 4,080,454 and RO 181,478 with respect to the General and Family takaful business. The Company has implemented the new takaful regulation and stopped creating any contingency reserve.

21 Employees' end of service benefits

	Shareholders	
	2023	2022
	RO	RO
At 1 January	**510,630**	572,083
Charge for the year [note 27(a)]	**63,150**	95,733
Payments made during the year	**(18,012)**	(157,186)
At 31 December	**555,768**	510,630

The Company has recognised the provision for employees' end of service benefits as per the local labor law requirement and also computed using the actuarial method which resulted in a provision amount not materially different from the provision already recognised at the reporting period end.

22 Unearned retakaful commission

Movement in unearned retakaful commission is shown below:

	Participants		
	General Takaful	**Family Takaful**	**Total**
	RO	**RO**	**RO**
At 1 January 2023	**163,979**	**-**	**163,979**
Income from retakaful contracts accrued during the year	**411,655**	**-**	**411,655**
Amortised during the year	**(465,530)**	**-**	**(465,530)**
At 31 December 2023	**110,104**	**-**	**110,104**
	General Takaful	Family Takaful	Total
	RO	RO	RO
At 1 January 2022	162,408	-	162,408
Income from retakaful contracts accrued during the year	430,528	-	430,528
Amortised during the year	(428,957)	-	(428,957)
At 31 December 2022	163,979	-	163,979

23 Accounts and other payables

	Shareholders	**Participants**		
		General Takaful	**Family Takaful**	**Total**
2023				
Accounts payables	**1,321,934**	**8,850,021**	**1,288,084**	**10,138,105**
Government levy payable	**-**	**639,871**	**15,152**	**655,023**
Provision for taxation [note 14 (e)]	**297,747**	-	**-**	**-**
Accrued expenses	**174,233**	-	**-**	**-**
Leave salary provision	**129,055**	-	**-**	**-**
Other payables	**45,866**	-	**-**	**-**
	1,968,835	**9,489,892**	**1,303,236**	**10,793,128**

23 Accounts and other payables *(continued)*

	Shareholders	Participants		
		General Takaful	Family takaful	Total
2022	RO	RO	RO	RO
Accounts payables	984,623	6,768,443	1,153,814	7,922,257
Government levy payable	-	630,187	16,994	647,181
Provision for taxation [note 14 (e)]	277,841	-	-	-
Accrued expenses	90,920	-	-	-
Leave salary provision	254,602	-	-	-
Other payables	117,566	-	-	-
	1,725,552	7,398,630	1,170,808	8,569,438

24 Fees and other income and Takaful expense

	Participants					
	2023			2022		
	General takaful	**Family takaful**	**Total**	General takaful	Family takaful	Total
	RO	**RO**	**RO**	RO	RO	RO
Policy fees and service income	**233,085**	**779**	**233,864**	303,268	815	304,083
Takaful expense	**(676,367)**	**(575)**	**(676,942)**	(434,390)	(343)	(434,733)
	(443,282)	**204**	**(443,078)**	(131,122)	472	(130,650)

25 Wakala fees and mudarib share

The shareholders manage the general operations for the participants and charged 20% for general takaful (2022 - 20%) and 15% family takaful (2022 -20%) of gross contributions as wakala fees, as approved by the Board of Directors. The shareholders also manage the participants' fund as a mudarib and charge 55% (2022 – 55%) of the general takaful and family takaful investment income earned by the participants' investment funds. The maximum chargeable wakala fees and mudarib share for the year 2023 as approved by the Shari'ah Supervisory Committee are 20% and 55% (2022 – 20% and - 55%) respectively.

26 Investment income – net

	2023	2022
	RO	RO
Profit on wakala bank deposits	**906,287**	697,039
Profit from investments carried at amortised cost	**358,037**	409,075
Rental income from investment in real estate	**304,648**	299,561
Dividend income	**110,048**	95,486
Profit on the Mudarbah investment	**33,493**	25,000
Realised gain on sale of investments – net [note 6 (b), 13, 12(a)]	**70,598**	11,035
Fair value (loss) on investments carried at fair value through profit or loss - net [note 6 (b)]	**(199,709)**	(102,047)
Investment management costs and purification charges	**(150,255)**	(68,373)
	1,433,147	1,366,776

(a) Investment management cost includes purification charges amounting to RO 5,736 (2022 - RO 19,435).

