



المدينة تكافل
Al Madina Takaful

Everything in harmony في تناغم تام

NURTURE TODAY,
SUSTAIN THE FUTURE.

ANNUAL REPORT
2024



His Majesty Sultan Haitham bin Tarik

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BOARD OF DIRECTORS



H.E. Dr. Mohammed Ali Al Barwani
Chairman



Eng. Abdulrahman Awadh Barham
Deputy Chairman



Mr. Saleh Nasser Al Riyami
Director & Chairman of
Audit Committee



Ms. Safana M. A. Al Barwani
Director



Mr. Said Saleh Al Jabri
Director



Dr. Yousuf Salim Al Hinai
Director



Ms. Maha Ali Al Muscati
Director

SHARI'AH SUPERVISORY COMMITTEE



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



Sheikh Abdul Sattar Al Kattan
Vice Chairman of Shari'ah
Supervisory Committee



Sheikh Dr. Amin Fateh
Executive Member of the Shari'ah
Supervisory Committee



Dr. Wael Al Harrasi
Member of the Shari'ah
Supervisory Committee

THE MANAGEMENT TEAM



Mr. Usama Al Barwani
Chief Executive Officer



Mr. Shakaib Mahmood
Deputy Chief Executive Officer



Ms. Wafaa Al Riyami
Head of Compliance



Mr. Muamen Ali Ibrahim
Head of Legal



Mr. Aneesh Varghese
Head of Insurance Operations



Mr. Hitesh Popat
Head of Finance



Mr. Zahid Islam
Head of Audit and Risk Management



Mr. Suresh Subramaniam
Head of Claims



Mr. Nooh Al Zadjali
Head of HR and IT



Mr. Ipe Issac
Head of Underwriting

CHAIRMAN'S REPORT



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

Your Company delivered robust results and achieved another successful year of underwriting performance during FY2024, despite the market competition and continued challenges faced by the insurance industry. Your Company achieved a historic milestone of crossing RO 50 million by registering Gross written contributions (GWC) of RO 51.5 million, a remarkable 20% growth as compared to the previous year RO 42.7 million.

Al Madina continues to maintain a healthy and well-balanced portfolio across all lines of business. The FY2024 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 after tax of your company grew by an impressive 22%, to RO 1.74 million for FY2024, as compared to RO 1.43 million for FY 2023. While this achievement is a testament to our dedication and resilience, it comes amidst a background of several significant challenges. The heavy rains, Al Mateer, in the month of April 2024, the reinsurance market hardening at an unprecedented rate and higher claims. Yet your Company not only navigated these turbulent waters but also emerging stronger and more robust.

During the year 2024, the shareholders fund provided Hiba, amounting to RO 2.15 million to support the participants' fund and eliminate the deficit in the participant's fund account. Your Company has steadily reduced the accumulated deficit in the participants funding from RO 6.24 million in the year 2019 to an accumulated surplus of RO 0.28 million as of 31 December 2024, being one of a significant accomplishment.

Dear Shareholders,

Assalamu alaikum wa rahmatullahi 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 2024.

2024 was a year of multiple challenges, opportunity, and restraint. The economic environment continues to be challenging with recessionary conditions, upended by high interest rates, volatile oil markets and global geopolitical headwinds. We saw extreme hardening of the reinsurance market accompanied by capacity withdrawals from the region, increased claims trend along with competitive pricing and consolidation of insurance companies in Oman and the GCC.

Operating Environment

Your company delivered another year of strong underwriting performance, positioning itself among the few Companies in Oman who reported an operating profit from its insurance operations which was a noteworthy accomplishment despite of increased claims along with competitive pricing and higher acquisition cost leading to an operational deficit to most insurance companies in Oman.

The Global reinsurance market experienced unprecedented volatility which also had an impact on the local Insurance market. The reinsurance market hardened due to global NAT-CAT events resulting in higher reinsurance premiums and lower commission income.

In this tough economic environment, your Company was able to deliver an exceptional performance and recorded a 27% growth in Net earned contributions of RO 19.78 million in FY2024 as compared to RO 15.62 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.

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, increased by 4% generating a surplus of RO 5.12 million in FY 2024 as compared to surplus of RO 4.93 million for FY 2023. This was accomplished by prudent underwriting, effective risk selection, claims management supported by top-tier global reinsurance arrangements.

Your Company remains committed to refining its core competencies and adopting the best international practices in insurance operations, with a particular emphasis on minimizing claims costs and improving the loss ratios. Your Company exhibited its strong claims management abilities during the Al Mateer related losses where it expeditiously processed, concluded and settled large number of claims in rapid timeframe. Despite the increase in the reported claims, the insurance operations maintained their profitability.

Your Company will continue its drive on digitalization and automation of its claim processes to enhance cost efficiency, quicker salvage disposal, and expedite service delivery to elevate the overall customer experience to foster long-term sustainability.

Investment Income

The global financial markets in 2024 experienced significant headwinds, due to ongoing geopolitical tensions, elevated volatility, and inflationary pressures. Despite these challenges, I am pleased to report that your Company successfully navigated this complex environment, demonstrating the resilience of our investment strategy.

Your Company delivered resilient investment performance in 2024 and achieved an impressive 17% growth in investment income of RO 1.68 million (comprising both shareholders and participants fund), as compared to RO 1.43 million during FY 2023 due to our prudent asset allocation strategy.

Our investment portfolio remains well-diversified across Wakala deposits, sukuks, real estate, and equities. In 2024, we increased our exposure to high-quality sukuks both locally and internationally, focused on bottom-up stock selection of Shari'ah-compliant equities. Real estate income remained steady through cost control and improved occupancy.

The strategic investment composition reinforces our ability to generate consistent returns for both shareholders and participants' funds. We will continue look to refine our asset allocation strategy and pursue value-accretive opportunities, ensuring that our investments deliver sustainable growth which align with our long-term objectives while remain compliant with shariah guidelines and Financial Services Authority (FSA) investment regulations.

Shareholders' profit

Al Madina showcased another year of robust financial performance from the perspective of shareholders' profit. Your Company reported a 15% increase in profit attributable to the shareholders amounting to RO 1.47 million, in FY2024 as compared to the previous year's profit of RO 1.27 million. It is noteworthy that your Company strikes a balance between Participant and Shareholder funds and do not generate profits at the expense of Participant fund.

AAOIFI FAS 42 & 43 update (equivalent IFRS-17 standard)

The AAOIFI board has issued Financial Accounting Standard (FAS) 42 "Presentation and Disclosures in the Financial Statements of Takaful Institutions", and Financial Accounting Standard (FAS) 43 "Accounting for Takaful: Recognition and Measurement" these standards will apply to Takaful institutions starting from the annual financial reporting year beginning on or after 1 January 2025.

In reference to your Company's preparedness for implementing the new Takaful standards, including their impacts and the internal preparations related to systems, policies, and procedures for compliance, your company is in the implementation phase. It is actively collaborating with consultants and actuaries on Transition runs, which will form the basis for calculations under the AAOIFI standards FAS 42/43 (equivalent to IFRS-17).

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 8 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 and display how we are advancing on our strategic pillars in creating value for our shareholders.

Corporate Social Responsibility(CSR), Awards and recognition

It is worth highlighting that your Company Won the **Brand Leadership Award-2024** in CMO Asia Award (World Marketing Congress & Award).

Additionally, I am also pleased to announce that your Company also attained the prestigious **Gold Accreditation in Corporate Social Responsibility** from the CSR Accreditation Authority, United Kingdom. As the first institution in Oman to achieve this distinction, we take pride in our continued commitment to sustainability, community engagement, and environmental stewardship values that align with Oman Vision 2040.

Your Company's achievement was also recognized at the Oman CSR Summit and Awards 2024, winning accolades for 'Best Health & Wellness Initiatives' and 'International Excellence in CSR'.

This significant milestone underscores the dedication of our employees, the strength of our responsible business practices, and our drive for long-term innovation. Through impactful initiatives and steadfast adherence to CSR principles, your Company remains focused on creating meaningful change, both within our organization and across the communities we serve.

Environmental, Social, and Corporate Governance (ESG)

As a leading Takaful operator, Al Madina is dedicated to incorporating various ESG factors into both our insurance business and investment operations. We have started incorporating ESG awareness training sessions within our company, empowering employees to actively engage in social initiatives and volunteer work, fostering a strong sense of belonging and purpose across the organization. Through the integration of sustainable practices into its operations, Al Madina Takaful has made remarkable strides in safeguarding the environment and promoting community development.

Human Resources

The Human Resources department at Al Madina successfully conducted various in-house training programs and workshops for employees, aligning with the training plan submitted to FSA as required for insurance companies. Your company also offers succession leadership programs designed to enhance the skills and competencies of talented Omani professionals, equipping them with the necessary knowledge and experience in their respective fields.

During the year 2024, the Omanization Percentage reached 80.5%. In line with its commitment, your company is focused on developing the skills of talented Omani professionals, especially in technical areas. The launch of a Mentoring program, along with extensive training, highlights your company's dedication to preparing Omani managers for the future.

Company's Outlook & Vision

Al Madina Insurance SAOG remains confident in Oman's economic trajectory and the Takaful industry's growth potential as we enter 2025. Despite global geopolitical uncertainties, favorable oil prices, ongoing fiscal reforms, and IMF projections of continued low inflation and steady growth bolster our optimism. The local market's resilience, combined with rising public and foreign investment, positions Oman's insurance sector for sustained advancement in the coming year.

To harness these opportunities, our focus will be on stability, sustainable growth, and innovation. We will enhance our customer service, launch new products, and invest in advanced technologies and automation to streamline operations. At the same time, we remain attentive to emerging challenges, particularly in the global reinsurance market, where natural catastrophic events and capacity constraints can influence pricing and availability.

The introduction of mandatory health insurance, slated for launch in 2025, is expected to provide significant momentum 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. The diversification efforts are likely to bring opportunities in the areas of logistics, mining, and manufacturing. We will increase our visibility and reach through strategic tie-ups and by opening kiosks and agencies at strategic locations.

Our vision is to maintain strong underwriting fundamentals, deepen our market presence, and continue contributing to national objectives such as job creation and Omanization. By staying aligned with Shari'ah principles, we will seek Takaful-compliant investment opportunities that deliver robust returns for both shareholders and policyholders. Through disciplined underwriting, strategic sales planning, and superior customer service, your Company is committed to achieving sustainable growth, operational profit, maintaining its market position with long-term value creation for participants and Shareholders in 2025 and beyond.

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 2024. We also thank and appreciate the Financial Services Authority for their constant support and their initiatives oriented towards the Insurance market, with a special emphasis on the development of Takaful industry 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 Allah Bless you all.



H.E Dr. Mohammed Ali Al Barwani

Chairman of the Board

Management Discussion & Analysis Report

Introduction

In 2024, Oman's insurance market experienced mixed performance, with certain segments showing growth while others faced challenges. Despite increased natural catastrophic losses in the region and decreased capacity from the reinsurance market, Al Madina exceeded the Budgeted performance of the year and recorded Gross Written Contributions (GWC) of RO 51.5 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 market hardened further in 2024, and reinsurance costs increased multifold in view of regional and global losses on Reinsurers. Market witnessed changes in treaty structure and treaty reinsurers imposed minimum rates and deductible for Natural Catastrophic perils. Regardless of all the market challenges, our financial results demonstrate the commitment to generating a steady surplus from our insurance operations, ensuring the protection of participants' interests while simultaneously we continue to reward our shareholders by delivering consistent positive results.

Al Madina has been honored with the **Brand Leadership Award 2024** at the CMO Asia Awards (World Marketing Congress & Awards) in recognition of our outstanding performance in the insurance sector. This award acknowledges our strong market position, backed by exceptional financial results, innovation, technical expertise, a wide range of products, and superior customer service.

In addition, Al Madina has earned **CSR Gold Accreditation** in 2024, marking a significant achievement as the **first in the Takaful industry in Oman**. The company's achievement was also recognized at the Oman CSR Summit and Awards 2024, winning accolades for **'Best Health & Wellness Initiatives'** and **'International Excellence in CSR'**.

During the year 2024, the shareholders provided Hiba amounting to RO 2.15 million to the participants fund General Takaful. This was primarily done to support and reduce the deficit in the participants' fund account. The Company has steadily reduced the accumulated deficit in the participants fund account from RO 6.24 million in the year 2019 to an accumulated surplus of RO 0.28 million as of 31 December 2024, being one of a significant accomplishment.

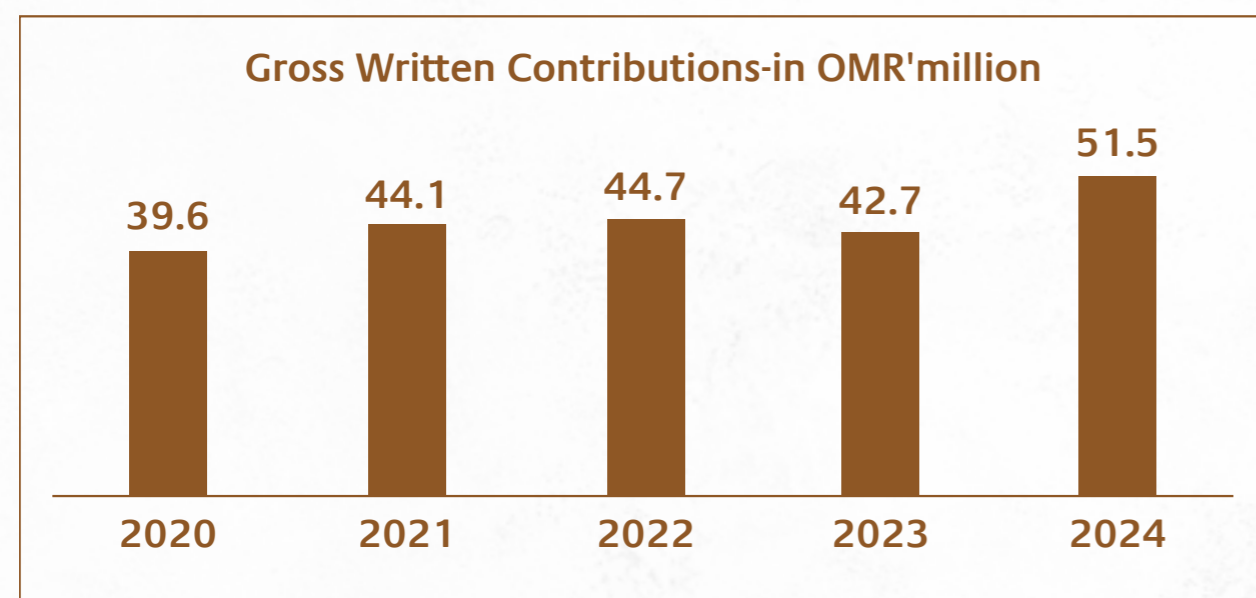
In reference to the company's readiness to implement the new Takaful standards, their impacts, and the internal preparation reports of systems, policies, and work procedures to comply with the new requirements; the Company is in the implementation phase of the project and is engaged with the consultants and actuaries performing the transition runs, which will serve as the foundation for calculations under the AAOIFI standards FAS42/43 (equivalent to IFRS-17) the effective implementation date is for the annual financial reporting year beginning on or after 1 January 2025.

