المدينة تكافل
Al Madina Takaful
Everything in harmony في تناغمٍ تام

COMMITTED TO A SECURE TOMORROW.

ANNUAL REPORT **2021**

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

H.E. Shaikh Abdulrahman Mohamed Jabor M. Al Thani
Director

Mr. Saleh Nasser Al Riyami
Director

Ms. Safana M. A. Al Barwani
Director

Mr. Said Saleh Al Jabri
Director

Dr. Yousuf Salim Al Hinai
Director

Dr. Khalid Al Amri
Advisor to the Board

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 & Secretary
of Shari'ah Supervisory Committee

Dr. Wail Saif Al Harrasi
Member of Shari'ah
Supervisory Committee

MANAGEMENT TEAM

Mr. Usama Al Barwani
Chief Executive Officer

Mr. Ajay Srivastava
Chief Operating Officer

Mr.Shakaib Mahmood
Chief Financial Officer

MANAGEMENT TEAM

Mr. Hilal Salim Al Rashdi
Manager HRA - Services
- Board Secretary

Mr. Muamen Ali Ibrahim
Senior Manager - Legal

Mr. Ranganathan Chakrapani
Head - Business Strategy and
Life & Medical

Mr. Suresh Kumar
Senior Manager -
Motor Claims

Mr. Ipe Issac
Senior Manager – Underwriting

Hamed Al Siyabi
Head of Compliance

Hitesh Popat
Senior Manager - Finance & Investment

CHAIRMAN'S REPORT

Dear Shareholders,

Assalamu alaikum wa rahamatullahi wa Barakatuh!

(May the Peace, Mercy and Blessing of Allah be with you!)

On behalf of the Board of Directors, and Management team of Al Madina Insurance Co ("Al Madina"), I am pleased to present to you the results achieved by your Company for the financial year ended on 31 December 2021.

2021 was perhaps one of the most challenging years for the Insurance industry in Oman in the recent times, where the sector faced impact of Covid 19 on the already difficult global-economic situation, devasting impact of Cyclone Shaheen and witnessed the resultant hardening of the reinsurance market and some capacity withdrawals in the GCC. Despite these factors, the local market continued to be extremely soft, where the average Insurance premiums, especially in the retail segment, came down significantly. Oman continued to be affected by natural catastrophes such as cyclone- Shaheen which caused significant material damages across Oman. Al Madina was notified with large numbers of claims in both Motor and Property but with Al Madina's strong back-to-back reinsurance arrangements, the financial risk was well mitigated. Your Company with its strong liquidity, is well positioned to fulfill its commitment to policyholders.

During the prolonged lockdown in mid-2021, your Company continued to deliver uninterrupted sales and Claims servicing through its various digital platforms such as website, mobile app, and social media handles. A comprehensive range of preventive measures were undertaken to maintain health & safety of employees as well as to support customers and stakeholders.

Al Madina's successful adaptation to the new normal and several timely measures to mitigate the effects of the pandemic yielded operational efficiencies that contributed positively to the Company's growth.

Your Company retained its position of being 3rd largest Insurance Company in Oman with Gross written contributions (GWC) of RO 44.1 million, a remarkable 11% growth over the last Financial Year despite the challenging business environment. This reflects on Al Madina's strength as Oman's Top takaful provider.

The 2021 financial results delivered by your Company reflect our intent to deliver consistent surplus from Insurance operations so that the Policyholder's interest is safeguarded while we continue to reward our shareholders. In the year 2021, the shareholders provided Hiba amounting to RO 3.1mn to support the policyholder's fund (General Takaful RO 2.5mn and Family Takaful RO 0.6mn). This was done to reduce the deficit in the policyholders account and in compliance with the new takaful regulations.

The overall Profit after Tax stood at RO 1.4mn inspite of uncertain backdrop of 2021, emerging circumstances that accompanied the spread by COVID-19 variants and the tropical storm Shaheen.

For the financial year ended 31 December 2021, your Company contributed an amount of RO 90,000 (Omani Rial Ninety Thousand Only) to support those affected by the Tropical cyclone Shaheen.

Operating Environment

The listed Insurance Companies in Oman saw an increase in topline of 4% in FY 2021, with premium volumes increasing from RO 387 million in FY 2020 to RO 403 million. However, the Insurance sector, which had experienced good profitability in FY2020 due to Covid induced reduced activity, saw significant hit on profitability as normalcy returned alongside the competitive pressures in the market which pulled the prices down.

In this tough economic environment, and the pricing challenges prevailing in the insurance market, your Company delivered another successful year and accomplished 11% growth in Gross Written Contributions of RO 44.1 million as against RO 39.6 million in 2020. The retained Contributions has also grown up by 6% from RO 13.9 million to RO 14.8 million in 2021.This was achieved through strict underwriting discipline, and a focused sales strategy for successful conversion of new business opportunities.

Results from Operations

Your Company continues to deliver stable growth while strengthening adequacy & sufficiency of its reserves. The underwriting surplus from Takaful operations before investment income, mudarib share and Wakala fees after adjustment of commission expenses amounted to RO 4.9 million. This was achieved through Prudent underwriting, Effective risk selection and Efficient claims administration backed by high-quality global Reinsurance arrangements.

Al Madina is continuously improving its core competencies and maintains a healthy well-balanced portfolio across all lines of business. Your Company is constantly enhancing its customer experience by ongoing process efficiency, quick turnaround, professional expertise, top of the line claims servicing and adopting best international practices in the field of insurance operations.

Investment Income

The investment environment continued to remain very volatile and unpredictable with equities and real estate yields being under pressure. In this challenging environment, your Company demonstrated a resilient investment performance and achieved an impressive 28% growth in investment income. The total investment income (shareholders and policyholders) registered by your Company is RO 1.35 million compared to RO 1.06 million as of Dec 2020. This was mainly achieved due to prudent investment strategy adopted by your Company with its investment portfolio being well diversified across different asset classes with varied sources of return.

Shareholders' profit

Al Madina succeeded in achieving and producing distinguished financial performance. Your Company reported a 34% increase in profit attributable to the shareholders amounting to RO 955K as compared to previous year profit of RO 715K.

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 five years, this reflects our continuing financial strength even in this most subdued market conditions.

Company's Outlook & Vision

Insurance industry in Oman will see the tail effect of Pandemic mainly on its revenue as there may be reduction in premium rates in corporate products too which will pose challenges for insurance industry. We have seen improvement in Oil Prices, which is a welcome development, and we are optimistic about the future. Our emphasis will be on stability and sustainable growth while keeping the focus on Customer service, launching of new products, technological innovations and regulatory changes will be key drivers. Much will also depend on how the Global Reinsurance market responds to large scale losses in Oman due to the twin impact of Covid related claims and Cyclone Shaheen. The rapid frequency of Natural catastrophic events will impact reinsurance pricing in addition to the availability of Reinsurance capacities and issues of risk concentrations. Apart from these, public spending, foreign investment and opening of Global economy in post pandemic era will also be crucial factors for the Insurance industry. Market credit issue and cash flow will continue to be a challenging concern to most Industries. Globally, recovery of aviation and hospitality sector will take some more time which may hamper the non-oil-based revenue forecast.

Our position in the market, combined with strong underwriting fundamentals will enable us to continue our endeavor to provide sustained growth and profitability to all stake holders in 2022. We expect to maintain our market position in line with our projection for 2022 by strengthening the distribution channels and our Supply chains. Mandatory health insurance is expected to launch in 2022 and it will give a thrust to Health Insurance market. Al Madina has fulfilled the licensing requirement and awaits further instructions of Capital Market Authority.

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

Al Madina will continue to invest in technology-driven innovation, IT upgrades, process automation and increase digitalization of insurance processes. The Company, with its well-planned growth strategy is well positioned to achieve stable growth and Operational Profit in 2022 through disciplined underwriting, Process efficiency, focused sales planning, and superior customer service.

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

Acknowledgements

It gives me immense pleasure to express the appreciation on behalf of the Board, we extend our thanks to our customers, business partners, shareholders, Sharia Supervisory committee and staff members for their support and contributions during the year 2021. We also thank and appreciate the Capital Market Authority for their constant support and their initiatives oriented towards the Insurance Market, with special emphasis on the development of Takaful Insurance in the country. We also take this opportunity to thank the Ministry of Health and express our sincere gratitude to those on the frontline for their unwavering commitment and immensely appreciate the measures taken by the Government of Oman in managing the pandemic COVID-19.

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

May God Bless you all.

for/ Dr. Mohammed Ali AL Barwani
Chairman of the Board.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Introduction

The Pandemic induced challenges which the insurance industry faced, continued in 2021 as well. However, the performance of the Company was in line with our projections. The Company registered a remarkable 11% growth in Gross Written Contributions (GWC) despite the market challenges. We saw extreme hardening of reinsurance market, but equally the local market remained soft. Oman continued to be affected by natural catastrophes such as cyclone- Shaheen and tropical storms. On the other hand, the increased Crude price in second half of 2021, has given the much-needed boost to the economy and seen investment in Infrastructure and Hospitality Industry.

Despite these challenging market conditions, Al Madina has reached a new milestone of achieving GWC of RO 44mn and retained its position of being the 3rd largest Insurance Company in Oman (Combined both Takaful and Conventional).

Al Madina's, investment in digitization of its processes prepared itself to operate seamlessly and efficiently with minimum impact on business and customer service. At the same time considerable progress was made on new IFRS-17 standard as per the regulatory requirements, further the newly issued takaful regulations have been implemented for the full year of 2021.