26 Investment income – net *(continued)*

(b) Allocation of investment income to participants and shareholders is as follows:

	2023 RO	2022 RO
General takaful	**624,334**	471,891
Family takaful	**84,171**	64,024
Shareholders	**724,642**	830,861
	1,433,147	1,366,776

27 General and administrative expenses

	Shareholders	
	2023 RO	2022 RO
Staff costs [note (a) below]	**3,519,633**	3,439,911
Depreciation (note 16)	**117,274**	122,534
Rent and utilities	**213,376**	207,209
Legal and professional	**103,273**	170,125
IT expenses	**215,045**	211,107
Communication	**74,787**	73,048
Advertisement and publicity	**26,946**	19,916
Directors' sitting fee and Remuneration [note 32(a)]	**112,200**	157,800
Business travel	**53,940**	54,163
Shari'ah Supervisory Committee's sitting fee and retainer fee [note 32(a)]	**9,000**	12,000
Directors' travel and other expenses [note 32(a)]	**19,600**	5,652
Shari'ah Supervisory Committee's travel and other expenses [note 32(a)]	**17,272**	16,895
Corporate social responsibility	**20,000**	19,907
Others	**148,947**	170,053
	4,651,293	4,680,320

(a) Staff costs

	Shareholders	
	2023 RO	2022 RO
Salaries and benefits	**3,027,721**	2,969,391
Other staff cost	**205,811**	179,172
Social security cost	**199,560**	174,113
Employees' end of service benefits charge (note 21)	**63,150**	95,733
Leave salary	**23,391**	21,502
	3,519,633	3,439,911

28 Earnings per share attributable to shareholders - basis and diluted

	Shareholders	
	2023	2022
Shareholders' profit for the year – RO	**1,276,643**	1,061,250
Weighted average number of shares outstanding during the year – number	**175,000,000**	175,000,000
Shareholders' earnings per share – basic and diluted – RO	**0.007**	0.006

28 Earnings per share attributable to shareholders - basis and diluted *(continued)*

Shareholders' basic earnings per share is calculated by dividing the shareholders' profit for the year by the weighted average number of shares outstanding during the year. There is no effect on diluted earnings per share as the Company has not issued any instruments having diluting effects.

29 Net assets per share attributable to shareholders

	Shareholders	
	2023	2022
Shareholders' net assets – RO	**21,890,762**	21,929,576
Weighted average number of shares outstanding – number	**175,000,000**	175,000,000
Shareholders' net assets per share – RO	**0.125**	0.125

Net assets per share attributable to shareholders is calculated by dividing the shareholders' net assets at the year-end by the number of shares outstanding at 31 December.

30 Dividend distributions

During the current year, the Board of Directors proposed cash dividend of 7 Baiza per share (2022 – 7 Baiza per share) amounting to RO 1,225,000 (2022 - RO 1,225,000) for the year ended 31 December 2023. The proposed cash dividend was approved in the Annual General Meeting held on 28 March 2023.

Board of Directors has proposed a cash dividend of 7 Baiza per share for the year ended 31 December 2023 (2022 – cash dividend of 7 Baiza per share) subject to approval of shareholders at the Annual General Meeting.

31 Cash and cash equivalents

	Shareholders	**Participants**	**Total**
2023	**RO**	**RO**	**RO**
Cash and bank balances			
Cash at bank in current accounts	**2,726,331**	**1,896,598**	**4,622,929**
Cash at bank in call account	**66,809**	**5,966,909**	**6,033,718**
Cash balances with investment managers	**640,760**	**-**	**640,760**
Cash in hand	**4,592**	**2,688**	**7,280**
	3,438,492	**7,866,195**	**11,304,687**

	Shareholders	Participants	Total
2022	RO	RO	RO
Cash and bank balances			
Cash at bank in current accounts	45,811	2,157,509	2,203,320
Cash at bank in call account	170,057	3,420,297	3,590,354
Cash balances with investment managers	823,156	48,705	871,861
Cash in hand	4,023	948	4,971
	1,043,047	5,627,459	6,670,506

The above cash and cash equivalents include restricted cash and bank balances amounting to RO 55,245 (2022 – RO 30,754).