Financial Performance

(In OMR '000)	Shareholders fund	Participants fund		Consolidated	
		General Takaful	Family Takaful	2024	2023
Gross Written Contributions	-	47,400	4,060	51,460	42,747
Net Retained Contributions	-	19,714	1,380	21,094	17,323
Net Earned Contributions	-	18,590	1,188	19,778	15,617
Net Claims Incurred	-	(10,902)	(425)	(11,327)	(8,533)
Provision for impairment of receivables	-	(105)	(15)	(120)	(120)
Surplus from Takaful Operations before investment income, mudarib share and Wakala fees	-	7,180	678	7,858	6,987
Investment income-net	902	691	85	1,678	1,434
Wakala Fees	10,089	(9,480)	(609)	-	-
Mudarib share	427	(380)	(47)	-	-
Hiba given from Shareholder to participants fund	(2,150)	2,150	-	-	-
General, administrative and commission expenses	(7,571)	-	-	(7,571)	(6,708)
Shareholders Profit before tax and participants fund surplus	1,697	161	107	1,966	1,713
Taxation	(223)	-	-	(223)	(283)
Total Profit after tax and surplus for the year	1,474	161	107	1,743	1,430
Earnings per share (in OMR)	-	-	-	0.008	0.007
Book value per share attributable to shareholders (in OMR)	-	-	-	0.127	0.125

Business

The Company continues its streak of growth in Gross Written Contribution(GWC), during FY 24 GWC of the Company grew significantly by 20% to RO 51.5million as compared to RO 42.7million. Al Madina has been consistently growing its GWC on a yearly basis on the back of a focused sales strategy.



The Company also demonstrated robust growth across all key performance indicators, including Gross Written Contribution, Net Written Contribution, Net Earned Contribution, Surplus from Takaful Operations, and Total Profit after Tax. The Company reported a significant 12% growth in surplus from Takaful operations, excluding investment income, mudarib share, and Wakala fees, compared to the previous financial year.

Increased claims trends were observed in the Property class of business, driven by frequent natural catastrophic losses, alongside a rise in Motor claims due to higher injury claims. As a result, insurance companies are re-evaluating premium rates for both Motor and Property insurance.

Al Madina consistently manages a well-diversified portfolio, with each business segment contributing positively to the underwriting surplus. As a leading energy insurer in Oman where the economy is heavily dependent on hydrocarbons, the company holds a significant position in the infrastructure and power sectors. This success is fueled by strong, long-standing relationships with both our clients and the international reinsurance market.

The entry of new local and multinational insurance brokers into the Omani market has intensified competition. However, despite these challenges, we have successfully preserved our market share and profitability, driven by strategic planning and an effective underwriting process.

The Company effectively managed its reinsurance Treaty renewals with minimal financial impact, supported by strong underwriting results, even in the face of a particularly challenging global reinsurance market conditions.

Al Madina remains committed to delivering superior service and consistent performance to all our stakeholders. Our advanced digital platforms ensure that customers experience seamless service across all insurance-related activities, including policy management, claims, and financial transactions. Our objective is to consistently grow our market share while maintaining both profitability and brand value.

Claims

Al Madina continued to achieve profitability despite the increase in accident reporting compared to the previous year. Al Madina managed to control the claim cost despite the reduction in discounts by the agencies. Al Madina also took steps towards an efficient WhatsApp driven claim intimation 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.

Al Madina exhibited its strong claims management abilities during the Al Matter related losses where it expeditiously and efficiently processed, concluded and settled large number of claims in short period of time. Our key drive on fast-track settlements continued improving the previous year's numbers on the Motor line.

The Company continued to benchmark itself achieving the higher realization in the salvage disposal mechanism process and it also collaborated with Third Party Administrator during the last quarter of 2024 to broaden its vendor base.

As a pilot initiative on paperless claim processing, the department handled close to 25% of claim intimations in digital form enhancing the client service with quick turn around by eliminating physical movement of files. The turnaround time for Life and Medical claim settlements was improved with a focused approach on streamlining internal processes.

The drive on digitalization will be the focus for the year to enhance our service capabilities to enrich customer experience. Al Madina is committed to follow best industry practices and in line with that, the Company's Claim reserves for all lines of business maintained adequate and certified by actuaries.

The Company is in the process of developing its own in-house Medical Administration Unit and likely to complete its implementation during the year 2025.

Investment

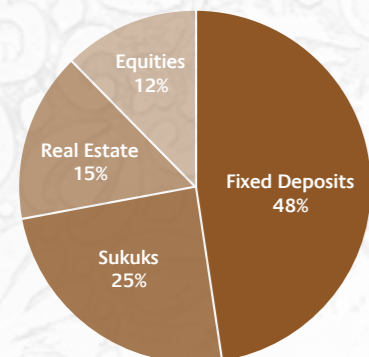
The global financial markets in 2024 experienced significant headwinds amidst persistent geopolitical tensions, elevated volatility, and inflationary pressures. Despite these challenges, the Company successfully navigated this complex environment, demonstrating the resilience of our investment strategy.

During FY 2024, the Company achieved a remarkable year on year growth of 17% in investment income amounting to RO 1.68 million (comprising both shareholders and participants fund), compared to RO 1.43 million in FY 2023. This performance highlights our prudent approach to asset allocation and risk management, which enabled us to capitalize on selective market opportunities while preserving capital.

Our investment portfolio remains well-diversified, which includes Wakala deposits, sukuks, real estate, and equities. Throughout 2024, we strategically increased our exposure to high-quality, fixed income sukuks both within and outside the Sultanate of Oman.

In our equity investments, we adhered to a bottom-up selection process, focusing on Shari'ah-compliant stocks with robust fundamentals, strong cash flows, attractive dividend yields, and promising growth potential. This diversified strategy has proven effective in mitigating risk and providing sustainable returns. While the real estate market remained subdued, our efforts to control property costs and improve occupancy levels helped deliver stable income from real estate holdings.

The strategic investment composition reinforces our ability to generate consistent returns for both shareholders and policyholders. Break up of our investment portfolio is given below:



We will continue to refine our asset allocation strategy and pursue value-accretive opportunities, ensuring that our investments deliver sustainable growth and align with our long-term objectives while remain compliant with shariah guidelines and Financial Services Authority (FSA) investment regulations.

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 FSA 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.

The **program, "Bina,"** launched for graduates and job seekers in Oman continues to aid graduates in developing new skills, competencies, and gaining exposure to the work environment, with the aim of preparing them for the labor market. In terms of graduates hiring the company employed more than 20 graduates last year.

During the year 2024, the **Omanization Percentage reached 80.46%**. 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.

The company aims to prepare **second line leadership for senior roles** in the future, 4 candidates were enrolled in a succession program leadership program to enhance their skills competencies as well as equip them with required knowledge and experience related to their field.

Information Technology

The Company focused on Digitization of Insurance sales and services. The Company's Digital strategy on using the 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. 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 FSA 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.

Compliance Department

Al Madina Insurance Company continued to focus on compliance with regulatory requirements through supporting and developing the Compliance Department. The Compliance Team was able to spread the culture of compliance and focus on the importance of effective communication and motivation in enhancing the level of compliance within the organization.

Corporate Social Responsibility

Considering our commitment to social responsibility we provided a gold category of medical coverage for all employees and their dependents. In addition to this, our **maternity benefits allowing mothers with kids less than 6 years old to depart early from the office**, to allow them to spend quality time with their kids and families. These efforts have resulted positively in our employee wellness as well as increased our employee retention in the company.

Al Madina Insurance Achieves Gold Accreditation in Corporate Social Responsibility

Al Madina Takaful has reached a historic milestone by becoming the first organization in the Sultanate of Oman to receive the prestigious Gold Accreditation in Corporate Social Responsibility (CSR) from the CSR Accreditation Authority, United Kingdom.

This remarkable achievement highlights the company's unwavering commitment to social and environmental responsibility, creating a positive impact on the community and environment. It aligns with Al Madina Takaful's sustainability strategy and Oman Vision 2040, contributing to building a sustainable, inclusive, and resilient economy for the future.

Commitment to Community, Environment, and Sustainability

Al Madina Takaful's Human Social responsibility emphasizes fostering a culture of responsibility and innovation. The company focuses on empowering its employees to actively participate in social initiatives and volunteer work, strengthening a sense of belonging and purpose within the organization. By integrating sustainable practices into its operations, Al Madina Takaful has made significant progress in protecting the environment and fostering community development.

Al Madina Takaful reaffirms its commitment to being a leader in Social Responsibility and sustainability by focusing on:

- **Community Engagement:** Actively supporting social programs and empowering employees to make positive contributions to society.
- **Environmental Responsibility:** Embedding sustainable practices to reduce the company's carbon footprint and preserve natural resources.
- **Continuous Innovation:** Implementing forward-thinking initiatives to drive long-term sustainability.
- **Global Vision:** Strengthening partnerships to support global sustainability goals while building local efforts.

Towards a Brighter Future

This accreditation solidifies Al Madina Takaful's position as a leading institution in Social Responsibility and sustainability in Oman. The company is set to intensify its efforts with new initiatives on the horizon, benefiting customers, employees, and society as a whole

Outlook

The outlook for Oman's insurance market in 2025 is optimistic, with anticipated growth driven by economic diversification, regulatory reforms and digital transformation. These factors are expected to enhance the industry's resilience and competitiveness, positioning it for sustained success in the coming years.

Oman's strategic initiatives to diversify its economy and implement regulatory reforms are anticipated to bolster the Insurance industry. The government's focus on non-hydrocarbon sectors and fiscal stability is expected to create a favorable environment for insurance growth.

The entry of new local and multinational insurance brokers into the Omani market is intensifying competition. However, this competitive environment is expected to drive innovation and improve service quality, benefiting consumers and contributing to the overall growth of the industry.

Market credit issues and cash flow concerns are expected to remain ongoing challenges for many industries. We anticipate that the reinsurance market will remain constrained due to global catastrophic losses and inflationary pressures, leading to higher reinsurance costs. These factors are likely to be reflected in the pricing of policies, which will require continued support from the global reinsurance market. However, locally retained policies are expected to face ongoing pricing pressure, with rates likely to decrease further due to increasing competition. Motor insurance pricing will continue to undergo adjustments in response to the rise in motor claims.

The introduction of mandatory health insurance, slated for launch in 2025, is expected to provide significant momentum 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. We will increase our visibility and reach through strategic tie-ups and by opening kiosks and agencies at strategic locations.

Continued IT upgrades, Process automation 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.

As we strive to attain a sustainable environment, 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.

The Company's strategy is focused on achieving profitability through the implementation of effective underwriting practices, optimized reinsurance structuring, and efficient expense management. This approach will enable us to maintain our market share while delivering positive results to all stakeholders.

Chief Executive Officer



Agreed-upon procedures report on factual findings in connection with the Corporate Governance report

To the Board of Directors of Madina Insurance Company SAOG

Purpose of this Agreed-upon Procedures Report

Our report is solely for the purpose of assisting the directors of Al Madina Insurance Company SAOG (the "Company") in determining whether their Corporate Governance Report is in compliance with the Code of Corporate Governance (the "Code") of the Financial Services Authority of the Sultanate of Oman ("FSA"), as prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose.

Responsibilities of the directors

The directors of the Company have prepared the Corporate Governance Report ("the Report") and remain solely responsible for it, and are also responsible for identifying and ensuring that the contents of the Report comply with the Code. The directors are also responsible for determining that the scope of the agreed-upon procedures is appropriate and sufficient for the purposes of the engagement.

Our Responsibilities

We have conducted the procedures agreed with the Company, and set out below, in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Up Procedures Engagements. An agreed-upon procedures engagement involves 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 or sufficiency of the agreed-upon procedures.

This agreed-upon procedure engagement is not an audit or assurance engagement made in accordance with generally accepted auditing or assurance standards, the objective of which would be the expression of assurance on the contents of the Report. Accordingly, we do not express such assurance.

Had we performed additional procedures, or had we performed an audit or assurance engagement on the Report, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

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

We apply the International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Agreed-upon procedures report on factual findings in connection with the Corporate Governance report (continued)

Procedures and Findings

We have performed the procedures described below, which were agreed with the Company in the terms of our engagement letter dated 3 June 2024, on the compliance of the Report with the Code for the year ending 31 December 2024.

S. No	Procedures	Findings
(a)	We obtained the Corporate Governance Report issued by the Board of Directors and compared its contents to the minimum requirements of the FSA as set out in Annexure 3 of the Code .	No exceptions noted.
(b)	We obtained from the Company details of the areas of non-compliance with the Code identified by the Company, as set out in its Board minutes and in its non-compliance checklist, and compared these with those included in the Report in the section "Details of non-compliance and penalties, together with the reasons for such non-compliance for the year ended 31 December 2024. Additionally, we obtained written representations from the directors that there were no other areas of non-compliance with the Code for the year ended 31 December 2024 , of which they were aware.	No exceptions noted.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose.

This report relates only to the accompanying Corporate Governance Report of the Company to be included in its annual report for the year ending 31 December 2024 and does not extend to the Company's financial statements taken as a whole.

PricewaterhouseCoopers LLC

Muscat, Sultanate of Oman

26 February 2025

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 of Code of Corporate Governance for Insurance Companies, as pronounced by the Financial Services Authority (FSA) 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 services that conform 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 an 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 with the 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 2024. 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	24 March 2024	Non-Independent	Personal
Eng. Abdulrahman Awadh Barham	Dy. Chairman	24 March 2024	Independent	Personal
Mr. Saleh Nasser Al Riyami	Director	24 March 2024	Independent	Personal
Ms. Safana Mohammed Ali Al Barwani	Director	24 March 2024	Non-Independent	Personal
Mr. Said Saleh Al Jabri	Director	24 March 2024	Independent	Personal
Dr. Yousuf Salim Al Hinai	Director	24 March 2024	Independent	Personal
Ms. Maha Ali Al Muscati	Director	24 March 2024	Independent	Personal

The Board of Directors of the Company met five times during the year ended 31st December 2024 -on 22nd February 24th March 29th April 29th July, and 28th October. Six Directors attended the AGM that was held on 24th March 2024.