The 2021 financial results delivered by your Company reflect our intent to deliver consistent surplus from Insurance operations so that the Policyholder's interest is safeguarded while we continue to reward our shareholders. In the year 2021, the shareholders provided Hiba amounting to RO 3.1mn to support the policyholder's fund (General Takaful RO 2.5mn and Family Takaful RO 0.6mn). This was primarily done to reduce the deficit in the policyholders account and in compliance with the new takaful regulations.

For the financial year ended 31 December 2021, the Company contributed an amount of RO 90,000 (Omani Rial Ninety Thousand Only) to support those affected by the Tropical cyclone Shaheen.

The Implementation of VAT in April 2021 required the Company to make changes in its IT system and put special focus on VAT collections on live policies on the date of implementation. Prominent regulatory changes including TPA licensing, Damani Medical Platform, implementation of half yearly Actuarial validation of Motor Pricing etc. have regulated the Insurance market to a large extent.

Financial Performance

(In OMR '000)	Shareholders	General Takaful	Family Takaful	Consolidated	
				2021	2020
Gross Written Contributions	-	41,306	2,818	44,124	39,599
Net Retained Contributions	-	14,238	597	14,835	13,999
Net Earned Contributions	-	13,726	615	14,341	14,307
Net Claims Incurred	-	(6,976)	(443)	(7,419)	(6,835)
Provision for impairment of receivables	-	(449)	(10)	(459)	(250)
Surplus from Takaful Operations before investment income, mudarib share and Wakala fees	-	5,885	110	5,995	5,479
Investment income-net	977	342	32	1,351	1,059
Wakala Fees	8,825	(8,261)	(564)	-	-
Mudarib share	206	(188)	(18)	-	-
Hiba given from Shareholder to policyholders	(3,100)	2,500	600	-	-
General, administrative and commission expenses	(5,760)	-	-	(5,760)	(4,471)
Policy Holders Surplus	-	278	160	438	1,075
Shareholders Profit before tax	1,148	-	-	1,148	992
Taxation	(193)	-	-	(193)	(277)
Shareholders Profit after tax	955	-	-	955	715
Total profit for the year after tax	-	-	-	1,393	1,790
Earnings per share (in OMR)	0.005	-	-	0.005	0.004
Book value per share (in OMR)	0.130	-	-	0.130	0.134

Business

The challenge in 2021 was to retain existing portfolio and to grow at par with the market growth without compromising the profitability and reinsurance security standards. The Company faced challenges during treaty renewal due to hardening of reinsurance market and change of reinsurance appetite for Oman Market. However, the company with its strong technical underwriting bench strength was able to successfully renew its treaty program despite the hardening of the reinsurance market.

Al Madina achieved a GWC of RO 44 million and showed an impressive growth of 11% over the previous year and highest in the Takaful segment. As a result of this the Company was able to maintain its market position being the 3rd largest Insurance Company in Oman in terms of GWC. This also reflects on Al Madina's strength as Oman's Top takaful provider.

In 2021, there was growth in Technical and Motor classes although other lines of business including Life and Medical maintained the same level of GWC. The company has grown further in Energy & Power sector and emerged as a major player for Mega-Specialty Risks in Oman. The Company maintains a well-balanced portfolio where all lines of business contributing positively to the Underwriting Surplus. This reflects Company's Technical expertise and sound Underwriting.

Al Madina continued its commitment towards its customers and shareholders through superior service and consistent performance. Our digital platforms ensure our customers receive a seamless service on all Insurance related activities, be it policy, claim or financial transactions.

Al Madina is focused to grow its Market share in profitable business segment with the maximum retention in Premium. Al Madina has strengthened its direct sales team through recruitment of young and talented Omanis and established a Direct Sales hub duly supported by company's state of the art B2C & B2B mobile apps, interactive website, and secured payment gateways. Our focus is to expand profitable retail portfolio through strengthening of the direct sales team and enhancements of IT platforms. The Sales Hub Team is further strengthened with the increase in staff in strategic locations which has resulted in the growth in retail motor segment.

Claims

Al Madina addressed COVID-19 challenges efficiently through digitalization of the complete claim cycle – from intimation to settlement & finally actual disbursement. The Digital servicing drive was continued for the year 2021 which enhanced customer satisfaction and reinforced the customer centric approach of the Company. The notable initiatives are the Garage Module and the Salvage Tendering module. Acknowledgements of our efforts from multitude of Customers and organizations has encouraged us to go further in 2021. The Company also used its in-house claims teams for speedy settlement of claims. On a focused manner the department was able to succeed in higher conversion of fast-track claims leading to enhanced customer satisfaction. The Company's Claims Reserves & Pricing Adequacy is validated by external actuary, and it has been found to be adequate.

The Company took steps to further enhance its supply chain network with respect to Motor and medical claims. Further tie ups and negotiations for discounts were accomplished with hospitals, TPA and dealers. This brought in tight controls on third party administrators, suppliers and shortened the claim processing duration. Combined effort on claim automation and various IT initiatives brought visible efficiency and contributed positively to the Company's operational performance.

The Company ensured that all its Shaheen claims were processed on timely basis and with its strong liquidity position fulfilled its commitment to policyholders by way of speedy settlement of their claims.

Investment

The year 2021 was also incredibly challenging for the financial markets and the investment climate remained very volatile and unpredictable.

Despite the overall pressures on the economy, Al Madina's investment income registered an impressive growth of 28% as compared to previous year despite booking of impairment in the amount of RO 366K on certain equities and property valuations.

The Company was able to grow the investment income (shareholders and policyholders) FY-2021 to RO 1.35 million as compared to RO 1.06mn as of Dec 2020. This has been possible due to prudent investment strategy adopted by the Company over the last couple of years. The investment portfolio of the Company continues to be well diversified with varied sources of return across various asset classes comprising of Wakala deposits, sukuks, real estate and equities.

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

On the other hand, rental income, and property valuations to be impacted by soft property market. However, Al Madina will continue to focus on low volatility investments and maintaining a diversified portfolio by geography and asset class to achieve the targeted investment returns for its shareholders and policyholders.

HR & Manpower

Human Resources & administration team at AMI conducted online in-house training programs for employees for the first time in the history of the company. The year also saw employees working at home and office. The HRA team in coordination with departments implemented a plan to ensure that business as usual status remains unchanged and without impacting customer service. The department continued to focus on devising and implementing programs to enhance the knowledge levels, process understanding and usage of technology.

The Omanization Percentage for the year 2021 stood at 76.92%. The Company is committed to build Capacity of talented and trained Omani professionals particularly in technical areas. It has started a Mentoring program combined with exhaustive Training at international levels to prepare future Omani Managers for the Company

Information Technology

The Company pushed for Digitization of Insurance sales and services. The company's Digital strategy focuses on using technology to improve business performance by means of making relevant changes to existing products & processes, enabling automation, improving customer experience etc.

The company has set in place several IT Projects to bring more efficiency. This includes the launching of BI Tool and CRM software. The other project like the salvage tendering module is in the final stage of launching which will improve efficiency and transparency in the company's salvage disposal process.

Al Madina completed the setting up of its fully-fledged DR site to ensure Business continuity and to protect critical business assets from cyber threats.

Since, Information is an important business asset, the company always gave an important level of importance to protect the company's sensitive data. We are in the process of updating our existing IT policies and procedures documents in line with CMA guidelines to protect against any cyber-attacks. The Company is also in process of evaluation and finalization with the assistance of the consultant for a suitable IT solution which will synchronize with the current IT software solution and meet the regulatory requirements of the new IFRS 17 standard.

Compliance Department:

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

Outlook

Third wave of pandemic which is more contagious but, less fatal has led to the medical community predicting this to be an end game to the pandemic and economic distress. We expect the market to be stabilized and grow by second half of 2022. Increased oil price will give boost to the economy and remove the stress on the cash flow situation faced by the market.

Our emphasis will be on stability and sustainable growth while keeping the focus on Customer service, launching of new products, technological innovations and regulatory changes will be key drivers.

Continuing softening of the market has depleted the profitability of many Insurance companies in Oman and this hopefully should result in much needed price correction. Al Madina will focus on Bancassurance business and SME segment wherein we can grow further in the profitable segment.

Reinsurance market will continue to harden in the upcoming period due to the capacity withdrawal and frequent natural catastrophic claims in Oman. Market credit issue and cash flow will continue to be a challenging concern to most Industries. Globally, recovery of aviation and hospitality sector will take some more time which may hamper the non-oil-based revenue forecast. We also aim to enhance the productivity and competitiveness of the sales hub by restructuring the team

We expect to maintain our market position with the stabilized growth of GWC combined with strong underwriting fundamentals and strengthening our supply distribution channels. Although Al Madina's Specialty business will be under pressures from competitors. Mandatory health insurance is expected to launch in 2022 and it will give a thrust to Health Insurance market. Al Madina has fulfilled the licensing requirement and awaits further instructions of Capital Market Authority. Part of mandatory health insurance been already implemented for Domestic Helpers and Individual medical for the public is in the final stage of implementation. Damani Platform for Medical claims administration is ready to go live.. TPA licensing is completed, and four TPA companies are authorized to administer the medical policies. Al Madina is planning to develop its own medical claim administration system in 2022 to integrate itself with Damani platform.

The Company continues to monitor its investment book well while ensuring that all our investments are well diversified and remain shari'ah compliant to generate stable yield on its investment book and achieve the targeted investment returns for shareholders and policyholders.

Al Madina is optimistic that it will continue its success story in 2022 through its well-planned growth strategy, cost optimization, proper product mix, technical expertise is well positioned to achieve stable growth, Operational Profit, through disciplined underwriting, focused sales planning, and superior customer service.