32 Related parties

In the ordinary course of business, the Company conducts transactions with certain of its major shareholders, associated companies, Directors, Shari'ah Supervisory Committee members, key management personnel and business entities over which they are able to exert significant influence on mutually agreed terms with the approval of Board of Directors. 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:

32 Related parties *(continued)*

(a) Transactions with related parties

Transactions with related parties or holders of 10% or more of the Company's shares or their family members, included in the statement of participants' revenue and expenses and statement of comprehensive income are as follows:

	2023	2022
	RO	RO
Gross contributions	**4,764,833**	3,617,710
Retakaful / reinsurance contribution ceded	**65,726**	83,751
Gross outstanding claims	**228,180**	139,719
Gross claims settled	**241,511**	526,560
Commission paid	**548,029**	689,432
Directors' sitting fee and Remuneration (note 27)	**112,200**	157,800
Directors' travel and other expenses (note 27)	**19,600**	5,652
Shari'ah Supervisory Committee sitting fee (note 27)	**9,000**	12,000
Shari'ah Supervisory Committee's travel and other expenses (note 27)	**17,272**	16,895
Income from investment in Sukuks and mudarbah	**234,466**	315,163
Investment property management cost	**6,000**	40,000

(b) Balances with related parties

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

	2023	2022
	RO	RO
Contribution balances receivables from related parties	**2,992,337**	2,597,352
Investment in Tilal Sukuk	**-**	2,500,064
Investment in MB Sukuk Issue	**358,341**	1,500,000
Investments at fair value through equity	**1,082,507**	1,158,172
Investment at fair value through profit or loss	**136,744**	221,664
Cash with investment manager – Al Madina Investment	**558,493**	525,000

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

Compensation of key management personnel of the Company, consisting of salaries and benefits, was as follows:

	2023	2022
	RO	RO
Short-term benefits	**552,271**	465,023
Employee end of service benefits	**32,687**	22,735
	584,958	487,758

Key management comprises of 5 personnel (2022: 5) of the management executive committee in the year 2023. The Bank considers the personnel of Management Executive Committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures.

33 Contingencies and commitment

Contingent liabilities

At 31 December 2023, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business amounting to RO 55,245 (2022 – RO 30,754).

Capital commitment

At 31 December 2023, the Company has no capital commitment (2022 – nil).

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.

34 Segment information

Business segments – primary reporting segment

The Company has two reportable business segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services and are managed separately because they require different marketing strategies. For each of the strategic units, the Company's CEO reviews internal management reports on regular basis.

Operating segments

The Company has the following operating segments:

(a) *Fire, energy, medical, engineering, liability, and general accident.*

(b) *Motor, marine and aviation*

(c) *Family takaful*

Family business relates to the takaful of the life of an individual or group life.

	Fire, energy, medical, engineering, liability and general accident	**Motor, marine and aviation**	**Total General Takaful**	**Family Takaful**
	RO	**RO**	**RO**	**RO**
Gross contributions	**29,156,786**	**10,835,146**	**39,991,932**	**2,754,881**
Retakaful/reinsurance share	**(21,552,417)**	**(1,878,330)**	**(23,430,747)**	**(1,993,188)**
Retained contributions	**7,604,369**	**8,956,816**	**16,561,185**	**761,693**
Unearned contributions adjustment - net	**(274,854)**	**(1,411,201)**	**(1,686,055)**	**(19,506)**
Net earned contributions	**7,329,515**	**7,545,615**	**14,875,130**	**742,187**
Fee and Commission income	**378,691**	**319,923**	**698,614**	**779**
Segment Revenue	**7,708,206**	**7,865,538**	**15,573,744**	**742,966**
Net claims incurred	**(3,630,746)**	**(4,485,745)**	**(8,116,491)**	**(416,622)**
Commission expense	**(161)**	**-**	**(161)**	**-**
Takaful expense	**(188,424)**	**(487,942)**	**(676,366)**	**(575)**
Underwriting surplus before wakala fees	**3,888,875**	**2,891,851**	**6,780,726**	**325,769**
Provision for impairment of receivables			**(105,000)**	**(15,000)**
Wakala fees			**(7,998,386)**	**(413,232)**
Surplus from takaful operations after wakala fees			**(1,322,660)**	**(102,463)**
Investment income - net			**624,334**	**84,171**
Mudarib share			**(343,384)**	**(46,294)**
Hiba from Shareholder's to Policyholder's			**1,100,000**	**160,000**
Surplus for the year			**58,290**	**95,414**
Identifiable assets and liabilities on 31 December 2023				
Identifiable assets	**66,731,091**	**24,681,362**	**91,412,453**	**7,404,206**
Identifiable liabilities	**66,557,127**	**24,617,020**	**91,174,147**	**7,634,332**