The following are details of the attendance of the Board members at its meetings held during the year 2024:

B) THE BOARD OF DIRECTORS (continued)

Name	22 nd February	24 th March	29 th April	29 th July	28 th October
H.E. Dr. Mohammed Ali Al Barwani	Yes	Yes	Yes	Yes	Yes
Eng. Abdulrahman Awadh Barham	Yes	Yes	No	Yes	No
H.E. Shaikh Abdulrahman Mohammed Jabor Al Thani	Yes				
Mr. Saleh Nasser Al Riyami	Yes	Yes	Yes	Yes	Yes
Ms. Safana Mohammed Al Barwani	Yes	Yes	Yes	Yes	Yes
Mr. Said Saleh Al Jabri	Yes	Yes	Yes	Yes	Yes
Dr. Yousuf Salim Al Hinai	Yes	Yes	Yes	Yes	Yes
Ms. Maha Ali Al Muscati		Yes	Yes	Yes	Yes

The details of Directors' sitting fees are given below for the attended meetings during 2024:

Name	Position	Board Meetings attended	Sitting Fees RO
H.E. Dr. Mohammed Ali Al Barwani	Chairman	5	5,000
Eng. Abdulrahman Awadh Barham	Dy. Chairman	3	3,000
H. E Sh. Abdulrahman Mohammed Jabor Al Thani	Director	1	1,000
Mr. Saleh Nasser Al Riyami	Director	5	5,000
Ms. Safana Mohammed Al Barwani	Director	5	5,000
Mr. Said Saleh Al Jabri	Director	5	5,000
Dr. Yousuf Salim Al Hinai	Director	5	5,000
Ms. Maha Ali Al Muscati	Director	4	4,000

The AGM was held on 24th March 2024, and the details of Directors who attended the AGM meeting are as follows:

Name	Attended
H.E. Dr. Mohammed Ali Al Barwani	Yes
Eng. Abdulrahman Awadh Barham	Yes
Mr. Saleh Nasser Al Riyami	Yes
Mrs. 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
1 st Board Meeting	22-Feb-2024	14-Feb-2024
2 nd Board Meeting (Formation of the new Board of Directors)	24-March-2024	22 -Feb-2024
3 rd Board Meeting	29-Apr-2024	22-Apr-2024
4 th Board Meeting	29-July-2024	22-July-2024
5 th Board Meeting	28-Oct-2024	21-Oct-2024

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 2024, the shareholders approved the payment of remuneration to the members of the Board of Directors, which was estimated and paid at RO 64,000 (Sixty-four thousand Omani Riyals).

Dr. Khalid Al Amri was Advisor to the Board and Audit Committee and attended One (1) Board Meetings and One (1) Audit Committee Meetings. Sitting fees amounting to RO 1,800 was 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 25th 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 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 a chairperson of Al Baleed resort SAOC and holding a Board membership in Mazoon Petrogas SAOC and Mohammed Al Barwani Sukuk issue SAOC, and a Remuneration and Audit Committee member in Mazoon Petrogas SAOC. 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 Board of Directors with 33 years of experience in project implementation and planning and is currently the Chief Executive Officer of Al Madina Real Estate Company SAOC, and as a consultant at Al Madina Investment and a member of the Investment Committee in Al Madina Real Estate SAOC. Eng. Abdulrahman bin Awadh Barham has a deep understanding of real estate finance related products and serves as a Board Member of Salalah Mills Company SAOG and Tilal Development Company SAOC, Al Mutawer Hotels & Resorts SAOC, Salalah Commercial Centers, Qurayat Development Co SAOC, Alansab Development SAOC and Chairman of Al Basateen Development Company SAOC. Furthermore, a Member of ENRC Committee in Salalah Mills Company SAOG, Technical Committee member in Al Mutawer Hotels & Resorts SAOC and a member in investment Committee for Al Madina Real State SAOC.

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

Mr. Saleh Al Riyami has more than 23 years of experience as an investment expert. Mr. Saleh has put his expertise 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.

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

Mrs. Safana has 18 years of experience in investment, insurance, and real estate. She holds the position of Vice Chairperson in Al Baleed Resort SAOC and holds directorship in Mazoon Petro Gas SAOC & Risk Management Services. She oversees development and management of all properties.

B) THE BOARD OF DIRECTORS (continued)

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

e) 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. 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 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 the Chairman of Al Madina Investments SAOG and Protection Group International (UK). Furthermore, he is a board director in Mazoon Petrogas SAOC, a non-executive director in Turquoise Yachts. He is also a NRC member of Al Madina Investment Holding SAOG and sits on multiple MB group companies Board.

f) 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. 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 academic, 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.

g) Mrs. Maha Ali Abdul Husain Al Masqati (Nationality: Omani)

She holds a bachelor's degree in law from Carleton University and nearly 12 years of experience, Lawyer at Oxy Oman from 2011 to 2018. She has been working as a Senior Assistant in the Law Department at the Oman Investment Authority in 2018 until now. She specializes in Oil & Gas, Mergers and Acquisitions, Public Markets and Private Equity Investments. With a strong educational background and diverse professional experience of over ten years, she has experience in the fields of mergers and acquisitions and has extensive experience in the oil and gas and investment sector from a legal perspective. She has been involved in key transactions during her tenure at both Oxy Oman and Oman Investment Authority that her knowledge and experience add value to the future growth of any organization.

C) AUDIT COMMITTEE

The Audit Committee comprising of four non-executive members are constituted by the Board, out of which three 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 2024, on 21st February 28th April 28th July, and 27th October.

The details of the Audit Committee meetings attended and sitting fees paid during 2024 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
Ms. Maha Ali Al Muscati	Member	3	2,400

C) AUDIT COMMITTEE (continued)

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 are 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 the 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 is 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.
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 FSA and prepared in accordance with the Insurance Companies Law and its regulations. The audit committee shall review the regulatory returns before submission to the FSA.
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, changes 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 FSA should be critically reviewed.
8. Serving as a 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 to make suitable recommendations to the board.

D) EXECUTIVE NOMINATION AND REMUNERATION COMMITTEE (ENRC)

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 2024 on 22nd of February and 23rd December 2024. The details of Executive Nomination and Remuneration Committee named members and paid sitting fees during 2024 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	1	800
Eng. Abdulrahman Awadh Barham	Member	2	1,600
Mr. Said Saleh Al Jabri	Member	2	1,600

* H.E Sh. Abdulrahman Mohammed Jabor Al Thani attended one meeting. Sitting fees amounting to RO 800 was paid to him for attending the ENRC meeting.

D) EXECUTIVE NOMINATION AND REMUNERATION COMMITTEE (ENRC)

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 four 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 2024 on 14th February 17th April 21st July and 28th October 2024.

The details of Shari'ah Supervisory Committee meetings attended and sitting fees paid during 2024 are as follows.

Name	Position	Meetings	Sitting Fees RO
Dr. Mohammed Daud Baker	Chairman	4	3,000
Sheikh Abdul Sattar Kattan	Vice Chairman	3	2,250
Dr. Amin Fateh	Executive Member	4	3,000
Dr. Wail Saif Al Harrasi	Member	1	750

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

Al Madina Insurance Achieves Gold Accreditation in Corporate Social Responsibility

Al Madina Takaful has reached a historic milestone by becoming the first organization in the Sultanate of Oman to receive the prestigious Gold Accreditation in Corporate Social Responsibility (CSR) from the CSR Accreditation Authority – United Kingdom.

This remarkable achievement highlights the company's unwavering commitment to social and environmental responsibility, creating a positive impact on the community and environment. It aligns with Al Madina Takaful's sustainability strategy and Oman Vision 2040, contributing to building a sustainable, inclusive, and resilient economy for the future.

F) CORPORATE SOCIAL RESPONSIBILITY

Commitment to Community, Environment, and Sustainability

Al Madina Takaful's Human Social responsibility emphasizes fostering a culture of responsibility and innovation. The company focuses on empowering its employees to actively participate in social initiatives and volunteer work, strengthening a sense of belonging and purpose within the organization. By integrating sustainable practices into its operations, Al Madina Takaful has made significant progress in protecting the environment and fostering community development.

Al Madina Takaful reaffirms its commitment to being a leader in Social Responsibility and sustainability by focusing on:

- **Community Engagement:** Actively supporting social programs and empowering employees to make positive contributions to society.
- **Environmental Responsibility:** Embedding sustainable practices to reduce the company's carbon footprint and preserve natural resources.
- **Continuous Innovation:** Implementing forward-thinking initiatives to drive long-term sustainability.
- **Global Vision:** Strengthening partnerships to support global sustainability goals while building local efforts.

Towards a Brighter Future

This accreditation solidifies Al Madina Takaful's position as a leading institution in Social Responsibility and sustainability in Oman. The company is set to intensify its efforts with new initiatives on the horizon, benefiting customers, employees, and society as a whole.

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's direction towards providing a safe and healthier work environment for human capital.
- Healthcare Initiatives: Investing in healthcare facilities, upgrading 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.
- Conducting awareness programs for local Universities and Colleges
- Partnerships between Al Madina insurance and the Omani Food Bank, which aims to address food insecurity.
- The company's generous support for 27 graduating students with disabilities from Al Trbia Al Fkria School.
- Online Environmental workshop was held in collaboration with BIA for AMI employees, with 73 participants attending the session led by Be'ah company.

F) CORPORATE SOCIAL RESPONSIBILITY (Continued)

- CSR committee attending the corporate social responsibility forum in Saudi Arabia for 2 days from 28th of October till 29th of October 2024.
- Art Recovery initiative in cooperation with the Zakat Committee in the Wilayat of Al Amerat and the Recovery Houses of the Ministry of Health for 40 recovering addicts and 6 AMI employees participated in this initiative with 3 members from HSR committee and 3 volunteers from outside the organization.
- Orphan Sponsorship in Gaza A list of around 30 orphans from Gaza which the CEO and several employees have sponsored.
- An employee from the Underwriting Department proactively developed a new system to streamline workflow.
- Blood donation initiatives in cooperation with central blood bank.
- New idea new Joy initiatives which are as newsletter about initiatives implemented in the organization.
- Implementing human social responsibility in the workplace
- An initiative to contribute a financial sum to drill two wells in Bangladesh in cooperation with the leading Gulf company led by Mazen Al-Jabri and his team in the claims department.
- Save Energy posts that are printed and distributed to all branches to raise awareness about the importance of saving energy.
- Sustainable work environment Emailer to all AMI Employees to create awareness.
- Introducing new Volunteering policy.
- Al Madina Insurance Company Honored on World Food Day for its contributions to the Oman Food Bank.
- **Al Madina Insurance Company was awarded the "International Excellence in Social Responsibility" and "Best Health and Wellness initiative award"**
- Under the patronage of His Excellency Professor Dr. Mahad bin Said Baawain, Minister of Labor, Al Madina Insurance Company was awarded the "International Excellence in Social Responsibility" and "Best Health and Wellness initiative award" at the Oman CSR Summit & Awards 2024. This recognition reaffirms our strong and ongoing commitment to human social responsibility, which is one of our corporate values. We are dedicated to achieving sustainability goals in line with Oman Vision 2040.
- Bina`a Internship Program for AMI employees` children that aims to invest in the future of our employees' children.

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 2024, the Company spent a total amount of RO 20,879 on 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 FSA 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 Executive Management (CEO, Deputy CEO) are set by the Board and based on these goals; every department's manager is given well-set goals that are clearly measured. The Executive Management, in conjunction with the Human Resource department, conducts performance reviews 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.

H) MANAGEMENT REMUNERATION MATTERS (Continued)

The gross remuneration paid during the year to the top 5 officers of the Company including salary and allowances amounted to RO 621,717 (Short term benefits RO 596,710 and Employee end of services benefit RO 25,008). 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 33 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 33 years of experience of providing assurance and advisory services to the Insurance sector in Sultanate of Oman, including five years of work experience as CFO and approximate three years as 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 (2022, 2023 & 2024) there was no penalty imposed by FSA & MSX on the Company.

During 2024, the company received a letter drawing attention to the delay in submission some of the documents related to the subject of Anti Money Laundering.

J) MEANS OF COMMUNICATION WITH SHAREHOLDERS

As per legal requirements, a notice is sent to the shareholders for the Annual General Meeting together with the annually 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.almadinatakal.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 2024 is as given below.

Month	Company's Market price (Baiza)		MSX 30 Index		Financial sector Index		Sharia Index	
	High	Low	High	Low	High	Low	High	Low
Jan-24	88	87	4,619	4,562	7,467	7,535	442	441
Feb-24	88	87	4,555	4,506	7,108	7,059	448	444
Mar-24	83	81	4,672	4,612	7,368	7,299	446	436
Apr-24	82	82	4,793	4,771	7,774	7,733	453	449
May-24	81	80	4,846	4,824	8,015	7,950	458	456
Jun-24	80	80	4,723	4,687	7,745	7,685	461	456
July-24	78	76	4,668	4,658	7,611	7,575	446	445
Aug-24	79	79	4,750	4,717	7,701	7,652	444	443
Sep-24	80	78	4,745	4,704	7,805	7,718	435	432
Oct-24	79	78	4,764	4,741	7,933	7,886	431	430
Nov-24	80	79	4,566	4,528	7,691	7,645	409	405
Dec-24	81	80	4,577	4,541	7,726	7,617	426	416

Pattern of Shareholding

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

Distribution of Shareholdings

Distribution of Shares	Number of shareholders	Number of shares	Percentage of total
1-50,000	1,681	13,867,803	8%
50001 – 100,000	112	8,376,500	5%
100,001 – 200,000	54	8,047,415	4%
200,001 – 500,000	57	17,747,601	10%
500,001 – 1,000,000	28	19,005,240	11%
1,000,001 – 5,000,000	19	40,357,071	23%
Above 5,000,000	4	67,598,370	39%
Grand Total	1,955	175,000,000	100%

L) declaration by the Board of directors

We the board of directors hereby confirm 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.
- The 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) PROFILE OF THE STATUTORY AUDITORS -PWC

PwC is a network of firms with more than 370,393 people operating from 149 countries in 656 cities across the globe, making us the largest professional services provider in the world. We are committed to delivering quality services in Assurance, Tax and Advisory (which includes our Consulting, Deals and Strategy& practices) and Internal Firm Services. In doing so we help to build trust in society, enabling our clients to make the most of opportunities and solve important business problems.

PwC has operated in the Middle East region for more than 40 years. Collectively, our Middle East network employs in the region of almost 12,000 people including over 499 partners and 766 directors working from 30 offices (in 22 locations) across 12 countries: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates and 41% of our Middle East workforce is female. We are one of the fastest growing PwC member firms worldwide and the largest professional services firm in the Middle East. (www.pwc.com/me).

PwC is strongly committed to Oman where we are recognised as one of the leading providers of quality business advisory services. We have had a local practice in Oman since 1971 and now have 9 partners, 1 of whom is Omani and 5 directors and approximately 144 members of staff operating from our office in Muscat. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

During the year 2024, audit fees amounting to RO 33,800 were charged by the external auditors in respect of the professional services provided by them to the Company. In addition, an amount of RO 5,000 was paid for other assurance services which were provided by the external auditors during the year 2024.