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Our ref: aud/rp/ma/4862/22

Agreed upon procedures on Code of Corporate Governance ("the Code") of Al Madina Insurance Company SAOG

To the Board of Directors of Al Madina Insurance Company SAOG

Purpose of this Agreed-Upon Procedures Report

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

Responsibilities of the Sembcorp Al Madina Insurance Company SAOG

Al Madina Insurance Company SAOG has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

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

Practitioners' Responsibilities

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

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Practitioners' Responsibilities (continued)

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

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

Professional Ethics and Quality Control

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

Our firm applies International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with Al Madina Insurance Company SAOG in the terms of engagement dated 21 February 2021, on the compliance with the Code:

S. No	Procedures	Findings
(a)	*We checked that the corporate governance report (the report) issued by the Board of Directors includes as a minimum, all items suggested by CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in the Annexure 3*	No exceptions noted
(b)	We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2021. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2021.	No exceptions noted

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

KPMG

KPMG LLC
24 February 2022

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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 Corporate Governance for Insurance Companies, as pronounced by the Capital Market Authority (CMA) of the Sultanate of Oman.

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

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

B. THE BOARD OF DIRECTORS

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

The Directors are elected for a period of three years. The election of the Board was conducted in 2021.

Details of Directors

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

REPORT ON CORPORATE GOVERNANCE

B. THE BOARD OF DIRECTORS (continued)

The Board of Directors of the Company met five times during the year ended 31st December 2021--on 22nd February 25th March 25th April 28th July and 27th October. Six Directors attended the AGM that held on 25th March 2021.

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

Name	22nd February	25th March	25th April	28th July	27th October
H.E. Dr. Mohammed Ali Al Barwani	Yes	Yes	Yes	Yes	Yes
Eng. Abdulrahman Awadh Barham	Yes	Yes	Yes	Yes	Yes
H.E Shaikh Abdulrahman Mohammed Jabor Al Thani	Yes	Yes	No	No	Yes
Eng. Khamis Mubarak Al Kiyumi	Yes				
Eng. Abdullah Ali Al Abdullah	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
Dr. Yousuf Salim Al Hinai		Yes	Yes	Yes	Yes

The details of Directors' setting fees are given below for the attended meetings during 2021:

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	5	5,000
H.E Shaikh Abdulrahman Mohammed Jabor Al Thani	Director	3	3,000
Eng. Khamis Mubarak Al Kiyumi	Director	1	1,000
Eng. Abdullah Ali Al Abdullah	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	4	4,000
Dr. Yousuf Salim Al Hinai	Director	4	4,000

The AGM was held on 25th March 2021, and the details of Directors who attended the AGM meeting as follow:

Name	Attended
H.E. Dr. Mohammed Ali Al Barwani	Yes
Eng. Abdulrahman Awadh Barham	Yes
H.E Shaikh Abdulrahman Mohammed Jabor Al Thani	Yes
Eng. Abdullah Ali Al Abdullah	Yes
Mr. Saleh Nasser Al Riyami	Yes
Ms. Safana Mohammed AL-Barwani	Yes

REPORT ON CORPORATE GOVERNANCE

B. THE BOARD OF DIRECTORS (continued)

Board Meeting	Date	Date Agenda was sent to the Board
1st Board Meeting	22-Feb-2021	15-Feb-2021
2nd Board Meeting	25-Mar-2021	10-Mar-2021
3rd Board Meeting	25-Apr-2021	18-Apr-2021
4th Board Meeting	28-July-2021	18-July-2021
5th Board Meeting	27-Oct-2021	19-Oct-2021

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.

The Directors have not been paid any other remuneration.

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

Responsibilities of Board of Directors

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

The Board of Directors responsibilities are as per the laws applicable in Sultanate of Oman, and determined in accordance with the Commercial Companies Law of 2019, and the executive regulations of the public joint stock companies issued in 2021 as per MD (27/2021) date 25th February 2021, the Insurance Companies Law (12/1979) as amended, and as per the Executive Regulations Article No. 5 of the Code of Corporate Governance for Insurance Companies issued by Circular No. (7/T/2005) dated 1st August 2005, and Takaful Insurance law that issued as per the Royal Decree No.(11/2016), in addition to all other relevant laws and regulations.

Profile of the members of the Board of directors

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

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

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

Eng. Barham is the Vice Chairman of the Company and has over 30 years of experience in handling and planning projects. He currently holds the position of CEO and investment committee member in Al Madina Real Estate and as an Advisory in Al Madina Investment. He has a profound understanding of the products relevant to finance real estate projects. He also holds the position of Director in Salalah Mills Company SAOG, Tilal Development Company SAOC, Shaden Development Company SAOC and Shaza Muscat Hotel Company SAOC.

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

Sheikh AbdulRahman has over 40 years of experience in industrial investments and private sector. He currently holds the position of a Director in Al Madina Investment, Director in Oman & Qatar Company and Qatar Industrial Manufacturing. Also, He is involved closely with Islamic financial institutions in Qatar and is able to provide guidance based on his knowledge and expertise gained from these institutions.

REPORT ON CORPORATE GOVERNANCE

B. THE BOARD OF DIRECTORS (continued)

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

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

Mr. Riyami has more than 20 years of experience as an investment expert. He currently holds the position of Vice Chairman at Taageer Finance and a Director in Oman Ceramics Company. Mr. Riyami has put in an effort to attract key Islamic Shariah scholars who are experts in Islamic financial services in the GCC region to provide consultation in the field of Islamic financial services in coordination with Omani consulting firms.

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

Ms. Safana has 15 years of experience in investment, insurance and real estate. She holds the position of Director in Mazoon Petro Gas, Risk Management Services and Interior Hotels. Ms. Safana is the Managing Director of MUSSTIR, the Omani real state developer Company. She overseas development and management of all properties

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

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

Holding the post of the Director of Corporate Operations in MB Holding at a group level, he directs the progress of subsidiary companies against their established strategies. He also oversees the Human Resources, Legal, Medical and Communication functions at MB Holding.

Having spent long years in government and energy sectors, he brings in rich work experience. Mr. Said Al Jabri also serves as the chairman of Al Madina Investments SAOG (Muscat Securities Market) and Protection Group International (UK). Additionally, he is a non-executive director in Turquoise Yachts and Ocean company and is part of multiple MB Group Companies' boards.

He holds a master's degree in business and administration from the University of Wales Institute, Cardiff.

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

Dr Yousuf Al Hinai an expert on risk management, he works as part of a core team that is developing the first National Risk Register for the Sultanate. Formed by the National Security Council (NSC - The Royal Office) the team has been tasked to develop the first risk register for Oman for the short and medium term. Dr. Yousuf is the only selected member from the civil sector.

Dr Yousuf brings a distinguished mix of educational background, including a PhD in Information Systems from Australia, MSc in Disaster and Risk Management from the UK, MSc in Information Technology from the USA, and BSc in Business Studies/Information Systems from Sultan Qaboos University. From such educational journey, he brings a knowledge base combining risk and disaster management, digital transformation, and business expertise to help organisations achieve greater results.

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

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

C. AUDIT COMMITTEE

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

The Audit Committee met four times during the year ended 31st December 2021, on 22nd February 25th April, 28th July, and 26th October.

REPORT ON CORPORATE GOVERNANCE

C. AUDIT COMMITTEE (continued)

The details of Audit Committee meetings attended and sitting fees paid during 2021 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
Eng. Abdullah Ali Al Abdullah	Member	1	800
Dr. Yousuf Salim Al Hinai	Member	3	2,400

Audit Committee Functions

The Audit Committee undertakes its responsibilities as per the Code of Corporate Governance for Insurance Companies and public listed companies.

Terms of reference of the audit committee

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

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

3. Checking financial fraud particularly fictitious and fraudulent portions of the financial statements. They should put in place an appropriate system to ensure 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 the Article 5(11) of the Code for Corporate Governance, through the regular reports of the internal and external auditors. They may appoint external consultants if the need arises.

6. Oversight and review of the annual financial statements, returns and solvency margin computation required to be submitted to the CMA and prepared in accordance with the Insurance Companies Law and its regulations. The audit committee shall review the regulatory returns before submission to the CMA.

7. Review of the annual and quarterly accounts before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy and departure from AAOIFI Standards or International Financial Reporting Standards (IFRS), as applicable and non-compliance with disclosure requirements prescribed by the CMA should be critically reviewed.

8. Serving as channel of communication between external auditors, the board and the internal auditors and the board.

9. Reviewing risk management policies of the insurer as required by the article 5 (3) of the Code for Corporate Governance of Insurance Companies.

10. Reviewing proposed specific transactions with the related parties for making suitable recommendations to the board.

D. EXECUTIVE NOMINATION AND REMUNERATION COMMITTEE

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

Due to the new election of board members in 2021, Mr. Said Al Jabri was nominated as a new member of the committee in place of former committee member Mr. Khamis Al Kiyumi.

D. EXECUTIVE NOMINATION AND REMUNERATION COMMITTEE (continued)

The Committee held two meeting during the year 2021 on 22nd of February and 27th December 2021. The details of Executive Nomination and Remuneration Committee named members and paid sitting fees during 2021 are as follows:

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

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

During the year Dr. Amin Fateh was appointed as an executive member and Dr. Wail Al Harrasi was appointed as a member of the SSC in the AGM meeting held on 25th March 2021.

The Shari'ah Supervisory Committee met four times during the year ended 31st December 2021. 18th February, 19th April, 12th July and 18th October 2021.

The details of Shari'ah Supervisory Committee meetings attended and sitting fees paid during 2021 are as follows:

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

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.

REPORT ON CORPORATE GOVERNANCE

F. CORPORATE SOCIAL RESPONSIBILITY

During the year 2021, the Company spent a total amount of RO 106,866 towards CSR activities. Out of which an amount equal to RO 92,495 contributed towards Shaheen cyclone affected people and charities, who are involved in providing support by donating to citizens affected by Cyclone.