34 Segment information *(continued)*

	Fire, energy, medical, engineering, liability and general accident	Motor, marine and aviation	Total General Takaful	Family Takaful
	RO	RO	RO	RO
Gross contributions	32,448,983	9,169,388	41,618,371	3,089,856
Retakaful/reinsurance share	(24,850,322)	(2,072,103)	(26,922,425)	(2,388,809)
Retained contributions	7,598,661	7,097,285	14,695,946	701,047
Unearned contributions adjustment - net	65,429	(236,627)	(171,198)	(11,167)
Net earned contributions	7,664,090	6,860,658	14,524,748	689,880
Fee and Commission income	528,102	204,123	732,225	815
Segment Revenue	8,192,192	7,064,781	15,256,973	690,695
Net claims incurred	(4,428,539)	(3,923,464)	(8,352,003)	(302,304)
Commission expense	(13,537)	(10)	(13,547)	(724)
Takaful expense	(146,067)	(288,323)	(434,389)	(343)
Underwriting surplus before wakala fees	3,604,049	2,852,984	6,457,033	387,324
Provision for impairment of receivables			(105,000)	(15,000)
Wakala fees			(8,323,674)	(617,971)
Surplus from takaful operations after wakala fees			(1,971,641)	(245,647)
Investment income - net			471,891	64,024
Mudarib share			(259,540)	(35,213)
Hiba from Shareholder's to Policyholder's			1,950,000	350,000
Surplus for the year			190,710	133,164
Identifiable assets and liabilities on 31 December 2022				
Identifiable assets	64,941,581	27,832,107	92,773,688	5,645,096
Identifiable liabilities	64,815,569	27,778,102	92,593,672	5,970,636

The activities of the Company are restricted to carrying out takaful, on the principles of Shari'ah significant portion of which is subject to similar risks and rewards. Accordingly, no segmental information relating to products and services has been presented.

Geographical segments – secondary reporting segment

The Company has one geographical segment as all operations are carried inside the Sultanate of Oman.

35 Risk management

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders and participants from events that hinder the sustainable achievement of set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

(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 jurisdiction 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 takaful companies to meet unforeseen liabilities as these arise.

(c) Takaful risk

The risk under any takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of a takaful contract, this risk is random and therefore unpredictable. For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its takaful contracts is that the actual claims and benefit payments may exceed the carrying amount of the takaful liabilities. This could occur because of the frequency or severity of claims and benefits are greater than estimated. Takaful events are random and the actual number and amount

35 Risk management *(continued)*

(c) Takaful risk (continued)

of claims and benefits will vary from year to year from the estimate established using statistical techniques. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the takaful risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate retakaful / reinsurance arrangements and proactive claims handling.

The concentration of takaful 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 takaful contracts which constitute mainly motor, fire and allied perils, marine and general risks as well as life and medical takaful contracts.

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 provision for claims incurred but not reported (IBNR).

Moreover, the Company limits takaful risk by monitoring changes in key variables that could give rise to additional claim liabilities.

The results from takaful operations before retakaful / reinsurance recoveries and wakala fees are analysed as follows:

	2023	2022
General takaful	**RO**	RO
Motor	**3,051,674**	3,148,142
Fire, general accidents, engineering and others	**11,893,195**	28,659,858
Marine cargo and hull	**517,505**	418,002
Medical	**477,401**	260,225
	15,939,775	32,486,227
Family takaful		
Life	**169,906**	1,009,399
Total	**16,109,681**	33,495,626

The net claims ratios are as follows:

	2023	2022
	%	%
Motor	**61**	59
Fire, general accidents, engineering and others	**10**	10
Medical	**85**	92
Life	**56**	44

The net claims ratio is calculated by dividing the net incurred claims (gross claims less retakaful / reinsurance and other recoveries) by the net contributions earned (gross contributions less contributions ceded and adjustment for unearned contributions reserve).