For Al Madina Insurance Company SAOG



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 2024

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 2024. 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 its 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 2024, 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 undertaken 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 17 Shaaban 1446 AH
corresponding to 16 February 2025.



Chairman of the Shari'ah Supervisory Committee

Sheikh Dr. Mohd Daud Bakar



Independent auditor’s report to the shareholders of Al Madina Insurance Company SAOG

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Al Madina Insurance Company SAOG (the “Company”) as at 31 December 2024, its financial performance and its cash flows 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”).

What we have audited

The Company’s financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of participants’ revenue and expenses for the year then ended;
- the statement of shareholders’ income and other comprehensive income for the year then ended;
- the statement of changes in shareholders’ equity for the year then ended;
- the statement of changes in participants’ fund for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with AAOIFI’s Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics for Accountants and Auditors of Islamic Financial Institutions.

Our audit approach

Overview

- | | |
|------------------|---|
| Key Audit Matter | • Valuation of outstanding claims including claims incurred but not reported (“IBNR”) |
|------------------|---|



Independent auditor’s report to the shareholders of Al Madina Insurance Company SAOG (continued)

Our audit approach

Overview (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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.

Key audit matter

How our audit addressed the key audit matter

Valuation of outstanding claims including claims incurred but not reported (“IBNR”)

At 31 December 2024, the Company had gross outstanding claims amounting to RO 41.81 million and gross IBNR of RO 3.75 million.

Outstanding claims:

The outstanding claims are a best estimate of all claims incurred but not settled at the reporting date.

Claims incurred but not reported reserve:

This reserve represents the liability for claims incurred but not reported at the end of the reporting year which is determined through an internal and external independent actuarial valuation, considering the historical loss experience.

We consider the valuation of outstanding claims including IBNR a key audit matter because of the complexity involved in the estimation process and the significant judgements that management make in determining the reasonableness and adequacy of the takaful liabilities.

Our audit procedures included the following;

- We obtained an understanding, assessed and tested the design and operating effectiveness of the key manual controls over the claims and reserve setting process.

For outstanding claims, we:

- Tested the amounts recorded for a sample of claims from the technical listing to the underlying supporting documents.
- Reconciled, for the general and family takaful lines of business, the outstanding claims reserve as per the technical listing to the general ledger;
- Tested the amounts recorded for a sample of claims notified, focusing on those with most significant impact on the financial statements, to assess whether claims are appropriately estimated and recorded;
- Compared on a sample basis the outstanding claims reserves as at 31 December 2024 and 31 December 2023 with the subsequent payments, if settled or subsequent reserve amounts, if unsettled.



Independent auditor's report to the shareholders of Al Madina Insurance Company SAOG (continued)

Our audit approach

Key audit matter	How our audit addressed the key audit matter
Please refer to notes 2.3.1(e), 3(a) and 9 to the financial statements for the accounting policy, disclosures of the related judgements and estimates and other details respectively, relating to outstanding claims including IBNR.	<p>For claims incurred but not reported reserve, we:</p> <ul style="list-style-type: none"> Tested the completeness and accuracy of the data provided by the management to the Company's actuary to calculate the IBNR; Evaluated the competence, objectivity and independence of the independent actuary appointed by the management to assess the adequacy of IBNR; Involved our internal actuarial specialists to independently test management actuary's assumptions and estimates of the IBNR reserves and evaluated the reasonableness of the methodology and assumptions used by comparing them with recognised actuarial practices and by applying their industry knowledge and experience including recalculation of IBNR on a sample basis; Assessed the effect on the current year's reserves estimate based on the review performed by the Company on the claims incurred but not reported reserve at prior year end in the light of subsequent development / settlement of these claims; <p>Checked the appropriateness of the disclosures made in relation to the valuation of takaful contract liabilities included in these financial statements.</p>

Other information

The directors are responsible for the other information. The other information comprises the Chairman's report, Management Discussion and Analysis Report, Report on Corporate Governance and Shari'ah Supervisory committee's Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Company's Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 obtained prior to the date of this auditor's 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.

When we read the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.



Independent auditor's report to the shareholders of Al Madina Insurance Company SAOG (continued)

Responsibilities of the directors for the financial statements

These financial statements and the Company's undertaking to operate in accordance with Islamic Shari'ah Principles and Rules are the responsibility of the Board of Directors.

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Financial Accounting Standards issued by AAOIFI and their preparation in compliance with the relevant requirements of the Financial Services Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 Auditing Standards for Islamic Financial Institutions issued by AAOIFI 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 the financial statements.

As part of an audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 directors.
- Conclude on the appropriateness of management's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



Independent auditor's report to the shareholders of Al Madina Insurance Company SAOG (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 those charged with governance 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 directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 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 auditor's 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, as required by the relevant requirements of the Financial Services Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, we report that the financial statements have been prepared and comply, in all material respects, with those requirements and provisions.

Further we report that the Company has complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Company during the year under audit.

Kashif Kalaf
Muscat, Sultanate of Oman
26 February 2025



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

ASSETS	Note	Shareholders' fund				Participants' fund				Grand total			
		2024		2023		2024		2023		2024		2023	
		RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	
Cash and bank balances	4	552,905	3,438,492	6,788,789	6,442,689	1,083,696	1,423,506	7,872,485	7,866,195	8,425,390	11,304,687		
Takaful balance receivable	7	-	-	19,759,706	16,675,146	620,366	1,254,827	20,380,072	17,929,973	20,380,072	17,929,973		
Retakaful / reinsurance balance receivable	7	-	-	3,944,172	4,339,418	169,022	351,244	4,113,194	4,690,662	4,113,194	4,690,662		
Receivable from participants' fund – family takaful	8	1,976,220	-	195,651	937,133	-	-	195,651	937,133	195,651	937,133		
Receivable from participants' fund	8	1,976,220	3,386,009	-	-	-	-	-	-	1,976,220	3,386,009		
Due from retakaful / reinsurance companies in connection with takaful liabilities	9	-	-	49,999,776	51,315,760	1,693,585	2,013,685	51,693,361	53,329,445	51,693,361	53,329,445		
Deferred policy acquisition cost	10	1,201,539	1,029,138	-	3	-	-	-	3	1,201,539	1,029,141		
Other receivables	11	1,920,988	897,716	2,054,747	1,678,323	1,032,663	785,944	3,087,410	2,464,267	5,008,398	3,361,983		
Investments at fair value through income statement	6	1,641,819	1,016,796	-	-	-	-	-	-	1,641,819	1,016,796		
Investments at fair value through other comprehensive income	12	2,526,794	1,755,180	-	-	-	-	-	-	2,526,794	1,755,180		
Investments at amortised cost	13	5,206,102	2,569,366	2,921,497	848,981	100,000	100,000	3,021,497	948,981	8,227,599	3,518,347		
Bank deposits	5	4,300,000	4,300,000	10,175,000	9,175,000	1,475,000	1,475,000	11,650,000	10,650,000	15,950,000	14,950,000		
Deferred tax asset	14(f)	279,548	287,146	-	-	-	-	-	-	279,548	287,146		
Investment in real estate	15	4,920,000	5,170,000	-	-	-	-	-	-	4,920,000	5,170,000		
Property and equipment	16	485,935	572,233	-	-	-	-	-	-	485,935	572,233		
Total assets		25,011,850	24,422,076	95,839,338	91,412,453	6,174,332	7,404,206	102,013,670	98,816,659	127,025,520	123,238,735		

Notes to the financial statements from number 1 to number 41 are an integral part of the financial statements

The independent auditor's report is set out on pages 32 to 36.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY	LIABILITIES	Note	Shareholders' fund				Participants' fund				Grand total			
			2024		2023		2024		2023		2024		2023	
			RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	
Takaful liabilities	9	-	-	66,121,686	65,830,587	2,318,028	2,507,122	68,439,714	68,337,709	68,439,714	68,337,709			
Unearned retakaful commission	22	-	-	97,240	110,104	-	-	97,240	110,104	97,240	110,104			
Retakaful/reinsurance payables	23	2,188,713	1,968,835	14,773,246	9,489,892	1,547,540	1,303,236	14,707,415	15,244,396	14,707,415	15,244,396			
Accounts and other payables	8(b)	3,065	6,711	-	-	-	-	16,320,786	10,793,128	18,509,499	12,761,963			
Charity fund payable		-	-	687,057	1,182,358	1,289,163	2,203,651	-	-	3,065	6,711			
Payable to shareholders		-	-	-	-	-	-	1,976,220	3,386,009	1,976,220	3,386,009			
Payable to participants' fund – general takaful		-	-	-	-	195,651	937,133	195,651	937,133	195,651	937,133			
Employees' end of service benefits	21	595,352	555,768	-	-	-	-	-	-	595,352	555,768			
Total liabilities		2,787,130	2,531,314	95,439,564	91,174,147	6,297,462	7,634,332	101,737,026	98,808,479	104,524,156	101,339,793			
PARTICIPANTS' FUND														
Surplus / (Deficit) in participants' fund net		-	-	399,774	238,306	(123,130)	(230,126)	276,644	8,180	276,644	8,180			
SHAREHOLDERS' EQUITY														
Capital and reserves		-	-	399,774	238,306	(123,130)	(230,126)	276,644	8,180	276,644	8,180			
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	1,548,785	1,401,361	-	-	-	-	-	-	1,548,785	1,401,361			
Investment fair value reserve	12(c)	309,716	225,000	-	-	-	-	-	-	309,716	225,000			
Retained earnings		1,486,068	1,384,250	-	-	-	-	-	-	1,486,068	1,384,250			
Total shareholders' equity		22,224,720	21,890,762	-	-	-	-	-	-	22,224,720	21,890,762			
Total liabilities, participants' fund and shareholders' equity		25,011,850	24,422,076	95,839,338	91,412,453	6,174,332	7,404,206	102,013,670	98,816,659	127,025,520	123,238,735			
Net assets per share attributable to shareholders	29	0.127	0.125	-	-	-	-	-	-	-	-			

Notes to the financial statements from number 1 to number 41 are an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 25 February 2025 and were signed on their behalf by:



Director



Chief Executive Officer

The independent auditor's report is set out on pages 32 to 36.

STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	General takaful		Family takaful		Total	
		2024	2023	2024	2023	2024	2023
Takaful revenue							
Gross contributions		47,400,338	39,991,932	4,059,837	2,754,881	51,460,175	42,746,813
Retakaful/reinsurance share		(27,686,210)	(23,430,747)	(2,680,257)	(1,993,188)	(30,366,467)	(25,423,935)
Retained contributions		19,714,128	16,561,185	1,379,580	761,693	21,093,708	17,322,878
Net movement in unearned contributions reserve		(1,123,761)	(1,686,055)	(191,504)	(19,506)	(1,315,265)	(1,705,561)
Net earned contributions		18,590,367	14,875,130	1,188,076	742,187	19,778,443	15,617,317
II Income earned from retakaful contracts	22	127,625	465,530	-	-	127,625	465,530
		18,717,992	15,340,660	1,188,076	742,187	19,906,068	16,082,847
Takaful expenses							
Gross claims settled	9(a)	(29,007,500)	(24,006,840)	(2,780,508)	(1,881,934)	(31,788,008)	(25,888,774)
Claims recovered from retakaful/reinsurance	9(a)	18,588,520	16,325,108	2,295,454	1,589,952	20,883,974	17,915,060
Net claims settled		(10,418,980)	(7,681,732)	(485,054)	(291,982)	(10,904,034)	(7,973,714)
Net movement in outstanding claims		(483,323)	(434,759)	60,499	(124,640)	(422,824)	(559,399)
Net claims incurred		(10,902,303)	(8,116,491)	(424,555)	(416,622)	(11,326,858)	(8,533,113)
Commission expense	10	(3)	(161)	-	-	(3)	(161)
		(10,902,306)	(8,116,652)	(424,555)	(416,622)	(11,326,861)	(8,533,274)
Surplus from Takaful operations							
Other takaful (expenses) / income	24	7,815,687	7,224,008	763,521	325,565	8,579,208	7,549,573
Provision for impairment of receivables	7(b)	(530,272)	(443,282)	(70,636)	204	(600,908)	(443,078)
Surplus from Takaful operations before investment income, Mudarib share and Wakala fees							
Investment income – net	26(b)	7,180,415	6,675,726	677,885	310,769	7,858,300	6,986,495
Mudarib share	25	691,381	624,334	84,637	84,171	776,018	708,505
Hibah from Shareholders to Policyholders	40	(380,260)	(343,384)	(46,550)	(46,294)	(426,810)	(389,678)
Wakala fees	25	2,150,000	1,100,000	-	160,000	2,150,000	1,260,000
		(9,480,068)	(7,998,386)	(608,976)	(413,232)	(10,089,044)	(8,411,618)
Surplus for the year		161,468	58,290	106,996	95,414	268,464	153,704

Notes to the financial statements from number 1 to number 41 are an integral part of the financial statements

The independent auditor's report is set out on pages 32 to 36.

STATEMENT OF SHAREHOLDERS' INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	1BNote	2024	2023
		RO	RO
Wakala fees	25	10,089,044	8,411,618
Mudarib share	25	426,810	389,678
Investment income – net	26(b)	1,152,091	724,642
Change in fair value of investment in real estate	15	(250,000)	-
Hibah from Shareholders to Policyholders	40	(2,150,000)	(1,260,000)
		9,267,945	8,265,938
General and administrative expenses	27	(4,834,721)	(4,651,293)
Commission expense	10	(2,736,247)	(2,055,058)
Other income		78	355
		(7,570,890)	(6,705,996)
Profit before taxation		1,697,055	1,559,942
Taxation	14(a)	(222,813)	(283,299)
Profit for the year		1,474,242	1,276,643
Other comprehensive income			
Items that are or may not be reclassified subsequently to profit or loss			
Net change in fair value of Investments at fair value through other comprehensive income	12(c)	113,480	(106,554)
Deferred tax impact directly charged to shareholders' equity	14(f)	(28,764)	16,097
Total other comprehensive income		84,716	(90,457)
Total comprehensive income for the year		1,558,958	1,186,186
Earnings per share attributable to shareholders – basic and diluted	28	0.008	0.007

Notes to the financial statements from number 1 to number 41 are an integral part of the financial statements

The independent auditor's report is set out on pages 32 to 36.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital	Share premium	Legal reserve	Investment fair value reserve	Retained earnings	Shareholder's equity
	RO	RO	RO	RO	RO	RO
At 1 January 2024	17,500,000	1,380,151	1,401,361	225,000	1,384,250	21,890,762
Profit for the year	-	-	-	-	1,474,242	1,474,242
Other comprehensive income	-	-	-	-	-	-
Net change in fair value of Investments at fair value through other comprehensive income [note 12(c)]	-	-	-	113,480	-	113,480
Deferred tax impact directly charged to shareholders' equity [note 12 (c)]	-	-	-	(28,764)	-	(28,764)
Total other comprehensive income	-	-	-	84,716	1,474,242	1,558,958
Total comprehensive income for the year	-	-	-	84,716	1,474,242	1,558,958
Transaction with owners:	-	-	-	-	-	-
Dividend paid during the year (note 30)	-	-	-	-	(1,225,000)	(1,225,000)
Transfer to legal reserve (note 19)	-	-	147,424	-	(147,424)	-
At 31 December 2024	17,500,000	1,380,151	1,548,785	309,716	1,486,068	22,224,720

	Share Capital	Share premium	Legal Reserve	Investment fair value reserve	Retained earnings	Net equity
	RO	RO	RO	RO	RO	RO
At 1 January 2023	17,500,000	1,380,151	1,273,697	315,457	1,460,271	21,929,576
Profit for the year	-	-	-	-	1,276,643	1,276,643
Other comprehensive income	-	-	-	-	-	-
Net change in fair value of Investments at fair value through other comprehensive income [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
Transaction with owners:	-	-	-	-	-	-
Dividend paid during the year (note 30)	-	-	-	-	(1,225,000)	(1,225,000)
Transfer to legal reserve (note 19)	-	-	127,664	-	(127,664)	-
At 31 December 2023	17,500,000	1,380,151	1,401,361	225,000	1,384,250	21,890,762

Notes to the financial statements from number 1 to number 41 are an integral part of the financial statements

The independent auditor's report is set out on pages 1 to 6.