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.

During the year 2021, the overall performance of the board has been evaluated by an independent consultancy firm.

H. MANAGEMENT REMUNERATION MATTERS

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

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

The gross remuneration paid during the year to the top 6 officers of the Company including salary and allowances amounted to RO 706,315 (Short term benefits RO 677,898 and Employee end of services benefit RO 28,417). Company does not offer any stock options to any of its directors or employees.

Profile of the Executive Management of the Company

a) Usama Al Barwani, Chief Executive Officer

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

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

b) Ajay Srivastava, Deputy of Chief Executive Officer

Mr. Ajay Srivastava holds a bachelor's degree in Physics from Delhi University, He is also a Postgraduate in Law from Delhi University & an Associate of the Insurance Institute of India. An insurance professional with over 3 decades of rich and varied experience in United Kingdom, GCC and India, he has directed, administrated, and coordinated the complete insurance operational activities in all insurance areas. His Core Competencies are Strategy formulation & execution and Operational Management. He has a history of managing Turnaround projects and development of Specialty Business. He has been actively engaged in the industry, with experience in all types of Insurances - He has always been at the forefront of Product innovation and created several bespoke products in United Kingdom and in Oman. He brings a wealth of experience in Corporate Strategy, Product development, Reinsurance, and relationship management. He has vast experience in critical issues such as Dealing with Financial Rating Agencies, Takaful Financials, Post-Acquisition integration and Enterprise Risk Management.

c) Shakaib Mahmood – Chief Financial Officer

Mr. Shakaib is a fellow member of the Institute of Chartered Accountants of India. He also holds a bachelor's degrees in law and a bachelor's degree in commerce. Shakaib has more than 30 years of experience of providing assurance and advisory services to the Insurance sector in Sultanate of Oman and working as a CFO. 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. He also acted as Head of Islamic Finance with the International Firm in Oman. He has extensive experience in training 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 and has acted as Non-Executive Independent Director on Board of a Regulated entity.

REPORT ON CORPORATE GOVERNANCE

H. MANAGEMENT REMUNERATION MATTERS (continued)

Profile of the Executive Management of the Company (continued)

d) Chakrapani Ranganathan, Head- Business Strategy/Life & Medical

Mr. Ranganathan has Insurance experience of over 28 years with 18 years in the Oman market. He has bachelor's degrees in science and Law. He has been associated with two leading Insurance company with India, which were joint ventures with world Insurance leaders- Prudential, (UK) and Cardiff (France). He was in the core implementation team of Investment linked insurance schemes, during his tenure as Branch head in ICICI prudential in India. He has successfully managed various distribution channels, including the Bancassurance of the largest public sector bank (State bank of India) in the Southern region of India. His specialization is in the areas of Product distribution, Channel management and Life & Medical. He has the experience of handling large group insurances of public sector banks in India.

I. AREAS OF NON-COMPLIANCE

During the past two years (2021 & 2020) there was no penalty imposed on the Company due to Non-Compliance; however, there was only one penalty imposed on the company on 2019. The details of non-compliance and penalties imposed are as follows:

S. No.	Year	Details	Amount
1.	2021	No penalty has been imposed on the Company	-
2.	2020	No penalty has been imposed on the Company	-
3.	2019	Delay in disclosing the un-audited financial statements for the six months period ended 30th June 2019	1,150

No other penalties were imposed on the Company by any other regulatory authority except as disclosed above.

The Company evaluates the Omanization percentage on annually basis and seek to achieve the required percentages in each of the administrative levels.

J. MEANS OF COMMUNICATION WITH SHAREHOLDERS

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

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

REPORT ON CORPORATE GOVERNANCE

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 2021 is as given below.

Month	Company's Market price (Baiza)		MSM 30 Index		Financial sector Index	
	High	Low	High	Low	High	Low
Jan-21	92	90	3,683	3,637	5,533	5,462
Feb-21	100	99	3,614	3,600	5,432	5,408
Mar-21	89	88	3,711	3,682	5,703	5,671
Apr-21	89	89	3,761	3,734	5,827	5,799
May-21	95	94	3,853	3,830	5,980	5,934
Jun-21	109	106	4,075	4,061	6,495	6,465
Jul-21	106	104	4,045	4,026	6,471	6,446
Aug-21	105	104	3,973	3,964	6,323	6,315
Sep-21	105	103	3,952	3,935	6,243	6,204
Oct-21	96	95	4,078	4,062	6,427	6,400
Nov-21	96	94	4,118	4,000	6,546	6,372
Dec-21	95	94	4,147	4,128	6,619	6,578

Pattern of Shareholding

SHAREHOLDER	NO. OF SHARES	% HOLDING
1. Mohammed Al Barwani Holding Co. L.L.C.	45,250,001	25.86
2. National Equity Fund	15,569,830	8.89

L. DECLARATION BY THE BOARD OF DIRECTORS

We the board of directors hereby confirms that:

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

M. PROFILE OF THE STATUTORY AUDITORS

The shareholders of the Company appointed KPMG as its auditors for 2021. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 150 people, amongst whom are five partners and seven directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 145 countries and territories and have 236,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms.

During the year 2021, audit fees amounting to RO 28,000 was charged by the external auditors in respect of the services provided by them to the company. In addition, an amount of RO 8,490 was paid for other non-audit services which were provided by the external auditors during the year 2021.

For Al Madina Insurance Company SAOG

المدينة تكافل
Al Madina Takaful

بسم الله الرحمن الرحيم

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

The report of the Shari'ah Supervisory Committee of Al Madina Insurance (Takaful) For the year ended on 31 December 2021

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 2021. 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 form an independent opinion. based on our review of the operations of the company, and to report to you.
In our opinion:

1. The contracts, transactions, policies and deals concluded by Al Madina during the year ended 31 December 2021, which we have reviewed, are in compliance with the 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 rulings 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 calculation of Zakah is being calculated in compliance with Islamic Shari'ah rulings and principles and as directed by the Shari'ah supervisory Committee. It should be noted that responsibility for payment of Zakah is undertake by the shareholders.

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

Peace and Blessings be upon you
15 Rajab 1443 AH corresponding to 16 February 2022 AD

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

AL MADINA INSURANCE للتأمين
Sharia Supervisory Board لجنة الرقابة الشرعية

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Independent auditors' report

To the Shareholders of Al Madina Insurance Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Al Madina Insurance Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statement of participants' revenue and expenses, statement comprehensive income, statement of changes in shareholders' equity, statement of changes in participants' fund, statement of cash flows and statement of sources and uses of funds in the charity fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and results of its operations, changes in participants' fund, changes in owners' equity, its cash flows, and charity fund for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Company has also complied with the Islamic Shariah Principles and Rules as determined by the Shariah Supervisory Committee of the Company during the year ended 31 December 2021.

Basis for Opinion

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

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Key Audit Matters

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

Valuation of takaful liabilities

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

The key audit matter	How the matter was addressed in our audit
• Takaful liabilities represents 77% of the total liabilities of the Company. • Valuation of these liabilities involves significant judgement, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported ("IBNR") to the Company. IBNR is calculated by an independent qualified external actuary for the Company. • Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on profit or loss. The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business. • The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating takaful reserves, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.	Our response: Our audit procedures supported by our actuarial specialists included: • evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and consider if the amount recorded in the financial statements is valued appropriately; • obtaining an understanding of and assessing the methodology and key assumptions applied by the management; • testing the completeness and accuracy of the data used in the calculation of IBNR reserve; • assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process; • checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and • assessing the Company's disclosure in relation to these liabilities including claims development table is appropriate.

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Key Audit Matters *(continued)*

Recoverability of takaful and retakaful balance receivable

See Note 2.13, 3(b), 7 and 35(g)(ii) to the financial statements.

The key audit matter	How the matter was addressed in our audit
• Takaful and retakaful balance receivable represent 13% of the total assets of the Company. • The Company has significant contributions and takaful receivables against written contribution policies. There is a risk over the recoverability of these receivables. The determination of the related impairment allowance is subjective and is influenced by judgements relating to the probability of default and probable losses in the event of default.	**Our response:** Our procedure on the recoverability of written contributions and takaful and retakaful receivables included: • evaluating and testing key controls over the processes designed to record and monitor takaful and retakaful receivables: • testing the ageing of takaful and retakaful receivables to assess if these have been accurately determined. Testing samples of long outstanding takaful and retakaful receivables where no impairment allowance is made with the management's evidences to support the recoverability of these balances; • obtaining balance confirmations from a sample of counterparties such as policyholders, agents, brokers and retakaful companies; • verifying payments received from such counterparties post year-end; • considering the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on period overdue, existence of any disputes over the balance outstanding, history of settlement of receivables, liabilities with the same counterparties; and • discussing with management and reviewing correspondence, where relevant, to identify any disputes and assessing whether these were appropriately considered in determining the impairment allowance.