35 Risk management *(continued)*

(c) Takaful risk (continued)

With regards to Business Interruption (BI) policies, the Company has in place pandemic and infectious disease policy exclusions as well. The Company has valuated all business interruption policies inforce for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company has determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Company and specific policy exclusions. Furthermore, the Company has been able to retain major customers during the year ended 31 December 2023 and has generally witnessed renewals and new business across major lines of businesses.

(d) Retakaful risk

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 retakaful / reinsurance purposes. Such retakaful / 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 retakaful / reinsurance is effected under treaty, facultative and excess-of-loss retakaful / reinsurance contracts.

Amounts recoverable from retakaful / reinsurance companies are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful / reinsurance contracts. To minimise its exposure to significant losses from retakaful / reinsurance company insolvencies, the Company evaluates the financial condition of its retakaful / reinsurance companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful / reinsurance companies.

The Company only deals with retakaful / reinsurance companies approved by the management, which are generally international companies that are rated by international rating agencies.

The Company's placement of retakaful / reinsurance is diversified such that it is neither dependent on a single retakaful / reinsurance company nor are the operations of the Company substantially dependent upon any single retakaful / reinsurance contract.

(e) 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 period. 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 mortality, longevity, profit rates and delays in settlement. Discount rate used is determined with reference to risk free rate adjusted for country risk premium.

(f) Sensitivities

The general takaful 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.

	Change in assumptions	**Impact on Liabilities**	**Impact on underwriting results**
	%	**RO**	**RO**
2023			
Incurred claims – net	**+10%**	**853,311**	**(853,311)**
	-10%	**(853,311)**	**853,311**

	Change in assumptions	Impact on Liabilities	Impact on underwriting results
	%	RO	RO
2022			
Incurred claims – net	+10%	865,431	(865,431)
	-10%	(865,431)	865,431

35 Risk management *(continued)*

(f) Sensitivities *(continued)*

<u>*Claims development*</u>

The Company maintains strong reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments for short term contracts are normally resolved within one year.

Gross Claims Development					
	RO	RO	RO	RO	RO
Accident Year	2020	2021	2022	2023	Total
Estimate of ultimate claims cost:					
At end of accident year	**19,532,204**	**39,491,656**	**18,135,701**	**32,207,682**	**-**
One year later	**15,163,289**	**35,510,259**	**19,241,615**	**-**	**-**
Two years later	**13,862,486**	**33,207,391**	**-**	**-**	**-**
Three years later	**13,052,140**	**-**	**-**	**-**	**-**
Current estimate of cumulative claims	**13,052,140**	**33,207,391**	**19,241,615**	**32,207,682**	**97,708,828**
Cumulative payments till date	**9,458,240**	**22,810,581**	**14,772,820**	**12,216,091**	**59,257,733**
Liability recognized in statement financial position	**3,593,900**	**10,396,810**	**4,468,794**	**19,991,591**	**38,451,095**
Liability in respect of years prior to 2020					**7,604,032**
OSLR Adjusted					**1,766,649**
Unallocated Loss Adjustment Reserves					**248,066**
Total gross reserve included in the statement of financial position as at 31 December 2023					**48,069,842**

Gross Claims Development					
	RO	RO	RO	RO	RO
Accident Year	2019	2020	2021	2022	Total
Estimate of ultimate claims cost:					
At end of accident year	24,848,437	19,532,204	39,491,656	18,135,701	
One year later	27,987,831	15,163,289	35,510,259		
Two years later	24,395,727	13,862,486			
Three years later	23,809,006				
Current estimate of cumulative claims	23,809,006	13,862,486	35,510,259	18,135,701	91,317,452
Cumulative payments till date	18,422,733	8,791,149	15,732,871	9,608,576	52,555,329
Liability recognized in statement financial position	5,386,273	5,071,337	19,777,388	8,527,125	38,762,123
Liability in respect of years prior to 2019					6,975,629
OSLR Adjusted					505,086
Unallocated Loss Adjustment Reserves					198,570
Total gross reserve included in the statement of financial position as at 31 December 2022					47,686,641

35 Risk management *(continued)*

(g) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (exchange rate risk, profit rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out by the management under policies approved by the Board of Directors.