STATEMENT OF CHANGES IN PARTICIPANTS' FUND FOR THE YEAR ENDED 31 DECEMBER 2024

	Surplus / (Deficit) in participants' fund		
	General takaful RO	Family takaful RO	Total RO
At 1 January 2024	238,306	(230,126)	8,180
Surplus for the year	161,468	106,996	268,464
At 31 December 2024	399,774	(123,130)	276,644
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

Notes to the financial statements from number 1 to number 41 are an integral part of the financial statements

The independent auditor's report is set out on pages 32 to 36.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RO	2023 RO
Cash flows from operating activities			
Profit before tax for the year		1,697,055	1,559,942
Surplus from takaful operations		268,464	153,704
		1,965,519	1,713,646
Adjustments for:			
Depreciation	16	99,258	117,274
Dividend income	26	(157,793)	(110,048)
Profit from bank deposits	26	(1,041,569)	(906,287)
Profit from investments at amortized cost	26	(425,733)	(358,037)
Profit from Mudarbah investment	26	(12,466)	(33,493)
End of service benefits charge for the year	27(a)	89,246	63,150
Rental income from investment in real estate	26	(323,228)	(304,648)
Fair value loss on Investments at fair value through income statement	26	(157,454)	199,709
Provision for impairment of receivables	7(b)	120,000	120,000
Realised gain on sale of investments - net	26	(13,430)	(70,598)
Impairment loss on investment in real estate	26	250,000	-
Purification charges	26	3,065	5,736
		395,416	436,404
Tax paid	14(e)	(257,507)	(235,305)
Movement in purification account	41	(6,711)	(20,763)
Payment of end of service benefits	2 1	(49,662)	(18,012)
Operating cash flows before working capital changes		81,536	162,324
Working capital changes:			
Takaful receivables		(2,570,099)	118,531
Retakaful/reinsurance balance receivables		577,468	(3,783,165)
Due from retakaful / reinsurance companies in connection with takaful liabilities		1,636,084	1,959,841
Other receivables and takaful assets		(1,564,648)	37,559
Deferred policy acquisition cost		(172,398)	(248,494)
Takaful liabilities		102,005	305,119
Accounts and other payables		5,761,072	2,447,064
Retakaful / reinsurance payables		(536,981)	(3,099,028)
Unearned retakaful commission		(12,864)	(53,875)
Purchase of investments fair value through profit or loss	6(b)	(492,077)	(786,529)
Proceeds from disposal of investments at fair value through profit or loss	6(b)	37,938	444,133
Net cash from/(used in) operating activities		2,847,036	(2,496,520)
Cash flows from investing activities			
Purchase of property and equipment	16	(12,959)	(77,580)
Purchase of investments carried at fair value through equity	12(a)	(658,133)	(36,486)
Purchase of Investments at amortised cost	13	(5,825,765)	(2,365,321)
Proceeds from disposal of investments carried at fair value through equity	12(a)	-	273,944
Proceeds from maturity of investments at amortised cost	13	1,120,039	5,141,289
Placement of bank deposits		(9,691,200)	(4,200,000)
Proceeds from bank deposits		8,691,200	7,922,500
Rent received from investment property		241,648	388,204
Profit received from Bank Deposit and Sukuks		1,476,044	1,199,103
Dividends received	26	157,793	110,048
Net cash (used in)/generated from investing activities		(4,501,333)	8,355,701
Cash flows from financing activity			
Dividends paid	30	(1,225,000)	(1,225,000)
Net change in cash and cash equivalents		(2,879,297)	4,634,181
Cash and cash equivalents at the beginning of the year	34	11,304,687	6,670,506
Cash and cash equivalents at the end of the year	34	8,425,390	11,304,687

Notes to the financial statements from number 1 to number 41 are an integral part of the financial statements

The independent auditor's report is set out on pages 32 to 36.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 and is listed on Muscat Stock Exchange (MSX) with a symbol 'AMAT'. The Company operates in Oman and is engaged in the business of General and Family Takaful activities and investments by adopting wakala and mudarbah model 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 Financial Services Authority (FSA) on 15 July 2006. The Company started Takaful operations on 1 January 2014 after being granted the Takaful license by the FSA.

The Company has 8 branches in the Sultanate of Oman (31 December 2023: 8) & 2 Kiosk desks (31 December 2023: 1).

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) These financial statements for the year ended 31 December 2024 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 Financial Services Authority. For the matters which are not covered by AAOIFI standards, International Financial Reporting Standards (IFRS) have been applied.

The Company's statement of financial position is not presented using a current/non-current classification rather it is based on order of liquidity. However, the following balances would generally be classified as current: Takaful balance receivable, Retakaful/reinsurance balance receivable, Receivable from participants' fund - family takaful, Deferred policy acquisition cost, Other receivables and takaful assets, Unearned retakaful commission, Retakaful/reinsurance payables, Accounts and other payables, Charity fund payable, Payable to participants' fund - general takaful. The following balances would generally be classified as non-current: Receivable from participants' fund, Investments at fair value through other comprehensive income, Deferred tax asset, Investment in real estate, Property and equipment, Payable to shareholders, provision for employees' end of service benefits. The following balances is a mix of current and non-current balances; Cash and bank balances, Due from retakaful/reinsurance companies in connection with takaful liabilities, Investments at fair value through income statement, Investments at amortised cost, Bank deposits, Takaful liabilities.

(b) These financial statements have been prepared using historical cost convention except for Investments at fair value through income statement, Investments at fair value through other comprehensive income 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, interpretations and amendments effective from 1 January 2024

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. 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 Quasi 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 and 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 has adopted the standard during the year and applied the relevant changes in certain presentation and disclosures for the primary statements for the year including relocating the disclosure of Zakah and Charity fund to the notes, and made improvements to the related party disclosures and segment reporting.

(d) New standards, interpretations and amendments effective from 1 January 2024

FAS 30 Impairment, credit losses and onerous commitments

This standard shall be effective in January 2021, however the company has deferred its adoption as it will be adopted in conjunction with FAS 42 and FAS 43. The requirements relating to impairment and credit losses of FAS 30 represent a significant change from FAS 11 "Provisions and Reserves". As permitted by FAS 30, the standard will be modified retrospective approach and accordingly the comparative amounts will not be restated. FAS 30 replaces the 'incurred loss' model in FAS 11 with Expected Credit Loss (ECL) model. The new impairment model also applies to certain financing commitments and financial guarantee contracts but not to equity investments.

FAS 30 was introduced in order to overcome the delay in recognition of impairment and thus moves from an incurred loss model to an expected loss model. This model accounts for increasing credit risk to assess and compute loss allowances. The amount of expected credit loss (ECL) recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.

Under the general approach, there are two measurement basis:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards, interpretations and amendments effective from 1 January 2024 (continued)

FAS 30 Impairment, credit losses and onerous commitments (continued)

- 12-month ECLs (Stage 1), which applies to all exposures (from initial recognition) as long as there is no significant deterioration in credit quality; and
- Lifetime ECLs (Stage 2 and Stage 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

12-month ECLs will be calculated for all Stage 1 exposures and lifetime ECLs will be calculated for all Stage 2 and Stage 3 exposures.

An alternative to this approach is the simplified approach, which is required for receivables that do not contain a significant financing component. For trade and other receivables, it is an accounting policy choice to follow the simplified approach. Under the simplified approach, loss is calculated on lifetime ECLs rather than the two-stage process under the general approach. Tracking of credit risk is not required; instead the approach requires a loss allowance based on lifetime ECL at each reporting date, right from origination.

The Company's portfolio is made up of the following asset classes:

- Cash and balances with banks
- Investments - Debt type
- Other receivables

The general approach to ECL calculation applies to the cash and balances with banks and investments - debt type.

The simplified approach to ECL calculation applies to other receivables.

(e) New standards, interpretations and amendments 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. The company's policy documents are a live document and are subject to updating considering the circumstances and events occurring during the implementation of the standard.

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:

- 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;
- 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);
- The PTF and PIF are considered to be off-balance sheet assets under management, therefore, separate from the Takaful Operator;
- Statements for the managed PTF and managed PIF have been introduced, including separate statements for financial position and financial activities of the managed PTF;
- Disclosures of Zakah, Charity and Qard funds have been relocated to the notes to the financial statements in line with FAS 1; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

- 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.

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:

- 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;
- 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;
- 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
- 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 and Qard Hassan.

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

- 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
- 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
- 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 cash flows 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.

Impact on transition to FAS 43

Management expects that the adoption of FAS 43 will have an impact on the amounts reported and disclosures made in these financial statements in respect of its takaful contracts issued and retakaful contracts held.

Management expects that the adoption of FAS 42 will have impact on some disclosures that will align takaful institutions to FAS 1 and the AAOIFI Conceptual Framework for Financial Reporting

The assessment of the impacts on the Company's Financial Statements is in progress. Although the work is well advanced as of the date of the publication of these Financial Statements, it is not yet practicable to reliably quantify them.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Impact on presentation and disclosures on transition to FAS 43

In the statement of financial position, deferred acquisition costs and takaful related receivables will no longer be presented separately but as part of the takaful liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income relating to takaful contribution and the takaful service expenses, and takaful finance, income and expenses and corresponding retakaful/reinsurance contracts held are disclosed within other income in the Company's financial statements.

FAS 43 will significantly change how takaful contracts, retakaful/reinsurance contracts and investment contracts with DPF are presented and disclosed in the Company's financial statements. The Company will be required to provide disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from takaful contracts issued and retakaful/reinsurance contracts held within the scope of FAS 43;
- Significant judgements, and changes in those judgements, when applying the standard; and
- The nature and extent of the risks from contracts within the scope of the standard.

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 which are Fire, Marine Hull, General Accident, Energy, Marine Cargo, Liability, Engineering, Group Life, Group Credit Life, Aviation, Motor and Medical; 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.3 Takaful and retakaful / reinsurance contracts (continued)

2.3.1 Takaful contracts (continued)

(a) Recognition and measurement (continued)

Long term takaful contracts

Contributions are recognised as receivable when they become payable by the contract holder and are amortised over the life of the contract. Contributions are shown before deductions of income from retakaful contracts.

For all the long-term contracts which are Unified Credit Life, Group Unified Credit Life, Individual Credit Life. 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.

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.

(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, claims are 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.3 Takaful and retakaful / reinsurance contracts (continued)

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.

2.4 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 other comprehensive income, are included in other comprehensive income.

2.5 Revenue and income recognition

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 and are amortised over the period of the contract. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.5 Revenue and income recognition (continued)

(d) Investment income

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

(e) Rental income

Rental income generated from investment in real estate is recognised on accrual basis and are amortised over the period of the contract.

(f) Dividends

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

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.

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 'investments fair value reserve'. Losses resulting from fair valuation of investment in real estate are adjusted in equity against investments 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 Investments in Sukuk, Shares and Similar Instruments

The Company classifies its investments in the following categories: Investments at fair value through income statement, Investments at fair value through other comprehensive income and Investments at amortised cost. Management determines the classification of its investments at initial recognition. Investments out of shareholders' fund are approved by investment executive committee.

(a) Investments at fair value through income statement

Investments at fair value through income statement 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 at fair value through income statement are expensed as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.9 Investments in Sukuk, Shares and Similar Instruments (continued)

(a) Investments at fair value through income statement (continued)

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 at fair value through income statement 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.

(b) Investments at fair value through other comprehensive

Investments at fair value through other comprehensive income are non-derivatives that are either designated in this category or not classified in any of other categories. Investments at fair value through other comprehensive income are initially recognised at fair value including transaction costs. Changes in the fair value of Investments at fair value through other comprehensive income are recognised in the statement of other comprehensive income. When securities classified as Investments at fair value through other comprehensive income 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 other comprehensive income 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 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 at amortised cost such as sukuk and bank deposits. 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.

Reclassification

The Company reclassifies its investments in case its intention relating to the holding of investments changes. The Company measures the investments that have been reclassified from one category to the other at fair value except for equity investments measured at fair value through OCI which is irrevocable. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.10 Receivables and other assets

Receivables and other assets 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. Receivables and other assets 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 receivables and other assets comprise of 'takaful balance receivable, retakaful / reinsurance balance receivable, cash and bank balances, other receivables and takaful assets' in the statement of financial position.

2.11 Impairment and un-collectability of financial assets

(a) Investments at fair value through other comprehensive income

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 other comprehensive income, 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 other comprehensive income, 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 receivable and other assets, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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. This reserve is not available for distribution.

2.17 Employees' end of service benefits and leave entitlements

Payment is made to the Government of the Sultanate of Oman's Social Security Scheme as per Royal Decree number 72/91 (as amended) for Omani employees and are recognised as an expense in the statement of profit or loss as incurred. Provision is made for amounts payable as per the Sultanate of Oman's Labour Law issued under Royal Decree 53/2023 applicable to expatriate employees' accumulated periods of service at the end of the reporting period. Employee entitlements to annual leave are recognised when they accrue to employees, and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while those relating to end of service benefits are disclosed as a non-current liability.

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 with Royal Decree No. 53/2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.18 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.

2.19 Directors' remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Financial Services 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 FSA on February 2021.

2.20 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.

2.21 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.

2.22 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.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.24 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2 Summary of significant accounting policies (continued)

2.25 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.

2.26 Qard hassan

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

2.27 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.

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.

(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, are assessed collectively and a provision is applied accordingly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3 Critical accounting estimates and judgements (continued)

(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.