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Other Information

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

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

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

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

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

The Board of Directors is also responsible for the preparation and fair presentation of the financial statements in accordance with FAS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

— 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

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CR No. 1358131

Tax Card No. 8063052

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

our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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Report on Other Legal and Regulatory Requirements

Further, we report that financial statements of the Company as at and for the year ended 31 December 2021, comply, in all material respects, with the:

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

Ravikanth Petluri
24 February 2022

KPMG LLC

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

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Shareholders' fund		Participants' fund						Grand total	
				General takaful		Family takaful		Total participants' fund			
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
ASSETS											
Cash and bank balances	4	**1,883,878**	1,132,259	**4,769,100**	5,954,229	**613,196**	173,898	**5,382,296**	6,128,127	**7,266,174**	7,260,386
Investments carried at fair value through profit or loss	6	**1,252,303**	1,212,211	-	-	-	-	-	-	**1,252,303**	1,212,211
Takaful balance receivable	7	-	-	**15,208,309**	11,095,636	**1,058,288**	920,514	**16,266,597**	12,016,150	**16,266,597**	12,016,150
Retakaful / reinsurance balance receivable	7	-	-	**222,890**	452,375	**649,132**	27,731	**872,022**	480,106	**872,022**	480,106
Receivable from participants' fund - family takaful		-	-	**1,563,545**	394,204	-	-	**1,563,545**	394,204	**1,563,545**	394,204
Receivable from participants' fund	8	**2,666,587**	1,637,332	-	-	-	-	-	-	**2,666,587**	1,637,332
Due from retakaful / reinsurance companies in connection with takaful liabilities	9	-	-	**60,664,527**	43,332,129	**1,647,732**	1,434,019	**62,312,259**	44,766,148	**62,312,259**	44,766,148
Deferred policy acquisition cost	10	**776,080**	7,875	**13,711**	762,721	**724**	53,358	**14,435**	816,079	**790,515**	823,954
Other receivables and takaful assets	11	**587,373**	658,512	**1,182,090**	784,766	**501,227**	499,722	**1,683,317**	1,284,488	**2,270,690**	1,943,000
Investments at fair value through equity	12	**2,266,624**	2,225,974	-	-	-	-	-	-	**2,266,624**	2,225,974
Bank deposits	5	**3,350,000**	5,600,000	**8,025,000**	5,525,000	**1,075,000**	575,000	**9,100,000**	6,100,000	**12,450,000**	11,700,000
Investments carried at amortised cost	13	**6,229,113**	6,229,587	-	-	**100,000**	-	**100,000**	-	**6,329,113**	6,229,587
Deferred tax asset	14(f)	**201,925**	135,551	-	-	-	-	-	-	**201,925**	135,551
Investment in real estate	15	**5,170,000**	5,468,830	-	-	-	-	-	-	**5,170,000**	5,468,830
Property and equipment	16	**686,092**	729,144	-	-	-	-	-	-	**686,092**	729,144
Total assets		**25,069,975**	25,037,275	**91,649,172**	68,301,060	**5,645,299**	3,684,242	**97,294,471**	71,985,302	**122,364,446**	97,022,577

The notes and other explanatory information on pages 43 to 83 form an integral part of these financial statements.

The independent auditors' report is set out on pages 27 to 32.

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

		Shareholders' fund		Participants' fund						Grand total	
				General Takaful		Family Takaful		Total participants' fund			
LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY	**Note**	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
		RO	RO	**RO**	RO	**RO**	RO	**RO**	RO	**RO**	RO
LIABILITIES											
Takaful liabilities	9	-	-	**73,349,399**	55,351,342	**2,023,619**	1,802,065	**75,373,018**	57,153,407	**75,373,018**	57,153,407
Unearned retakaful commission	22	-	-	**162,408**	160,625	-	-	**162,408**	160,625	**162,408**	160,625
Retakaful/reinsurance payables		-	-	**12,674,381**	8,580,189	**140,950**	892,730	**12,815,331**	9,472,919	**12,815,331**	9,472,919
Accounts and other payables	23	**1,762,731**	1,065,584	**4,213,971**	3,299,072	**969,008**	775,187	**5,182,979**	4,074,259	**6,945,710**	5,139,843
Charity fund payable		**6,327**	38,177	-	-	-	-	-	-	**6,327**	38,177
Payable to shareholders	8(b)	-	-	**1,259,707**	1,198,047	**1,406,880**	439,285	**2,666,587**	1,637,332	**2,666,587**	1,637,332
Payable to participants' fund - general takaful		-	-	-	-	**1,563,546**	394,204	**1,563,546**	394,204	**1,563,546**	394,204
Employees' end of service benefits	21	**572,083**	531,831	-	-	-	-	-	-	**572,083**	531,831
Total liabilities		**2,341,141**	1,635,592	**91,659,866**	68,589,275	**6,104,003**	4,303,471	**97,763,869**	72,892,746	**100,105,010**	74,528,338
PARTICIPANTS' FUND											
Deficit in participants' fund net		-	-	**(10,694)**	(288,215)	**(458,704)**	(619,229)	**(469,398)**	(907,444)	**(469,398)**	(907,444)
Total participants' fund		-	-	**(10,694)**	(288,215)	**(458,704)**	(619,229)	**(469,398)**	(907,444)	**(469,398)**	(907,444)
SHAREHOLDERS' EQUITY											
Capital and reserves											
Share capital	17	**17,500,000**	17,500,000	-	-	-	-	-	-	**17,500,000**	17,500,000
Share premium	18	**1,380,151**	1,380,151	-	-	-	-	-	-	**1,380,151**	1,380,151
Legal reserve	19	**1,167,573**	1,072,093	-	-	-	-	-	-	**1,167,573**	1,072,093
Investment fair value reserve	12(c)	**863,465**	741,124	-	-	-	-	-	-	**863,465**	741,124
Retained earnings		**1,817,645**	2,708,315	-	-	-	-	-	-	**1,817,645**	2,708,315
Total shareholders' equity		**22,728,834**	23,401,683	-	-	-	-	-	-	**22,728,834**	23,401,683
Total liabilities, participants' fund and shareholders' equity		**25,069,975**	25,037,275	**91,649,172**	68,301,060	**5,645,299**	3,684,242	**97,294,471**	71,985,302	**122,364,446**	97,022,577
Net assets per share attributable to shareholders	29	**0.130**	0.134	-	-	-	-	-	-	-	-

The financial statements on pages 35 to 83 were approved and authorised for issue by the Board of Directors on 24/2/2022 and were signed on their behalf by:

Director

Director

The independent auditors' report is set out on pages 27 to 32.

STATEMENT OF PARTICIPANTS' REVENUE AND EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	General takaful		Family takaful		Total	
		2021	2020	**2021**	2020	**2021**	2020
		RO	RO	**RO**	RO	**RO**	RO
Takaful revenues							
Gross contributions		**41,305,979**	36,963,467	**2,818,090**	2,635,318	**44,124,069**	39,598,785
Retakaful/reinsurance share		**(27,067,768)**	(23,584,191)	**(2,221,329)**	(2,015,905)	**(29,289,097)**	(25,600,096)
Retained contributions		**14,238,211**	13,379,276	**596,761**	619,413	**14,834,972**	13,998,689
Net movement in unearned contributions reserve		**(512,417)**	310,715	**18,464**	(2,901)	**(493,953)**	307,814
Net earned contributions		**13,725,794**	13,689,991	**615,225**	616,512	**14,341,019**	14,306,503
Income earned from retakaful contracts	22	**447,354**	411,931	**-**	-	**447,354**	411,931
		14,173,148	14,101,922	**615,225**	616,512	**14,788,373**	14,718,434
Takaful expenses							
Gross claims settled	9(a)	**(14,103,250)**	(16,515,961)	**(3,160,991)**	(1,052,242)	**(17,264,241)**	(17,568,203)
Claims recovered from retakaful/reinsurance	9(a)	**7,280,848**	9,678,634	**2,744,110**	904,057	**10,024,958**	10,582,691
Net claims settled		**(6,822,402)**	(6,837,327)	**(416,881)**	(148,185)	**(7,239,283)**	(6,985,512)
Net movement in outstanding claims		**(153,242)**	160,407	**(26,305)**	(9,504)	**(179,547)**	150,903
Net claims incurred		**(6,975,644)**	(6,676,920)	**(443,186)**	(157,689)	**(7,418,830)**	(6,834,609)
Commission expense	10	**(749,010)**	(1,659,450)	**(52,634)**	(134,910)	**(801,644)**	(1,794,360)
		(7,724,654)	(8,336,370)	**(495,820)**	(292,599)	**(8,220,474)**	(8,628,969)
Surplus from takaful operations		**6,448,494**	5,765,552	**119,405**	323,913	**6,567,899**	6,089,465
Fees and other income	24	**124,710**	114,534	**486**	403	**125,196**	114,937
Provision for impairment of receivables	7(b)	**(448,691)**	(240,000)	**(10,000)**	(10,000)	**(458,691)**	(250,000)
Takaful expense		**(239,871)**	(449,190)	**(180)**	(26,540)	**(240,051)**	(475,730)
Surplus from takaful operations before investment income, mudarib share and wakala fees		**5,884,642**	5,190,896	**109,711**	287,776	**5,994,353**	5,478,672
Investment income – net	26(b)	**342,388**	284,354	**32,072**	48,917	**374,460**	333,271
Mudarib share	25	**(188,313)**	(156,394)	**(17,640)**	(26,904)	**(205,953)**	(183,298)
Hibah from Shareholders to Policyholders	41	**2,500,000**	-	**600,000**	-	**3,100,000**	-
Wakala fees	25	**(8,261,196)**	(4,250,799)	**(563,618)**	(303,062)	**(8,824,814)**	(4,553,861)
Surplus for the year		**277,521**	1,068,057	**160,525**	6,727	**438,046**	1,074,784

The notes and other explanatory information on pages 43 to 83 form an integral part of these financial statements.