(i) Market risk

Exchange rate risk

Exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk primarily from USD which is pegged to Omani Rial. The Company's exposure to foreign currency risk was as follows:

	2023		2022	
Assets	**USD**	**Other foreign currencies**	USD	Other foreign currencies
Cash and bank balances	**1,510,692**	**-**	1,792,089	-
Takaful and retakaful / reinsurance balance receivables	**8,885,042**	**-**	1,065,543	-
Investments at fair value through equity	**32,349**	**739,348**	38,132	1,078,491
Investments carried at amortised cost	**-**	**-**	2,500,064	-
Liabilities				
Retakaful / reinsurance payables	**11,381,478**	**2,834,531**	7,201,068	14,436

Sensitivity analysis

The exchange rate for USD is pegged to Riyal Omani, therefore, management does not consider any significant risk arising from transactions in USD. During the year ended 31 December 2023, Rial Omani were to have strengthened or weakened by 1% against other foreign currencies with all other variables held constant, results for the year would have been higher or lower by approximately RO 7,393 (2022 – RO 10,785).

Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Company invests in securities and has deposits that are subject to profit rate risk. Profit rate risk to the Company is the risk of changes in market profit rates reducing the overall return on its profit bearing securities. The Company limits profit rate risk by monitoring changes in profit rates.

	Change in assumptions	**2023**	2022
		RO	RO
Income from bank deposit and investments carried at amortised cost	**+0.5%**	**102,685**	140,743
	-0.5%	**(102,685)**	(140,743)

35 Risk management *(continued)*

(g) Financial risk factors *(continued)*

(i) Market risk *(continued)*

Profit rate risk (continued)

The Company's profit rate risk based on contractual undiscounted arrangements were as follows:

2023	**Less than 1 year RO**	**Over 1 year RO**	**Total RO**
Bank deposits	**5,000,000**	**9,950,000**	**14,950,000**
Investments carried at amortised cost	**-**	**3,518,347**	**3,518,347**

2022	Less than 1 year RO	Over 1 year RO	Total RO
Bank deposits	6,922,500	11,750,000	18,672,500
Investments carried at amortised cost	4,000,064	2,271,432	6,271,496

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

62% (2022 – 62%) 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 investments carried at fair value through profit or loss would have impact on profit / (loss) of approximately RO 101,680 (2022 – RO 85,708).

A 10% change in fair value of the Company's investments at fair value through equity would have impact on equity of approximately RO 175,518 (2022 – RO 206,844).

Fair value estimation

The table below analyses financial instruments and assets 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;
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); and
Level 3: inputs for the asset or liability that are not based on observable market data.

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment in real estate	**-**	**5,170,000**	**-**	**5,170,000**
Investments at fair value through equity	**1,336,947**	**-**	**418,233**	**1,755,180**
Investments carried at fair value through profit or loss	**1,016,796**	**-**	**-**	**1,016,796**
	2,353,743	**5,170,000**	**418,233**	**7,941,976**

35 Risk management *(continued)*

(g) Financial risk factors *(continued)*

(i) Market risk *(continued)*

Fair value estimation (continued)

2022	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
Investment in real estate	-	5,170,000	-	5,170,000
Investments at fair value through equity	1,680,123	-	388,319	2,068,442
Investments carried at fair value through profit or loss	857,080	-	-	857,080
	2,537,203	5,170,000	388,319	8,095,522

The net change in fair value of investments carried at fair value through profit or loss of RO 209,084 (2022 – RO 176,241) relates to level 1 of fair valuation hierarchy.

The change in fair value of investments at fair value through equity includes loss amounting to RO 133,695 (2022 – RO 168,012) which relates to level 1 and gain amounting to RO 41,823 (2022 – RO 38,832) which relates to level 3 of fair valuation hierarchy.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. 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:

	2023 **RO**	2022 RO
Cash and bank balances (excluding cash in hand)	**11,297,407**	6,665,535
Bank deposits	**14,950,000**	18,672,500
Takaful balance receivable	**17,929,973**	18,168,504
Retakaful / reinsurance balance receivable	**4,690,662**	907,497
Other receivables and takaful assets (excluding advances and prepayments)	**2,544,812**	2,699,850
Investments carried at amortised cost	**3,518,347**	6,271,496
	54,931,201	53,385,382

The Company's bank balances and sukuk investments are maintained with a range of international and local banks in accordance with limits set by the board of directors. Debt type instruments carried at amortised cost is investment in Sukuk which are secured through underlying assets of the investee companies.