(d) Fair value of investment in real estate

The Company values its investment in real estate at fair value on the basis of market valuations prepared by independent real estate valuers. The valuations are based on assumptions which are mainly based on market conditions existing at each reporting date. Therefore, any future change in the market conditions could have an impact on the fair value. For further details of the judgments and assumptions made, refer to note 15.

4 Cash and cash equivalents

	Participants				
	Shareholders	General	Family	Total	Grand Total
	RO	RO	RO	RO	RO
31 December 2024					
Cash at bank in current accounts	431,021	1,016,121	77,593	1,093,714	1,524,735
Cash at bank in call accounts	805	5,743,670	1,006,103	6,749,773	6,750,578
Cash balances with investment managers	116,039	27,864	-	27,864	143,903
Cash in hand	5,040	1,134	-	1,134	6,174
Cash and cash equivalents	552,905	6,788,789	1,083,696	7,872,485	8,425,390

	Participants				
	Shareholders	General	Family	Total	Grand Total
	RO	RO	RO	RO	RO
31 December 2023					
Cash at bank in current accounts	2,726,331	1,872,612	23,986	1,896,598	4,622,929
Cash at bank in call accounts	66,809	4,567,389	1,399,520	5,966,909	6,033,718
Cash balances with investment managers	640,760	-	-	-	640,760
Cash in hand	4,592	2,688	-	2,688	7,280
Cash and cash equivalents	3,438,492	6,442,689	1,423,506	7,866,195	11,304,687

a) The Company has call accounts with Islamic banks in the Sultanate of Oman with profit rate of 2.5% to 5.0% per annum (2023 – 2.5% per annum). The above cash and bank balances include restricted cash for margin deposit for tender bonds amounting to RO 121,628 (2023 – RO 55,245).

5 Bank deposits

	Shareholders	Participants		
	RO	General	Family	Total
	RO	RO	RO	RO
2024				
Bank deposits with maturity of more than three months	4,300,000	10,175,000	1,475,000	11,650,000
2023				
Bank deposits with maturity of more than three months	4,300,000	9,175,000	1,475,000	10,650,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5 Bank deposits (continued)

5.1 Bank deposits carry profit rates in range of 4.5% to 5.9% per annum (2023 – 4.5% to 5.9% per annum). The accrued profits from these Bank Deposits as at 31 December 2024 is RO 709,041 (2023 – RO 783,686).

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 13,100,000 (2023 – RO 11,850,000) to Financial Services Authority (FSA). The Company can only transfer these assets with the prior approval of the Financial Services Authority (FSA).

5.3 The Company has kept a deposit of RO 50,000 (2023 – 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 at fair value through income statement

	Shareholders			
	2024		2023	
	Fair value RO	Cost RO	Fair value RO	Cost RO
Local quoted				
Service sector	17,961	17,796	17,796	24,717
Industrial sector	666,600	729,080	729,080	923,445
Total Local	684,561	746,876	746,876	948,162
Foreign quoted				
Financial sector	273,271	197,758	-	-
Service sector	587,982	441,834	269,920	268,343
Industrial sector	96,005	97,898	-	-
Total Foreign	957,258	737,490	269,920	268,343
Total investments amount	1,641,819	1,484,366	1,016,796	1,216,505

(a) At 31 December 2024, 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' comprise equity securities.

(b) Movement in investments at fair value through profit or loss

	Shareholders	
	2024 RO	2023 RO
At 1 January	1,016,796	857,080
Purchases	492,077	786,529
Disposals	(37,938)	(444,133)
Realised gain on disposal	13,431	17,029
Net change in fair value	157,453	(199,709)
At 31 December	1,641,819	1,016,796

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6 Investments at fair value through income statement (continued)

(c) Details of the Company's Investments at fair value through income statement 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
2024				
OQ Gas Networks	16	1,918,839	264,800	293,582
Dubai Electricity & Water Authority Pjsc	19	1,043,000	310,726	269,920

	% 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

7 Takaful and retakaful / reinsurance balance receivable

	Participants		
	General RO	Family RO	Total RO
2024			
Takaful receivable including due from related parties	21,529,159	730,111	22,259,270
Less: provision for impairment	(1,769,453)	(109,745)	(1,879,198)
	19,759,706	620,366	20,380,072
Retakaful / reinsurance balances receivable	4,249,761	189,887	4,439,648
Less: provision for impairment	(305,589)	(20,865)	(326,454)
	3,944,172	169,022	4,113,194
	23,703,878	789,388	24,493,266

	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: 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: 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

Normal credit period allowed to takaful debtors and retakaful / reinsurance companies is 180 days after which amounts are considered as past due. As at 31 December 2024, receivables past due above 181 days amounting to RO 3,065,997 (2023 RO 4,292,615) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

7 Takaful and retakaful / reinsurance balance receivable (continued)

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

	2024			2023		
	General	Family	Total	General	Family	Total
	RO	RO	RO	RO	RO	RO
Ageing						
Less than 180 days	22,796,588	836,334	23,632,922	19,314,565	1,099,107	20,413,672
Above 180 days	2,982,332	83,664	3,065,997	3,670,041	622,574	4,292,615
Total	25,778,920	919,998	26,698,919	22,984,606	1,721,681	24,706,287

(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 2024	1,970,042	115,610	2,085,652
Charge for the year	105,000	15,000	120,000
At 31 December 2024	2,075,042	130,610	2,205,652
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

(c) At 31 December 2024, 59% of the Company's takaful receivable is from top 5 customers (31 December 2023 - 75% from 5 customers).

(d) At 31 December 2024, 91% of the Company's due from retakaful / reinsurance companies are from top 5 retakaful / reinsurance companies (31 December 2023 - 71% from 5 retakaful / reinsurance companies).

8 Receivable from participants' fund

	Shareholders	
	2024 RO	2023 RO
At 1 January	3,386,009	2,743,573
Wakala fee income for the year (note 25)	10,089,044	8,411,618
Mudarib share for the year (note 25)	426,810	389,678
Amount received from & net movement in policyholders account	(11,925,643)	(8,158,860)
At 31 December	1,976,220	3,386,009

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

8 Receivable from participants' fund (continued)

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

	Shareholders	
	2024 RO	2023 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	203,101	698,402
- From family takaful	566,566	1,481,054
	769,667	2,179,456
	1,976,220	3,386,009

9 Takaful liabilities

	2024			2023		
	Gross RO	Retakaful / reinsurance RO	Net RO	Gross RO	Retakaful / reinsurance RO	Net RO
General takaful						
Claims incurred but not settled	40,757,020	(35,600,787)	5,156,233	42,229,708	(37,432,608)	4,797,100
Claims incurred but not reported	3,406,078	(2,050,669)	1,355,409	3,900,898	(2,669,677)	1,231,221
	44,163,098	(37,651,456)	6,511,642	46,130,606	(40,102,285)	6,028,321
Unearned contributions reserve	21,958,588	(12,348,320)	9,610,268	19,699,981	(11,213,475)	8,486,506
	66,121,686	(49,999,776)	16,121,909	65,830,587	(51,315,760)	14,514,827
Family takaful						
Claims incurred but not settled	1,054,797	(879,451)	175,346	1,569,494	(1,339,130)	230,364
Claims incurred but not reported	347,931	(289,867)	58,064	369,742	(306,196)	63,546
	1,402,728	(1,169,318)	233,410	1,939,236	(1,645,326)	293,910
Unearned contributions reserve	915,299	(524,267)	391,032	567,886	(368,359)	199,527
	2,318,027	(1,693,585)	624,442	2,507,122	(2,013,685)	493,437
	68,439,713	(51,693,361)	16,746,352	68,337,709	(53,329,445)	15,008,264

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

9 Takaful liabilities (continued)

a. Claims and loss adjustment expenses

	2024			2023		
	Gross	Retakaful / reinsurance	Net	Gross	Retakaful / reinsurance	Net
	RO	RO	RO	RO	RO	RO
General takaful						
Notified claims	42,229,702	(37,432,603)	4,797,099	41,973,911	(37,589,326)	4,384,585
Incurring but not reported	3,900,904	(2,669,682)	1,231,222	4,447,561	(3,238,584)	1,208,977
Total at the beginning of the year	46,130,606	(40,102,285)	6,028,321	46,421,472	(40,827,910)	5,593,562
Cash paid for claims settled during the year	(29,007,500)	18,588,520	(10,418,980)	(24,006,840)	16,325,108	(7,681,732)
Increase in liabilities arising from current and prior period claims	27,039,991	(16,137,687)	10,902,303	23,715,974	(15,599,483)	8,116,491
Total at the end of the year	44,163,097	(37,651,452)	6,511,645	46,130,606	(40,102,285)	6,028,321
Notified claims	40,757,019	(35,600,783)	5,156,236	42,229,702	(37,432,603)	4,797,099
Incurring but not reported	3,406,078	(2,050,669)	1,355,409	3,900,904	(2,669,682)	1,231,222
Total at the end of the year	44,163,097	(37,651,452)	6,511,645	46,130,606	(40,102,285)	6,028,321

	2024			2023		
	Gross	Retakaful / reinsurance	Net	Gross	Retakaful / reinsurance	Net
	RO	RO	RO	RO	RO	RO
Family takaful						
Notified claims	1,569,495	(1,339,130)	230,365	939,940	(812,194)	127,746
Incurring but not reported	369,741	(306,196)	63,545	325,229	(283,705)	41,524
Total at the beginning of the year	1,939,236	(1,645,326)	293,910	1,265,169	(1,095,899)	169,270
Cash paid for claims settled during the year	(2,780,508)	2,295,454	(485,054)	(1,881,934)	1,589,952	(291,982)
Increase in liabilities arising from current and prior period claims	2,244,001	(1,819,446)	424,555	2,556,000	(2,139,378)	416,622
Total at the end of the year	1,402,729	(1,169,318)	233,411	1,939,235	(1,645,325)	293,910
Notified claims	1,054,798	(879,451)	175,347	1,569,495	(1,339,130)	230,365
Incurring but not reported	347,931	(289,867)	58,064	369,741	(306,196)	63,545
Total at the end of the year	1,402,729	(1,169,318)	233,411	1,939,235	(1,645,325)	293,910

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

9 Takaful liabilities (continued)

b. Provisions for unearned contributions and unexpired short term takaful risks

	2024			2023		
	Gross	Retakaful / reinsurance	Net	Gross	Retakaful / reinsurance	Net
	RO	RO	RO	RO	RO	RO
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 beginning of the year	20,267,867	(11,581,834)	8,686,033	20,345,949	(13,365,477)	6,980,472
Gross contributions during the year	51,460,175	(30,366,467)	21,093,708	42,746,813	(25,423,935)	17,322,878
Net release during the year	(48,854,155)	29,075,713	(19,778,441)	(42,824,895)	27,207,578	(15,617,317)
Total at the end of the year	22,873,887	(12,872,588)	10,001,299	20,267,867	(11,581,834)	8,686,033
Unearned contributions reserves	21,958,588	(12,348,321)	9,610,267	19,699,981	(11,213,475)	8,486,506
Mathematical reserves	915,299	(524,267)	391,032	567,886	(368,359)	199,527
Total at the end of the year	22,873,887	(12,872,588)	10,001,299	20,267,867	(11,581,834)	8,686,033

10 Deferred policy acquisition cost

	Shareholder RO	General takaful RO	Family takaful RO	Total RO
At 1 January 2024	1,029,138	3	-	3
Cost incurred during the period	2,908,648	-	-	-
Amortised during the period	(2,736,247)	(3)	-	(3)
At 31 December 2024	1,201,539	-	-	-
	Shareholder RO	General takaful RO	Family takaful RO	Total 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

11 Other receivables

	Shareholders		Participants	
	RO	General takaful RO	Family takaful RO	Total RO
2024				
Accrued profit on bank deposits and investments at amortized cost	442,002	432,555	43,186	475,741
Prepayments	40,297	930,160	-	930,160
Advances	200,712	14,861	989,477	1,004,338
Rent receivable	134,385	-	-	-
Input VAT	503,592	677,171	-	677,171
Related party receivables	600,000	-	-	-
	1,920,988	2,054,747	1,032,663	3,087,410

	Shareholders		Participants	
	RO	General takaful RO	Family takaful RO	Total RO
2023				
Accrued profit on bank deposits and investments at amortized cost	420,095	427,189	66,736	493,925
Prepayments	55,304	797,215	-	797,215
Advances	56,207	14,861	719,208	734,069
Rent receivable	52,805	-	-	-
Input VAT	313,305	439,058	-	439,058
Related party receivables	-	-	-	-
	897,716	1,678,323	785,944	2,464,267

12 Investments at fair value through other comprehensive income

	Shareholders			
	2024		2023	
	Fair value RO	Cost RO	Fair value RO	Cost RO
Local quoted				
Service sector	69,000	117,600	97,500	117,600
Real estate development sector	420,000	392,000	434,000	392,000
Industrial sector	455,750	464,463	33,750	6,330
Financial sector	200,355	200,000	-	-
	1,145,105	1,174,063	565,250	515,930
Local unquoted				
Service sector	295,712	71,428	284,283	71,428
Real estate development	154,950	129,600	133,950	129,600
	450,662	201,028	418,233	201,028
Total Local	1,595,767	1,375,091	983,483	716,958
Foreign quoted				
Service sector	796,812	710,690	681,874	710,690
Real estate development sector	77,201	19,231	32,349	19,231
Industrial sector	6,267	10,610	7,245	10,610
Financial sector	50,747	51,340	50,229	51,340
Total Foreign	931,027	791,871	771,697	791,871
Total investments	2,526,794	2,166,962	1,755,180	1,508,829

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

12 Investments at fair value through other comprehensive income (continued)

(a) Movement in Investments at fair value through other comprehensive income

	Shareholders	
	2024 RO	2023 RO
At 1 January	1,755,180	2,068,442
Purchases	658,134	36,486
Disposals	-	(273,944)
Realised gain on disposal (note 26)	-	30,750
Net change in fair value [see note (c)below]	113,480	(106,554)
At 31 December	2,526,794	1,755,180

(b) comprehensive income for which the Company's holding exceeds 30% of total investments held at fair value through equity at 31 December are:

	% of portfolio	Basis of valuation	Number of securities	FairValue
2024				
Watania International Holding PJSC	31	Fair value	10,504,203	779,751
2023				
Watania International Holding PJSC	38	Fair value	10,504,203	664,273

(c) Movement in investments fair value reserve:

	Shareholders	
	2024 RO	2023 RO
At 1 January	225,000	315,457
Net change in fair value of investment during the year	113,480	(106,554)
Impact of deferred tax (note 13.5)	(28,764)	16,097
	84,716	(90,457)
At 31 December	309,716	225,000

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

13 Investments at amortised cost

	Shareholders		General takaful		Family takaful	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
	RO	RO	RO	RO	RO	RO
At 1 January	2,569,366	5,710,977	848,981	460,519	100,000	100,000
Purchased during the year	3,366,406	1,976,859	2,459,359	388,462	-	-
Matured during the year	(731,880)	(5,141,289)	(388,159)	-	-	-
Realised gain (note 26)	-	22,819	-	-	-	-
Amortised during the year	2,210	-	1,316	-	-	-
At 31 December	5,206,102	2,569,366	2,921,497	848,981	100,000	100,000

The Company has invested in sukuk listed in the local and international markets. The Company has a positive intention and ability to hold sukuk until their maturity which ranges from January 2025 to January 2031. The effective average rate of return on Investments at amortised cost at 31 December 2024 ranges from 4.8% to 8.50% (2023 – from 4.8% to 8.50%) per annum with coupon receipts on a semi-annual basis. All the investments classified as 'Investments at amortised cost' are debt instruments. The fair value of Investments at amortised cost at 31 December 2024 is RO 8,227,599 (2023 – RO 3,518,347). The accrued profits from these Investments at amortised cost is RO 208,702 (2023 – RO 130,334).