The independent auditors' report is set out on pages 27 to 32.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Shareholders' fund	
		2021	2020
		RO	RO
Wakala fees	25	**8,824,814**	4,553,861
Investment income – net	26(b)	**976,384**	725,944
Hibah from Shareholders to Policyholders	41	**(3,100,000)**	-
Mudarib share	25	**205,953**	183,298
		6,907,151	5,463,103
General and administrative expenses	27	**(4,650,505)**	(4,469,985)
Commission Expense	10	**(1,109,225)**	(1,083)
Other income		**219**	73
		(5,759,511)	(4,470,995)
Profit before taxation		**1,147,640**	992,108
Taxation	14(a)	**(192,830)**	(276,937)
Profit for the year		**954,810**	715,171
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of investments at fair value through equity	12(c)	**208,157**	622,024
Loss on revaluation of investment in real estate	15	**-**	(154,089)
Impairment loss on investments at fair value through equity reclassified to profit or loss	12(a)	**(66,824)**	(248,031)
Deferred tax impact directly charged to shareholders' equity	14(f)	**(18,992)**	(29,868)
Total other comprehensive income		**122,341**	190,036
Total comprehensive income for the year		**1,077,151**	905,207
Earnings per share attributable to shareholders - basic and diluted	28	**0.005**	0.004

The notes and other explanatory information on pages 43 to 83 form an integral part of these financial statements.

The independent auditors' report is set out on pages 27 to 32.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital RO	Share premium RO	Legal reserve RO	Investment fair value reserve RO	Property fair value reserve RO	Retained earnings RO	Total RO
At 1 January 2021	**17,500,000**	**1,380,151**	**1,072,093**	**741,124**	**-**	**2,708,315**	**23,401,683**
Comprehensive income:							
Profit for the year	-	-	-	-	-	**954,810**	**954,810**
Other comprehensive income							
Net change in fair value of investments at fair value through equity [note 12(c)]	-	-	-	**208,157**	-	-	**208,157**
Impairment loss on investment at fair value through equity reclassified to profit or loss	-	-	-	**(66,824)**	-	-	**(66,824)**
Loss on revaluation of investment in real estate (note 15)	-	-	-	-	-	-	-
Deferred tax impact directly charged to shareholders' equity [note 12(c)]	-	-	-	**(18,992)**	-	-	**(18,992)**
Total other comprehensive income	-	-	-	**122,341**	-	-	**122,341**
Total comprehensive income for the year	-	-	-	**122,341**	-	**954,810**	**1,077,151**
Transactions with owner:							
Dividend paid during the year (note 30)	-	-	-	-	-	**(1,750,000)**	**(1,750,000)**
Transfer to legal reserve (note 19)	-	-	**95,480**	-	-	**(95,480)**	-
	-	-	**95,480**	-	-	**(1,845,480)**	**(1,750,000)**
At 31 December 2021	**17,500,000**	**1,380,151**	**1,167,573**	**863,465**	-	**1,817,645**	**22,728,834**
At 1 January 2020	17,500,000	1,380,151	1,000,576	420,112	130,976	3,114,661	23,546,476
Comprehensive income:							
Profit for the year	-	-	-	-	-	715,171	715,171
Other comprehensive income							
Net change in fair value of investments at fair value through equity [note 12(c)]	-	-	-	622,024	-	-	622,024
Impairment loss on investment at fair value through equity reclassified to profit or loss	-	-	-	(248,031)	-	-	(248,031)
Loss on revaluation of investment in real estate (note 15)	-	-	-	-	(154,089)	-	(154,089)
Deferred tax impact directly charged to shareholders' equity [note 12(c)]	-	-	-	(52,981)	23,113	-	(29,868)
Total other comprehensive income	-	-	-	321,012	(130,976)	-	190,036
Total comprehensive income for the year	-	-	-	321,012	(130,976)	715,171	905,207
Transactions with owner:							
Dividend paid during the year (note 30)	-	-	-	-	-	(1,050,000)	(1,050,000)
Transfer to legal reserve (note 19)	-	-	71,517	-	-	(71,517)	-
	-	-	71,517	-	-	(1,121,517)	(1,050,000)
At 31 December 2020	17,500,000	1,380,151	1,072,093	741,124	-	2,708,315	23,401,683

The notes and other explanatory information on pages 43 to 83 form an integral part of these financial statements.
The independent auditors' report is set out on pages 27 to 32.

STATEMENT OF CHANGES IN PARTICIPANTS' FUND

FOR THE YEAR ENDED 31 DECEMBER 2021

	Deficit in participants' fund		Contingency reserve		Total
	General takaful RO	Family takaful RO	General takaful RO	Family takaful RO	RO
At 1 January 2021	**(288,215)**	**(619,229)**	**-**	**-**	**(907,444)**
Surplus for the year	**277,521**	**160,525**	**-**	**-**	**438,046**
At 31 December 2021	**(10,694)**	**(458,704)**	**-**	**-**	**(469,398)**
At 1 January 2020	(5,436,726)	(807,434)	4,080,454	181,478	(1,982,228)
Surplus for the year	1,068,057	6,727	-	-	1,074,784
Contingency reserve transferred (note 20)	4,080,454	181,478	(4,080,454)	(181,478)	-
At 31 December 2020	(288,215)	(619,229)	-	-	(907,444)

The notes and other explanatory information on pages 43 to 83 form an integral part of these financial statements.
The independent auditors' report is set out on pages 27 to 32.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RO	2020 RO
Cash flows from operating activities			
Profit before tax for the year		**1,147,640**	992,108
Net Surplus from takaful operations		**438,046**	1,074,784
		1,585,686	2,066,892
Adjustments for:			
Depreciation	16	**117,594**	158,769
Dividend income	26	**(202,112)**	(362,256)
Profit on wakala deposits	26	**(682,624)**	(618,489)
Profit on the Mudarbah investment	26	**(25,000)**	(50,000)
Profit from investments carried at amortised cost	26	**(392,794)**	(358,384)
End of service benefits charge for the year	27(a)	**87,462**	93,752
Rental income from investment in real estate	26	**(323,369)**	(401,936)
Fair value (gain) / loss on investments carried at fair value through profit or loss	26	**(257,511)**	42,389
Provision for impairment of receivables	7(b)	**458,691**	250,000
Realised gain on sale of investments – net	26	**(37,126)**	(24,111)
Purification charges		**27,025**	24,207
Impairment loss on investments at fair value through equity	26	**66,824**	248,031
Impairment loss on investment property	26	**298,830**	323,756
		721,576	1,392,620
Tax paid		**(354,584)**	(239,751)
Donation paid		**(58,875)**	(5,000)
Payment of end of service benefits	21	**(47,210)**	-
Operating cash flows before working capital changes		**260,907**	1,147,869
Working capital changes:			
Takaful and retakaful / reinsurance balance receivables		**(5,101,054)**	627,723
Due from retakaful / reinsurance companies in connection with takaful liabilities		**(17,546,111)**	(667,570)
Other receivables and takaful assets		**(540,325)**	197,115
Deferred policy acquisition cost		**33,439**	(35,704)
Takaful liabilities		**18,219,611**	208,855
Accounts and other payables		**1,882,256**	489,353
Retakaful / reinsurance payables		**3,342,412**	(266,014)
Unearned retakaful commission		**1,783**	(4,389)
Net cash generated from operating activities		**552,918**	1,697,238
Cash flows from investing activities			
Purchase of property and equipment	16	**(74,542)**	(40,402)
Purchase of investments carried at fair value through equity	12(a)	**(21,142)**	-
Purchase of investments carried at amortised cost	13	**(100,182)**	(968,979)
Purchase of investments fair value through profit or loss	6(b)	**(44,576)**	-
Proceeds from disposal of investments at fair value through profit or loss	6(b)	**283,717**	51,569
Proceeds from disposal of investments carried at fair value through equity	12(a)	**70,405**	209,175
Movement in bank deposits		**(750,000)**	(50,000)
Rent received from Investment property		**565,718**	210,831
Profit received from Bank Deposit and Sukuks		**1,071,360**	865,726
Dividends received	26	**202,112**	362,256
Net cash generated from investing activities		**1,202,870**	640,176
Cash flow from financing activity			
Dividends paid	30	**(1,750,000)**	(1,050,000)
Net change in cash and cash equivalents		**5,788**	1,287,414
Cash and cash equivalents at the beginning of the year	31	**7,260,386**	5,972,972
Cash and cash equivalents at the end of the year	31	**7,266,174**	7,260,386

The notes and other explanatory information on pages 43 to 83 form an integral part of these financial statements.

The independent auditors' report is set out on pages 27 to 32.

STATEMENT OF SOURCES AND USES OF FUNDS IN THE CHARITY FUND

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		RO	RO
At 1 January		**38,177**	18,970
Payment made during the year		**(58,875)**	(5,000)
Purification charges during the year	26(a)	**27,025**	24,207
At 31 December	40	**6,327**	38,177

The notes and other explanatory information on pages 43 to 83 form an integral part of these financial statements.
The independent auditors' report is set out on pages 27 to 32.

1 Legal status and principal activities

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

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

The Company has 9 branches in the Sultanate of Oman (2020: 9).

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) These financial statements for the year ended 31 December 2021 have been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), applicable requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman and comply with the relevant disclosure requirements of the Capital Market Authority. For the matters which are not covered by AAOIFI standards, International Financial Reporting Standards (IFRS) have been applied.

(b) These financial statements have been prepared using historical cost convention except for investments carried at fair value through profit or loss, investments at fair value through equity and investment in real estate which are measured at fair value. The preparation of financial statements in conformity with applicable standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 3.

Impact of COVID-19

On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain or delay the spread of the virus.

Information about impacts of COVID-19 on the assumptions that the Company has made about future and other sources of uncertainty are included in respective notes to the financial statements.

The accounting policies adopted are consistent with those of the previous financial year

(c) Functional and presentation currency

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

(d) New standards, amendments and interpretations effective from 1 January 2021

During the year, the Company applied the following standards and amendments to standards in preparation of these financial statements. The adoption of the below standards and amendments 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.