The maximum credit exposure to credit risk for bank deposits and bank balances and cash balance with investment managers at the reporting date, by classification of counterparties, is as follows:

	2023 **RO**	2022 RO
P3	**26,247,407**	25,338,036
Unrated	**-**	-
	26,247,407	25,338,036

35 Risk management *(continued)*

(g) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Takaful receivables comprise a number of customers within Oman and local and foreign retakaful / reinsurance companies. At 31 December 2023, top 5 retakaful / reinsurance companies account for 75% (2022 – 70%) of the credit exposure. The Company monitors these receivables on a regular basis. Most of the credit customers and retakaful / reinsurance companies 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 periodically and the adequacy of the provision for impairment is also assessed.

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 takaful and retakaful / reinsurance contract receivables at the reporting date by geographic region is as follows:

	2023	2022
	RO	RO
Oman	**17,929,973**	18,168,504
Middle east	**1,065,466**	739,089
Others	**3,625,196**	168,408
	22,620,635	19,076,001

The maximum credit exposure to credit risk for takaful and retakaful / reinsurance contract receivables at the reporting date by classification of counterparties is as follows:

	2023	2022
	RO	RO
Brokers and agents	**1,494,662**	1,249,809
Individuals and corporate clients	**16,435,311**	16,918,695
Retakaful / reinsurance companies	**4,690,662**	907,497
	22,620,635	19,076,001

With respect to retakaful / reinsurance companies, as per Company policy of managing takaful risk, such contracts are placed only with internationally reputed well rated retakaful / reinsurance companies. The table below shows the gross retakaful / reinsurance receivables at the reporting date as rated by various rating agencies:

Rating	**2023**	2022
	RO	RO
A	**3,936,826**	211,593
AA	**321,576**	357,895
B	**337,185**	-
Other rated	**-**	-
Unrated	**421,529**	664,463
	5,017,116	1,233,951

35 Risk management *(continued)*

(g) Financial risk factors *(continued)*

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and the directors ensure that sufficient funds are available to meet any commitments as they arise. The Company considers their liquidity position to be satisfactory.

Capital adequacy and solvency margin

At 31 December 2023, the Company's solvency margin (as determined in accordance with the Oman Insurance regulations) indicates surplus of RO 8,915,014 (2022 – RO 8,897,522) against the regulatory requirement.

At reporting date, the maturity profile of financial liabilities is as follows:

2023	**1 month to 4 months**	**4 months to 12 months**	**Non-fixed maturity**	**Total**
Financial liabilities				
Takaful liabilities	**-**	**-**	**68,337,709**	**68,337,709**
Retakaful / reinsurance payable	**-**	**15,244,397**	**-**	**15,244,397**
Accounts and other payables (excluding government levy and income tax payable)	**11,809,193**	**-**	**-**	**11,809,193**
Charity fund payable	**6,711**	**-**	**-**	**6,711**
Total	**11,815,904**	**15,244,397**	**68,337,709**	**95,398,010**

2022	1 month to 4 months RO	4 months to 12 months RO	Non-fixed maturity RO	Total RO
Financial liabilities				
Takaful liabilities	-	-	68,032,590	68,032,590
Retakaful / reinsurance payable	-	18,343,423	-	18,343,423
Accounts and other payables (excluding government levy and income tax payable)	9,369,968	-	-	9,369,968
Charity fund payable	21,738	-	-	21,738
Total	9,391,706	18,343,423	68,032,590	95,767,719

(h) Capital risk management

During the year 2019, Capital Market Authority (CMA) has issued the Takaful Executive Regulations of the Takaful Insurance Law which became applicable from 23 December 2020. The Company has implemented Takaful Insurance Law and its Executive Regulation; however, for solvency margin calculation, the Company has complied with the existing regulations applicable for conventional insurance companies in the Sultanate of Oman, as there is no specific regulation on solvency under Takaful Insurance Law.