14 Taxation

(a) The Company is subject to income tax at the rate of 15% (2023 – 15%) in accordance with the income tax law of the Sultanate of Oman.

	Shareholders	
	2024	2023
	RO	RO
Current tax		
- For the current year	279,574	255,211
- Under (over) provided in prior years	(35,595)	-
	243,979	255,211
Deferred tax		
- For the current year	(21,079)	17,506
- For the prior year	(87)	10,582
	(21,166)	28,088
Tax expense for the year	222,813	283,299

(b) Reconciliation of income tax

	Shareholders	
	2024	2023
	RO	RO
Accounting profit for the year (note c)	1,965,519	1,713,646
Tax expense at the rates mentioned in 'a' above	294,828	257,047
Non-deductible expense	(18,923)	29,909
Tax exempt income	(17,410)	(14,239)
Current tax- prior year	(35,595)	-
Deferred tax – prior year	(87)	10,582
	222,813	283,299

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

14 Taxation (continued)

(c) Accounting profit for the year includes surplus of RO 268,464 (2023 – RO 153,704) as per the statement of participants' revenues and expenses and profit before tax RO 1,697,055 (2023 – RO 1,559,942) as per the statement of comprehensive income.

(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 2024.

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

	Shareholders	
	2024	2023
	RO	RO
At 1 January	297,747	277,841
Charged for the year	243,979	255,211
Paid during the year	(257,507)	(235,305)
At 31 December	284,219	297,747

(f) Deferred tax

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 15% (2023 - 15%).

	At 1 January 2024	Charged to the statement of comprehensive income	Credited to shareholders' equity	At 1 December 2024
	RO	RO	RO	RO
Deferred tax asset				
Depreciation on property and equipment	20,031	568	-	20,599
Investment in real estate	(255,698)	2,601	-	(253,097)
Provision for doubtful debts	312,848	18,000	-	330,848
Unrealised income on investments	209,965	(3)	(28,764)	181,198
	287,146	21,166	(28,764)	279,548

	At 1 January 2023	Charged to the statement of comprehensive income	Credited to shareholders' equity	At 1 December 2023
	RO	RO	RO	RO
Deferred tax asset				
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15 Investment in real estate

Movement of carrying amounts of investment in real estate:

	Shareholders	
	2024 RO	2023 RO
At 1 January	5,170,000	5,170,000
Change in fair value of investment in real estate	(250,000)	-
At 31 December	4,920,000	5,170,000

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

	Valuation RO	Valuation technique	Valuation date	Valuer name	Fair value level hierarchy	Impact of +/- 5% change RO
Building at Al Khuwair	2,575,000	Market value	31 December 2024	Muscat Surveyors LLC	Level 3	128,750
Building at Al Hail	2,345,000	Market value	31 December 2024	Muscat Surveyors LLC	Level 3	117,250
	<u>4,920,000</u>					

	Valuation RO	Valuation technique	Valuation date	Valuer name	Fair value level hierarchy	Impact of +/- 5% change RO
Building at Al Khuwair	2,700,000	Market value	31 December 2023	Muscat Surveyors LLC	Level 3	135,000
Building at Al Hail	2,470,000	Market value	31 December 2023	Muscat Surveyors LLC	Level 3	123,500
	<u>5,170,000</u>					

As of 31 December 2024, the Company has investment in real estate of RO 4,920,000 (31 December 2023 – RO 5,170,000) which is 14.79% 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 2,345,000 (31 December 2023 – RO 2,470,000) to Financial Services Authority (FSA). The Company can only transfer these assets with the prior approval of the Financial Services Authority (FSA).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

16 Property and equipment

	Buildings RO	Leasehold improvements RO	Office furniture and equipment RO	Motor vehicles RO	Total RO
Cost					
At 1 January 2024	724,462	179,012	2,085,854	38,327	3,027,655
Additions	-	-	12,985	-	12,985
Disposal	-	(25)	-	-	(25)
At 31 December 2024	<u>724,462</u>	<u>178,987</u>	<u>2,098,839</u>	<u>38,327</u>	<u>3,040,615</u>
Accumulated depreciation					
At 1 January 2024	291,408	163,874	1,961,815	38,325	2,455,422
Charge for the year	29,544	2,864	66,850	-	99,258
At 31 December 2024	<u>320,952</u>	<u>166,738</u>	<u>2,028,665</u>	<u>38,322</u>	<u>2,554,680</u>
Carrying value					
At 31 December 2024	<u>403,510</u>	<u>12,249</u>	<u>70,174</u>	<u>2</u>	<u>485,935</u>

	Buildings RO	Leasehold improvements RO	Office furniture and equipment RO	Motor vehicles RO	Total 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	<u>724,462</u>	<u>179,012</u>	<u>2,085,854</u>	<u>38,327</u>	<u>3,027,655</u>
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	<u>291,408</u>	<u>163,874</u>	<u>1,961,815</u>	<u>38,325</u>	<u>2,455,422</u>
Carrying value					
At 31 December 2023	<u>433,054</u>	<u>15,138</u>	<u>124,039</u>	<u>2</u>	<u>572,233</u>

17 Share capital

	2024 RO	2023 RO
Authorized share capital:		
Ordinary shares		
250,000,000 ordinary shares of 100 Baiza each (2023 – 250,000,000 ordinary shares of 100 Baiza each)	<u>25,000,000</u>	25,000,000
Issued and fully paid-up capital:		
Ordinary shares		
175,000,000 ordinary shares of 100 Baiza each (2023 – 175,000,000 ordinary shares of 100 Baiza each)	<u>17,500,000</u>	17,500,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

17 Share capital (continued)

(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		Number of shares	
	2024	2023	2024	2023
Mohammed Al Barwani Holding Company LLC	25.86	25.86	45,250,001	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 utilized 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	
	2024	2023
	RO	RO
At 1 January	555,768	510,630
Charge for the year [note 27(a)]	89,246	63,150
Payments made during the year	(49,662)	(18,012)
At 31 December	595,352	555,768

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22 Unearned retakaful commission

Movement in unearned retakaful commission is shown below:

	Participants		
	General	Family	Total
	Takaful	Takaful	Total
	RO	RO	RO
At 1 January 2024	110,104	-	110,104
Income from retakaful contracts accrued during the year	114,761	-	114,761
Earned / amortised during the year	(127,625)	-	(127,625)
At 31 December 2024	97,240	-	97,240

	Participants		
	General	Family	Total
	Takaful	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

23 Accounts and other payables

	Shareholders	Participants		
	RO	General takaful	Family takaful	Total
		RO	RO	RO
2024				
Accounts payables	1,697,806	14,014,842	1,525,216	15,540,058
Provision for income taxation	284,219	-	-	-
Accrued expenses	63,910	-	-	-
Leave salary provision	103,888	-	-	-
Government taxes and other payables	38,890	758,404	22,324	780,728
	2,188,713	14,773,246	1,547,540	16,320,786

	Shareholders	Participants		
	RO	General takaful	Family takaful	Total
		RO	RO	RO
2023				
Accounts payables	1,321,934	8,850,021	1,288,084	10,138,105
Provision for income taxation	297,747	-	-	-
Accrued expenses	174,233	-	-	-
Leave salary provision	129,055	-	-	-
Government taxes and other payables	45,866	639,871	15,152	655,023
	1,968,835	9,489,892	1,303,236	10,793,128

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

24 Other takaful (expenses) / income

	Participants					
	2024			2023		
	General takaful RO	Family takaful RO	Total RO	General takaful RO	Family takaful RO	Total RO
Policy fees and service income	510,740	3,287	514,027	233,085	779	233,864
Takaful expense	(1,040,563)	(74,372)	(1,114,935)	(676,367)	(575)	(676,942)
	<u>(529,823)</u>	<u>(71,085)</u>	<u>(600,908)</u>	<u>(443,282)</u>	<u>204</u>	<u>(443,078)</u>

25 Wakala fees and Mudarib share

The shareholders manage the takaful operations for the participants funds and charged 20% for General Takaful (2023 - 20%) and 15% Family Takaful (2023 - 15%) of gross contributions as Wakala fees. The shareholders also manage the investments of participants' fund as a Mudarib and charge 55% (2023 - 55%) of the General Takaful and Family Takaful investment income earned by the participants' investment funds; both of Wakala fees and Mudarib share are approved by the Board of Directors and the Shari'ah Supervisory Committee.

26 Investment income - net

	2024 RO	2023 RO
Profit from bank deposits	1,041,569	906,287
Profit from investments at amortized cost	425,733	358,037
Rental income from investment in real estate	323,228	304,648
Profit on the Mudarbah investment	12,466	33,493
Dividend income	157,793	110,048
Realised gain on sale of investments - net [note 6 (b), 13, 12(a)]	13,430	70,598
Net change in Fair value on Investments at fair value through income statement - net [note 6 (b)]	157,454	(199,709)
Investment income	2,131,673	1,583,402
Purification charges	(3,065)	(5,736)
Investment management costs	(200,499)	(144,519)
Investment expenses	(203,564)	(150,255)
Investment income - net	1,928,109	1,433,147

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

	2024 RO	2023 RO
General takaful	691,381	624,334
Family takaful	84,637	84,171
Shareholders	1,152,091	724,642
	<u>1,928,109</u>	<u>1,433,147</u>

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FOR THE YEAR ENDED 31 DECEMBER 2024

27 General and administrative expenses

	Shareholders	
	2024 RO	2023 RO
Staff costs [note (a) below]	3,732,104	3,519,423
Rent and other expenses	308,512	281,834
IT expenses	203,373	215,045
Legal and professional	159,441	138,273
Directors' and Shariah Supervisory Committee (SSC) related expenses	142,010	158,072
Depreciation (note 16)	99,258	117,274
Communication	65,471	74,637
Travel and conveyance expenses	57,322	53,940
Advertisement and publicity	46,351	72,796
Corporate social responsibility	20,879	20,000
	<u>4,834,721</u>	<u>4,651,293</u>

(a) Staff costs

	Shareholders	
	2024 RO	2023 RO
Salaries and benefits	2,791,096	2,709,373
Other staff cost	637,527	547,340
Social security cost	214,235	199,560
Employees' end of service benefits charge (note 21)	89,246	63,150
	<u>3,732,104</u>	<u>3,519,423</u>

28 Earnings per share attributable to shareholders - basic and diluted

	Shareholders	
	2024 RO	2023 RO
Shareholders' profit for the year - RO	1,474,242	1,276,643
Weighted average number of shares outstanding during the year - number	175,000,000	175,000,000
Shareholders' earnings per share - basic and diluted - RO	0.008	0.007

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	
	2024 RO	2023 RO
Shareholders' net assets - RO	22,224,720	21,890,762
Weighted average number of shares outstanding - number	175,000,000	175,000,000
Shareholders' net assets per share - RO	0.127	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

30 Dividend distributions

Board of Directors has proposed a cash dividend of 7 Baiza per share for the year ended 31 December 2024 (2023 – cash dividend of 7 Baiza per share) subject to approval of shareholders at the Annual General Meeting.

31 Related parties

In the ordinary course of business, the Company conducts transactions with certain of its major shareholders, Group related companies, Directors, Shari'ah Supervisory Committee (SSC) 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 transactions during the year were as follows:

(a) Transactions with related parties

Transactions with related parties included in the statement of income and statement of comprehensive income are as follows:

	Nature	2024 RO	2023 RO
Gross contributions	Group related companies	3,636,725	4,764,833
Retakaful / reinsurance contribution ceded	Group related companies	1,567,367	65,726
Gross claims settled	Group related companies	656,139	241,511
Commission paid	Group related companies	726,457	548,029
Directors' & SSC related expenses (note 27)	Directors & SSC Committee	142,010	158,072
Income from investment in Sukuks and mudarbah	Group related companies	43,008	234,466
Investment property management cost	Group related companies	21,173	21,173

(b) Balances with related parties

Balances due from/ (to) related parties are as follows:

		2024 RO	2023 RO
Contribution balances receivables from related parties	Group related companies	2,426,946	2,992,337
Gross outstanding claims	Group related companies	(512,922)	(228,180)
Investment in Sukuks	Group related companies	2,860,841	358,341
Investments at fair value through other comprehensive income	Group related companies	1,075,463	948,557
Investment at fair value through profit or loss	Group related companies	148,802	136,744
Receivable from Group related companies	Group related companies	600,000	558,493

Balance with related parties do not carry a profit rate, arising from normal business activities and are not impaired.

A receivable amounting to RO 600,000 (2023 – RO 558, 493) from Al Madina Investment Holding SAOG will be converted to equity investment with the same value in a company where Al Madina Investment Holding SAOG has a shareholding, as at year end the share transfer process had started and is expected to complete within 2025.

A sukuk investment amounting to RO 2,502,500 in Tilal Sukuk Co LLC deferred its periodic distribution amounts due on 25 July 2024 and 25 January 2025 until 25 July 2025. The accumulated profit on the investment amounted to RO 179,378 as at 31 December 2024 (2023 – Nil).

(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:

	2024 RO	2023 RO
Short-term benefits	596,710	552,271
Employee end of service benefits	25,008	32,687
	621,718	584,958

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

32 Contingencies and commitment

Contingent liabilities

At 31 December 2024, 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 121,628 (2023 – RO 55,245).

Capital commitment

As of 31 December 2024, the company has a capital commitment of RO 114,000 (2023 – 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.