The accounting policies adopted are consistent with those of the previous financial year.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards, amendments and interpretations effective from 1 January 2021 (continued):

(i) FAS 30 "Impairment and credit losses" (effective 1 January 2021);

FAS 30 intends to define the accounting principles for impairment and credit losses (including expected credit losses) to be in line with ever-changing global best practices.

On adoption of FAS 30, the assets subject to credit losses will be categorised in the following three stages:

Stage 1 Performing receivables: receivables that are not significantly deteriorated in credit quality since origination. The impairment provision will be recorded based on 12 months EGL.

Stage 2 Underperforming receivables: receivables that have significantly deteriorated in credit quality since origination. The credit losses will be recorded based on life time EGL.

Stage 3 Impaired receivables: For receivables that are impaired, the impairment provision based on life time EGL will be recognised.

Impairment approach

Impairment losses will be recognised on all other financing, investment assets and exposures subject to risks other than credit risk (excluding investments carried at fair value through statement of income).

The impairment losses will be measured by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount will be the higher of its fair value less costs of disposal and its value in use.

Provision for onerous contract or commitment to acquire an asset

The Company will recognise provision when the Company is obligated to acquire an asset under a future commitment or contracts permissible to be entered in the future, and it is expected that the obligation under the contract or commitment is higher than the economic benefits expected to flow through acquisition of such asset. In such situation, the Company will create a provision on this account reflecting the expected losses arising on such transaction.

The Insurance sector is allowed to defer the adoption of the above standard upto the date of application of IFRS 17 standard which is effective from 1st January 2023.

(ii) FAS 32 "Ijarah" (effective 1 January 2021)

FAS 32 (which supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek") sets out principles for classification, measurement and presentation and disclosure of Ijarah. It defines new measurement and recognition principles for initial recognition for right-ofuse assets, requirements to identify and separate Ijarah and non-Ijarah components and new measurement and recognition principles for Ijarah.

The Company's management has assessed the impact of the above standard on the Company's financial statements and based on preliminary assessment there is no significant change in respect of classification and measurement of the Ijarah.

(iii) FAS 33 "Investments in sukuk, shares and similar instruments" (effective 1 January 2021)

FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Shari'ah principles. It defines the key types of instruments of Shari'ah compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

The Company's management has assessed the impact of the above standard on the Company's financial statements and based on preliminary assessment there is no significant change in respect of classification and measurement of the investment in sukuks.

2 Summary of significant accounting policies (continued)

2.2 Takaful operations

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

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

2.3 Takaful and retakaful / reinsurance contracts

2.3.1 Takaful contracts

(a) Recognition and measurement

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

Short term takaful contracts

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

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

Long term takaful contracts

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

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

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

(b) Deferred policy acquisition costs

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

(c) Unearned retakaful income

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

2 Summary of significant accounting policies (continued)

2.3 Takaful and retakaful / reinsurance contracts (continued)

2.3.1 Takaful contracts (continued)

(d) Liability adequacy test

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

(e) Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of participants' revenue and expenses as incurred.

Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

Provisions for reported claims not paid at the statement of financial position date are made on the basis of individual case estimates. In addition, is recognised based on Actuarial valuation report on incurred but not reported (IBNR) at the date of the statement of financial position. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

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

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

2.3.2 Retakaful / reinsurance contracts held

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

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

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

2 Summary of significant accounting policies (continued)

2.4 Foreign currency

(a) Transactions and balances

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

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

2.5 Revenue and income recognition

(a) Gross contributions

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

(b) Wakala fees and mudarib share

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

(c) Income earned from retakaful contracts

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

(d) Investment income

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

(e) Rental income

Rental income is recognised on accrual basis.

(f) Dividends

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

2.6 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.

2 Summary of significant accounting policies (continued)

2.6 Income tax (continued)

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

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

2.7 Property and equipment

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

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

Buildings ..... 20 years

Leasehold improvements ..... 3-5 years

Office furniture and equipment ..... 3-5 years

Motor vehicles ..... 5 years

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

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

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

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

2.8 Investment in real estate

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

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

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

2 Summary of significant accounting policies (continued)

2.8 Investment in real estate (continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred.

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

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

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

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

2.9 Financial instruments

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

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

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

Investments carried at fair value through profit or loss are subsequently carried at fair value. The fair value of investments carried at fair value through profit or loss is based on their quoted market prices as at the date of statement of financial position.

Gains and losses arising from changes in the fair value of the investments carried at fair value through profit or loss category are included in the statement of comprehensive income in the year in which they arise.

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

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

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

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

(b) Investments at fair value through equity

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

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

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

(c) Investments carried at amortised cost

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

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination.

They are subsequently measured at amortised cost using the effective profit method, less provision for impairment. Qard hassan (receivable from participants) is profit free loan and accordingly no effective profit method will apply. The Company's loans and receivables comprise of 'takaful balance receivable, retakaful / reinsurance balance receivable, bank deposits, cash and bank balances, other receivables and takaful assets' in the statement of financial position.

Reclassification

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

Derecognition

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Trade and settlement date accounting

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

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

Financial liabilities

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

2.10 Impairment and un-collectability of financial assets

(a) Investments at fair value through equity

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

(b) Assets carried at amortised cost

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of comprehensive income.

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

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in profit or principal payments;
- the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- 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 loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.11 Offsetting

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

2.12 Impairment of non-financial assets

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

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

2.13 Takaful balances receivable

Takaful balances receivable are initially recognised at fair value less impairment losses. A provision for impairment of takaful balances receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the takaful balances receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective profit rate. The amount of any provision is recognised in the statement of participants' revenue and expenses. Subsequent recoveries of amounts for which provision is created in prior periods are credited in the statement of participants' revenue and expenses.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and bank deposits with a maturity of three months or less from the date of placement subject to insignificant risk of change in fair value.

2.15 Legal reserve

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

Reserve is reviewed and transferred on a yearly basis.

2.16 Employees' end of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003, as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date.

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

2 Summary of significant accounting policies (continued)

2.17 Accounts and other payables

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

2.18 Directors' remuneration

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

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

2.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.20 Provisions

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

2.21 Dividend and underwriting surplus distribution

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

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

2.22 Earnings prohibited by Shari'ah

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

2.23 Operating segment

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

2 Summary of significant accounting policies (continued)

2.24 Qard hassan

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

2.25 Hibah

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

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

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

FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 "Wa'ad, Khiyar and Tahawwut" in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ahh compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. Wa'ad and Khiyar are used by institutions in various forms. Some are ancillary to other transactions, whereas a few are used as primary products. This standard intends to provide accounting principles for both of these, as well as the Tahawwut transactions which are normally based on Wa'ad or Khiyar, or a series or combination thereof. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

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, but which are past due, are assessed collectively and a provision applied on the basis of length of time past due and/or qualitative factors, based on historical recovery rates.

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.

4 Cash and bank balances

	Shareholders	Participants		
		General	Family	Total
2021	**RO**	**RO**	**RO**	**RO**
Cash at bank in current accounts	**319,036**	**1,505,475**	**58,402**	**1,563,877**
Cash at bank in call accounts	**893,841**	**3,262,807**	**554,794**	**3,817,601**
Cash balances with investment managers	**667,210**	**-**	**-**	**-**
Cash in hand	**3,791**	**818**	**-**	**818**
	1,883,878	**4,769,100**	**613,196**	**5,382,296**
2020				
Cash at bank in current accounts	81,077	1,160,303	131,220	1,291,523
Cash at bank in call accounts	401,709	4,791,512	42,678	4,834,190
Cash balances with investment managers	645,881	-	-	-
Cash in hand	3,592	2,414	-	2,414
	1,132,259	5,954,229	173,898	6,128,127

The Company has call accounts with Islamic banks in the Sultanate of Oman with profit rate of 2.5% per annum (2020 – 2% per annum). The above cash and bank balances include restricted cash for margin deposit for tender bonds amounting to RO 67,109 (2020 – RO 74,510).

5 Bank deposits

	Shareholders	Participants		
		General	Family	Total
2021	**RO**	**RO**	**RO**	**RO**
Bank deposits with maturity of more than three months	**3,350,000**	**8,025,000**	**1,075,000**	**9,100,000**
2020				
Bank deposits with maturity of more than three months	5,600,000	5,525,000	575,000	6,100,000

5.1 Bank deposits carry profit rates in range of 4.5% to 5.1% per annum (2020 – 4.75% to 5.1% per annum).

5.2 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific bank deposits with carrying value of RO 4,250,000 (2020 – RO 10,800,000) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

5.3 The Company has kept a deposit of RO 50,000 (2020 – RO 50,000) which is under lien with Omani Unified Bureau for Orange Card Company SAOC in the Sultanate of Oman, against settlement of claims.

6 Investments carried at fair value through profit or loss

	Shareholders		Shareholders	
	2021		2020	
	Fair value	Cost	Fair value	Cost
Local quoted	RO	RO	RO	RO
Service sector	318,880	310,470	447,394	484,085
Industrial sector	927,370	678,315	762,327	768,045
Financial sector	6,053	6,008	2,490	2,470
	1,252,303	994,793	1,212,211	1,254,600

At 31 December 2021, the financial assets at fair value through profit or loss are measured using level 1 of fair value hierarchy. The investments classified as 'investment carried at fair value through profit or loss' include equity securities.