35 Risk management *(continued)*

(h) Capital risk management *(continued)*

Externally imposed capital requirements are set and regulated by the CMA and are put in place to ensure sufficient solvency margin. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders and policyholders value.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and policyholders and to maintain an optimal capital structure to reduce the cost of capital. Further, the Insurance Companies Law of Oman requires a minimum capital of RO 10 million for insurance companies.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

36 Financial assets by category

The accounting policies for financial statements have been applied to the line items below:

2023	**Advances and receivables RO**	**Investments carried at fair value through profit or loss RO**	**Investments at fair value through equity RO**	**Investments carried at amortised cost RO**	**Total RO**
Cash and Cash equivalent	**11,304,687**	**-**	**-**	**-**	**11,304,687**
Bank deposits	**14,950,000**	**-**	**-**	**-**	**14,950,000**
Investments carried at fair value through profit or loss	**-**	**1,016,796**	**-**	**-**	**1,016,796**
Takaful balance receivable	**17,929,973**	**-**	**-**	**-**	**17,929,973**
Retakaful / reinsurance balance receivable	**4,690,662**	**-**	**-**	**-**	**4,690,662**
Other receivables and takaful assets (excluding advances and prepayments)	**2,544,812**	**-**	**-**	**-**	**2,544,812**
Investments at fair value through equity	**-**	**-**	**1,755,180**	**-**	**1,755,180**
Investments carried at amortised cost	**-**	**-**	**-**	**3,518,347**	**3,518,347**
Total	**51,420,134**	**1,016,796**	**1,755,180**	**3,518,347**	**57,710,457**

2022	Advances and receivables	Investments carried at fair value through profit or loss	Investments at fair value through equity	Investments carried at amortised cost	Total
Cash and Cash equivalent	6,670,506	-	-	-	6,670,506
Bank deposits	18,672,500	-	-	-	18,672,500
Investments carried at fair value through profit or loss	-	857,080	-	-	857,080
Takaful balance receivable	18,168,504	-	-	-	18,168,504
Retakaful / reinsurance balance receivable	907,497	-	-	-	907,497
Other receivables and takaful assets (excluding advances and prepayments)	2,699,850	-	-	-	2,699,850
Investments at fair value through equity	-	-	2,068,442	-	2,068,442
Investments carried at amortised cost	-	-	-	6,271,496	6,271,496
Total	47,118,857	857,080	2,068,442	6,271,496	56,315,875

37 Zakat

For year 2023, Zakah base of RO 12,112,750 has been considered for the calculation and Zakah of RO 312,146 at RO 0.00178 bz per share for the current year is to be directly borne by the shareholders and accordingly, the financial statements includes no provision for Zakah. Zakah base is calculated using the Net asset method of calculating Zakah base. The basis of computation is approved by the Shari'a Supervisory committee in accordance with the guidance provided by AAOIFI. It has been communicated to the shareholders of the Company that Zakah is payable directly by them as per the Articles of Association of the Company.

38 Distribution of surplus in policyholders' fund

As per the Company's policy for distribution of surplus in participants' fund, 50% of surplus in policyholders' fund for the year shall be transferred to takaful reserve. Takaful reserve allocation will be made on the basis advised by the Shari'ah Supervisory Committee.

39 Shari'ah Supervisory Committee

The Company's business activities are subject to supervision of a Shari'ah Supervisory Committee (SSC) consisting of three members appointed by the shareholders of the Company. The SSC performs supervisory role in order to determine whether the operations of the Company are conducted in accordance with the Islamic Shari'ah rules and principles.

40 Earnings prohibited under Shari'ah

Earnings retained during the previous year from transactions which are not permitted under Shari'ah and are recorded as part of accounts and other payables amounted to RO 6,711 (2022 – RO 21,738). All non-Islamic income is credited to a charity account where the Company uses these funds for charitable purposes.

41 Hibah

For the year ended 31 December 2023, Hibah amounting to RO 1,260,000 (2022 - RO 2,300,000) was provided by Shareholders to support the Policyholders' fund (General Takaful RO 1,100,000 and Family Takaful RO 160,000). This has been approved by the Board of Directors and Sharia'h Supervisory Committee.