33 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:

- Fire, energy, medical, engineering, liability, and general accident.
- Motor, marine and aviation
- 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 RO	Motor, marine and aviation RO	Total General Takaful RO	Family Takaful RO
Gross contributions	34,299,911	13,100,428	47,400,339	4,059,837
Retakaful/reinsurance share	(26,034,475)	(1,651,735)	(27,686,210)	(2,680,257)
Retained contributions	8,265,436	11,448,693	19,714,129	1,379,580
Unearned contributions adjustment – net	(212,803)	(910,957)	(1,123,760)	(191,504)
Net earned contributions	8,052,633	10,537,735	18,590,368	1,188,076
Fee and Commission income	244,590	393,327	637,917	3,735
Segment Revenue	8,297,223	10,931,062	19,228,285	1,191,812
Net claims incurred	(4,395,735)	(6,506,569)	(10,902,304)	(424,555)
Commission expense	(1)	(2)	(3)	-
Takaful expense	(291,044)	(749,519)	(1,040,563)	(74,372)
Underwriting surplus before wakala fees	3,610,443	3,674,972	7,285,415	692,885
Provision for impairment of receivables	-	-	(105,000)	(15,000)
Wakala fees	-	-	(9,480,068)	(608,976)
Surplus from takaful operations after wakala fees			(2,299,652)	68,909
Investment income – net	-	-	691,381	84,637
Mudarib share	-	-	(380,260)	(46,550)
Hiba from Shareholder's to Policyholder's			2,150,000	-
Surplus for the year			161,468	106,996
Identifiable assets and liabilities on 31 December 2024				
Identifiable assets	69,351,419	26,487,919	95,839,338	6,174,332
Identifiable liabilities	69,062,134	26,377,431	95,439,565	6,297,466

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33 Segment information (continued)

Operating segments (continued)

	Fire, energy, medical, engineering, liability and general accident RO	Motor, marine and aviation RO	Total General Takaful RO	Family Takaful 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

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.

34 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) Capital management framework

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

(c) 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.

(d) 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 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:

	2024 RO	2023 RO
General takaful		
Motor	5,409,722	3,051,674
Fire, general accidents, engineering and others	11,185,074	11,893,195
Marine cargo and hull	656,780	517,505
Medical	319,892	477,401
	17,571,468	15,939,775
Family takaful		
Life	1,397,338	169,906
Total	18,968,806	16,109,681

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

(c) Takaful risk (continued)

The net claims ratios are as follows:

	2024	2023
	%	%
Motor	63%	61%
Fire, general accidents, engineering and others	15%	10%
Marine cargo and hull	42%	1%
Medical	93%	85%
Life	36%	56%

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).

(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.

Outstanding claims

Outstanding claims provisions for all classes of insurance are made initially on the basis of the internal or external surveyor's report. Accordingly, the maximum expected liability is always recognised in the financial statements. Outstanding claims are regularly monitored, and provisions held are revised where required. Based on past experience, management accordingly believes that there are no additional claim liabilities that would arise in respect of unsettled claims at the year end.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

(f) Sensitivities

The 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
2024			
Incurred claims – net	+10%	1,132,686	(1,132,686)
	-10%	(1,132,686)	1,132,686
	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

Claims development

The Company maintains sufficient 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.

General line of business - Gross

Accident Year	2021	2022	2023	2024	Total
Estimate of ultimate claims cost:					
At end of accident year	31,731,115	15,652,686	29,814,431	34,517,912	
One year later	32,284,073	16,650,167	27,244,308		
Two years later	29,956,642	16,127,815			
Three years later	29,004,262				
Current estimate of cumulative claims	29,004,262	16,127,815	27,244,308	34,517,912	106,894,297
Cumulative payments till date	20,078,777	15,000,310	23,974,396	10,607,980	69,661,464
Liability recognised in statement financial position	8,925,485	1,127,505	3,269,912	23,909,932	37,232,834
Liability in respect of years prior to 2021					6,691,812
Unallocated loss adjustment Reserves					237,532
IBNR Prior to 2021					919
Total Reserve included in the statement of financial Position					44,163,097

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

General line of business - Net

Accident Year	2021	2022	2023	2024	Total
Estimate of ultimate claims cost:					
At end of accident year	8,340,288	8,984,096	7,977,762	11,814,253	
One year later	8,210,486	10,282,383	8,589,879		
Two years later	8,272,748	9,700,966			
Three years later	7,932,738				
Current estimate of cumulative claims	7,932,738	9,700,966	8,589,879	11,814,253	38,037,835
Cumulative payments till date	8,150,297	9,081,284	7,644,091	7,022,861	31,898,534
Liability recognised in statement financial position	-217,560	619,682	945,787	4,791,391	6,139,301
Liability in respect of years prior to 2021					134,005
Unallocated loss adjustment Reserves					237,532
IBNR Prior to 2021					805
Total Reserve included in the statement of financial Position					6,511,642

Family line of business - Gross

Accident Year	2021	2022	2023	2024	Total
Estimate of ultimate claims cost:					
At end of accident year	3,616,260	2,483,015	2,031,444	2,449,634	
One year later	3,237,031	2,910,920	2,411,091		
Two years later	3,250,718	2,541,626			
Three years later	3,156,859				
Current estimate of cumulative claims	3,156,859	2,541,626	2,411,091	2,449,634	10,559,211
Cumulative payments till date	3,123,531	2,304,942	1,935,306	1,839,879	9,203,657
Liability recognised in statement financial position	33,328	236,684	475,786	609,755	1,355,553
Liability in respect of years prior to 2021					43,664
Unallocated loss adjustment Reserves					3,512
IBNR Prior to 2021					
Total Reserve included in the statement of financial Position					1,402,729

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

Family line of business - Net

Accident Year	2021	2022	2023	2024	Total
Estimate of ultimate claims cost:					
At end of accident year	469,112	331,873	395,552	443,914	
One year later	423,943	370,179	409,771		
Two years later	424,913	363,593			
Three years later	412,524				
Current estimate of cumulative claims	412,524	363,593	409,771	443,914	1,629,802
Cumulative payments till date	409,192	339,844	322,601	335,627	1,407,263
Liability recognised in statement financial position	3,333	23,748	87,170	108,288	222,538
Liability in respect of years prior to 2021					7,361
Unallocated loss adjustment Reserves					3,512
IBNR Prior to 2021					
Total Reserve included in the statement of financial Position					233,411

(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:

	2024		2023	
	USD	Other foreign currencies	USD	Other foreign currencies
Assets				
Cash and bank balances	1,530,346	-	1,510,692	-
Takaful and retakaful / reinsurance balance receivables	16,285,068	1,643	8,885,042	-
Investments at fair value through other comprehensive income	200,486	8,162,549	84,009	7,068,921
Investments at amortised cost	5,463,073	1,271,400	-	-
Liabilities				
Retakaful / reinsurance payables	10,500,701	452	11,381,478	2,834,531

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 2024, 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 94,351 (2023 – RO 42,344).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

(i) Market risk (continued)

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	2024 RO	2023 RO
Income from bank deposit and Investments at amortised cost	+0.5%	(7,399)	(6,489)
	-0.5%	7,399	6,489

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

2024	Less than 1 year RO	Over 1 year RO	Total RO
Bank deposits (a)	5,300,000	10,650,000	15,950,000
Investments at amortised cost (b)	2,331,925	5,895,674	8,227,599

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

a) The accrued profits from these Bank Deposits is RO 709,041 (2023 – RO 783,686).

b) The accrued profits from these Investments at amortised cost is RO 208,702 (2023 – RO 130,334).

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.

55% (2023 – 62%) of the Company's equity investments at the statement of financial position date are within the Sultanate of Oman and rest are invested outside the Sultanate of Oman in the GCC region.

A 10% change in fair value of the Company's Investments at fair value through income statement would have impact on profit / (loss) of approximately RO 164,182 (2023 – RO 101,680).

A 10% change in fair value of the Company's Investments at fair value through other comprehensive income would have impact on equity of approximately RO 252,679 (2023 – RO 175,518).

Fair value estimation

The table below analyses financial instruments that are carried at fair value, by valuation method. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

(i) Market risk (continued)

	Level 1	Level 2	Level 3	Total
2024				
Investment in real estate	-	-	4,920,000	4,920,000
Investments at fair value through other comprehensive income	2,076,132	-	450,662	2,526,794
Investments at fair value through income statement	1,641,819	-	-	1,641,819
	<u>3,717,951</u>	<u>-</u>	<u>5,370,662</u>	<u>9,088,613</u>

	Level 1	Level 2	Level 3	Total
2023				
Investment in real estate	-	-	5,170,000	5,170,000
Investments at fair value through other comprehensive income	1,336,947	-	418,233	1,755,180
Investments at fair value through income statement	1,016,796	-	-	1,016,796
	<u>2,353,743</u>	<u>-</u>	<u>5,588,233</u>	<u>7,941,976</u>

The has been no movement between the levels during the year.

The fair values of held-to-maturity investments approximate their carrying values. The fair values of quoted investments are based on closing market prices at the reporting date, and those for unquoted investments are based on their net asset values.

The net change in fair value of Investments at fair value through income statement of RO 157,453 (2023 – RO 209,084) relates to level 1 of fair valuation hierarchy.

The change in fair value of Investments at fair value through other comprehensive income includes gain amounting to RO 81,052 (2023 – RO 133,695) which relates to level 1 and gain amounting to RO 32,428 (2023 – RO 41,823) which relates to level 3 of fair valuation hierarchy.

The reconciliation of Level 3 fair value measurement of investments at fair value through other comprehensive income is as below:

	2024 RO	2023 RO
At 1 January	418,233	376,410
Change in fair value	32,428	41,823
At 31 December	<u>450,661</u>	<u>418,233</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

(ii) Credit risk (continued)

The maximum credit exposure to credit risk at the reporting date by type was shown as below:

	2024 RO	2023 RO
Cash and bank balances (excluding cash in hand)	8,419,516	11,297,407
Bank deposits	15,950,000	14,950,000
Takaful balance receivable	20,380,072	17,929,973
Retakaful / reinsurance balance receivable	4,113,194	4,690,662
Other receivables and takaful assets (excluding advances and prepayments)	3,763,051	2,544,812
Investments at amortised cost	8,227,599	3,518,347
	60,853,432	54,931,201

The Company's bank balances are maintained with a range of local banks in accordance with limits set by the board of directors. Debt type instruments carried at amortised cost are investments in local and international Sukus.

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:

	2024 RO	2023 RO
P3	24,375,390	26,254,687
	24,375,390	26,254,687

Takaful receivables comprise a number of customers within Oman and local and foreign retakaful / reinsurance companies. At 31 December 2024, top 5 retakaful / reinsurance companies account for 91% (2023 – 75%) 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:

	2024 RO	2023 RO
Oman	22,491,335	17,929,973
Middle east	548,233	1,065,466
Others	3,659,350	3,625,196
	26,698,918	22,620,635

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

(ii) Credit risk (continued)

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:

	2024 RO	2023 RO
Brokers and agents	268,006	1,494,662
Individuals and corporate clients	21,991,267	18,194,508
Retakaful / reinsurance companies	4,439,646	5,017,116
	26,698,919	24,706,286

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	2024 RO	2023 RO
AA to AAA	101,345	113,874
A- to A++	3,847,787	4,197,190
BBB- to BBB+	105,388	46,922
B- to BB	132,475	316,857
Un Rated	252,651	342,273
	4,439,646	5,017,116

(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.

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

	Up to 1 year	1 year to 2 years	2 years to 5 years	5 years to 25 years	Total
2024					
Contractual liabilities					
Takaful liabilities	65,626,558	518,135	2,033,909	261,113	68,439,714
Retakaful / reinsurance payable	14,707,415	-	-	-	14,707,415
Accounts and other payables (excluding government levy and income tax payable)	17,444,553	-	-	-	17,444,553
Charity fund payable	3,065	-	-	-	3,065
Total	97,781,591	518,135	2,033,909	261,113	100,594,747

	Up to 1 year	1 year to 2 years	2 years to 5 years	5 years to 25 years	Total
2023					
Contractual liabilities					
Takaful liabilities	66,108,243	480,961	1,636,504	112,000	68,337,708
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	93,168,544	480,961	1,636,504	112,000	95,398,009

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 Risk management (continued)

(h) Capital risk management

During the year 2019, Financial Services Authority (FSA) 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.

Externally imposed capital requirements are set and regulated by the FSA 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.

Capital adequacy and solvency margin

At 31 December 2024, the Company's solvency margin (as determined in accordance with the Oman Insurance regulations) indicates surplus of RO 5,629,445 (2023 – RO 8,915,014) against the regulatory requirement.

35 Investments and receivables and other assets by category

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

	Receivables and other assets at amortised cost	Investments at fair value through income statement	Investments at fair value through other comprehensive income	Investments at amortised cost	Total
2024	RO	RO	RO	RO	RO
Cash and Cash equivalent	8,425,390	-	-	-	8,425,390
Bank deposits	-	-	-	15,950,000	15,950,000
Investments at fair value through income statement	-	1,641,819	-	-	1,641,819
Takaful balance receivable	20,380,072	-	-	-	20,380,072
Retakaful / reinsurance balance receivable	4,113,194	-	-	-	4,113,194
Other receivables and takaful assets	3,763,051	-	-	-	3,763,051
Investments at fair value through other comprehensive income	-	-	2,526,794	-	2,526,794
Investments at amortised cost	-	-	-	8,227,599	8,227,599
Total	52,631,707	1,641,819	2,526,794	8,227,599	65,027,919

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

35 Investments and receivables and other assets by category (continued)

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

	Receivables and other assets at amortised cost	Investments at fair value through income statement	Investments at fair value through other comprehensive income	Investments at amortised cost	Total
2023	RO	RO	RO	RO	RO
Cash and Cash equivalent	11,304,687	-	-	-	11,304,687
Bank deposits	-	-	-	14,950,000	14,950,000
Investments at fair value through income statement	-	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 other comprehensive income	-	-	1,755,180	-	1,755,180
Investments 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

36 Zakah

For year 2024, Zakah base of RO 9,307,971 has been considered for the calculation and Zakah of RO 239,866 at RO 0.00137 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.

37 Distribution of surplus in participants' fund

As per the Company's policy for distribution of surplus in participants' fund, 50% of surplus in participants' fund for the year shall be kept in Surplus in Participant's fund and be subject to approval by the Shari'ah Supervisory Committee.

38 Shari'ah Supervisory Committee

The Company's business activities are subject to supervision of a Shari'ah Supervisory Committee (SSC) consisting of four 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

39 Earnings prohibited under Shari'ah

Earnings retained during the year from transactions which are not permitted under Shari'ah and are recorded as part of accounts and other payables amounted to RO 3,065 (2023 – RO 6,711). All non-Islamic income is credited to a charity account where the Company uses these funds for charitable purposes. During the year RO 6,711 has been paid for charitable purposes.

40 Hibah

For the year ended 31 December 2024, Hibah amounting to RO 2,150,000 (2023 - RO 1,260,000) was provided by Shareholders to support the Policyholders' fund (General Takaful RO 2,150,000). This has been approved by the Board of Directors and Sharia'h Supervisory Committee.

41 Sources and uses of funds in the charity fund

The sources and uses of funds in the charity fund during the year was as follows:

	Note	2024 RO	2023 RO
At 1 January		6,711	21,738
Payment made during the year	39	(6,711)	(20,763)
Purification charges during the year	26(a)	3,065	5,736
At 31 December		3,065	6,711