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

	Shareholders	
	2021	2020
	RO	RO
At 1 January	1,212,211	1,308,445
Purchases during the year	44,576	-
Disposals during the year	(283,717)	(51,569)
Realised gain / (loss) on disposal	21,722	(2,276)
Net change in fair value (note 26)	257,511	(42,389)
At 31 December	1,252,303	1,212,211

(c) Details of the Company's investments carried at fair value through profit or loss for which the Company's holding exceeds 10% 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
2021				
Salalah Mill Company SAOG	22	256,556	282,212	141,106
Al Maha Ceramic Company SAOG	21	587,443	262,000	129,237
Oman Refreshment Company SAOG	11	76,978	134,712	81,597

	% of Portfolio	Number of Securities	Fair value RO	Cost RO
2020				
Salalah Mill Company SAOG	12	256,556	141,106	128,278
Al Maha Ceramic Company SAOG	11	587,443	129,237	111,614
A'Saffa Foods SAOG	11	249,661	137,314	149,297

(d) Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified certain specific investments with the carrying value of RO 2,500 (2020 – RO 2,490) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

7 Takaful and retakaful / reinsurance balance receivable

	Participants		
	General	Family	Total
	RO	RO	RO
2021			
Takaful receivable including due from related parties	**16,662,762**	**1,123,033**	**17,785,795**
Less: specific and portfolio provision for impairment	**(1,454,453)**	**(64,745)**	**(1,519,198)**
	15,208,309	**1,058,288**	**16,266,597**
Retakaful / reinsurance balances receivable	**528,479**	**669,997**	**1,198,476**
Less: specific and portfolio provision for impairment	**(305,589)**	**(20,865)**	**(326,454)**
	222,890	**649,132**	**872,022**
	15,431,199	**1,707,420**	**17,138,619**
2020			
Takaful receivable including due from related parties	12,101,398	975,259	13,076,657
Less: specific and portfolio provision for impairment	(1,005,762)	(54,745)	(1,060,507)
	11,095,636	920,514	12,016,150
Retakaful / reinsurance balances receivable	757,964	48,596	806,560
Less: specific and portfolio provision for impairment	**(305,589)**	**(20,865)**	**(326,454)**
	452,375	**27,731**	**480,106**
	11,548,011	948,245	12,496,256

Normal credit period allowed to takaful debtors and retakaful / reinsurance companies is 120 days after which amounts are considered as past due. As at 31 December 2021, receivables past due above 121 days amounting to **RO 6,220,743** (2020 – RO 4,498,144) are not considered impaired as these are due from government, quasi-government entities, brokers and corporate clients with which the Company deals in the normal course of business and with which there is no recent history of default.

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

	2021			2020		
	General	Family	Total	General	Family	Total
	RO	RO	RO	RO	RO	RO
Ageing						
Less than 120 days	**9,758,945**	**1,158,932**	**10,917,877**	7,328,460	669,652	7,998,112
Above 120 days	**7,432,296**	**634,098**	**8,066,394**	5,530,902	354,203	5,885,105
Total	**17,191,241**	**1,793,030**	**18,984,271**	12,859,362	1,023,855	13,883,217

7 Takaful and retakaful / reinsurance balance receivable (continued)

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

	Participants		
	General	Family	Total
	RO	RO	RO
At 1 January 2021	**1,311,351**	**75,610**	**1,386,961**
Charge for the year	**448,691**	**10,000**	**458,691**
At 31 December 2021	**1,760,042**	**85,610**	**1,845,652**
At 1 January 2020	1,071,351	65,610	1,136,961
Charge for the year	240,000	10,000	250,000
At 31 December 2020	1,311,351	75,610	1,386,961

(c) At 31 December 2021, 41% of the Company's takaful receivable is from 5 customers (2020 – 41% from 5 customers).

(d) At 31 December 2021, 70% of the Company's due from retakaful / reinsurance companies are from 5 retakaful / reinsurance companies (2020 – 64% from 5 retakaful / reinsurance companies).

8 Receivable from participants' fund

	Shareholders	
	2021	2020
	RO	RO
At 1 January	**1,637,332**	1,524,565
Wakala fees income for the year (note 25)	**8,824,814**	4,553,861
Mudarib share for the year (note 25)	**205,953**	183,298
Amount received from policyholders	**(7,750,000)**	(4,308,113)
Net movement in policyholders' account	**(251,512)**	(316,279)
At 31 December	**2,666,587**	1,637,332

(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.

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

	Shareholders	
	2021	2020
	RO	RO
On account of qard hassan		
From general takaful	**483,956**	1,183,956
From family takaful	**722,597**	22,597
	1,206,553	1,206,553
On account of wakala fees, mudarib share and inter-fund balances		
From general takaful	**775,751**	14,091
From family takaful	**684,283**	416,688
	1,460,034	430,779
	2,666,587	1,637,332

9 Takaful liabilities

	2021			2020		
	Gross	Retakaful/ reinsurance	Net	Gross	Retakaful / reinsurance	Net
	RO	RO	RO	RO	RO	RO
General takaful						
Claims incurred but not settled	47,769,540	(42,894,241)	4,875,299	33,185,634	(28,669,955)	4,515,679
Claims incurred but not reported	5,769,474	(4,589,154)	1,180,320	5,827,961	(4,441,263)	1,386,698
	53,539,014	(47,483,395)	6,055,619	39,013,595	(33,111,218)	5,902,377
Unearned contributions reserve	19,810,385	(13,181,132)	6,629,253	16,337,747	(10,220,911)	6,116,836
	73,349,399	(60,664,527)	12,684,872	55,351,342	(43,332,129)	12,019,213
Family takaful						
Claims incurred but not settled	962,721	(825,388)	137,333	948,609	(815,407)	133,202
Claims incurred but not reported	509,051	(439,351)	69,700	302,083	(254,557)	47,526
	1,471,772	(1,264,739)	207,033	1,250,692	(1,069,964)	180,728
Unearned contributions reserve	551,847	(382,993)	168,854	551,373	(364,055)	187,318
	2,023,619	(1,647,732)	375,887	1,802,065	(1,434,019)	368,046
	75,373,018	(62,312,259)	13,060,759	57,153,407	(44,766,148)	12,387,259

(a) Claims and loss adjustment expenses

	2021			2020		
	Gross	Retakaful reinsurance	Net	Gross	Retakaful/ Reinsurance	Net
	RO	RO	RO	RO	RO	RO
General takaful						
Notified claims	33,185,634	(28,669,955)	4,515,679	32,702,271	(27,877,628)	4,824,643
Incurred but not reported	5,827,961	(4,441,263)	1,386,698	4,998,874	(3,760,733)	1,238,141
Total at the beginning of the year	39,013,595	(33,111,218)	5,902,377	37,701,145	(31,638,361)	6,062,784
Cash paid for claims settled during the year	(14,103,250)	7,280,848	(6,822,402)	(16,515,961)	9,678,634	(6,837,327)
Increase in liabilities arising from current and prior period claims	28,628,669	(21,653,025)	6,975,644	17,828,411	(11,151,491)	6,676,920
Total at the end of the year	53,539,014	(47,483,395)	6,055,619	39,013,595	(33,111,218)	5,902,377
Notified claims	47,769,540	(42,894,241)	4,875,299	33,185,634	(28,669,955)	4,515,679
Incurred but not reported	5,769,474	(4,589,154)	1,180,320	5,827,961	(4,441,263)	1,386,698
Total at the end of the year	53,539,014	(47,483,395)	6,055,619	39,013,595	(33,111,218)	5,902,377

9 Takaful liabilities (continued)

(a) Claims and loss adjustment expenses (continued)

	2021			2020		
	Gross	Retakaful reinsurance	Net	Gross	Retakaful/ reinsurance	Net
Family takaful	RO	RO	RO	RO	RO	RO
Notified claims	948,609	(815,407)	133,202	744,494	(621,514)	122,980
Incurred but not reported	302,083	(254,557)	47,526	328,898	(280,656)	48,242
Total at the beginning of the year	1,250,692	(1,069,964)	180,728	1,073,392	(902,170)	171,222
Cash paid for claims settled during the year	(3,160,991)	2,744,110	(416,881)	(1,052,240)	904,057	(148,183)
Increase in liabilities arising from current and prior period claims	3,382,071	(2,938,885)	443,186	1,229,540	(1,071,851)	157,689
Total at the end of the year	1,471,772	(1,264,739)	207,033	1,250,692	(1,069,964)	180,728
Notified claims	962,721	(825,388)	137,333	948,609	(815,407)	133,202
Incurred but not reported	509,051	(439,351)	69,700	302,083	(254,557)	47,526
Total at the end of the year	1,471,772	(1,264,739)	207,033	1,250,692	(1,069,964)	180,728

(b) Provisions for unearned contributions and mathematical reserves

	2021			2020		
	Gross	Retakaful reinsurance	Net	Gross	Retakaful/ reinsurance	Net
	RO	RO	RO	RO	RO	RO
Unearned contributions reserves	16,337,747	(10,220,911)	6,116,836	17,689,239	(11,261,688)	6,427,551
Mathematical reserves	551,373	(364,055)	187,318	480,776	(296,359)	184,417
Total at the beginning of the year	16,889,120	(10,584,966)	6,304,154	18,170,015	(11,558,047)	6,611,968
Gross contributions during the year	44,124,069	(29,289,097)	14,834,972	39,598,785	(25,600,096)	13,998,689
Net (release) / increase during the year	(40,650,957)	26,309,938	(14,341,019)	(40,879,680)	26,573,177	(14,306,503)
Total at the end of the year	20,362,232	(13,564,125)	6,798,107	16,889,120	(10,584,966)	6,304,154
Unearned contributions reserves	19,810,385	(13,181,132)	6,629,253	16,337,747	(10,220,911)	6,116,836
Mathematical reserves	551,847	(382,993)	168,854	551,373	(364,055)	187,318
Total at the end of the year	20,362,232	(13,564,125)	6,798,107	16,889,120	(10,584,966)	6,304,154

10 Deferred policy acquisition cost

	Participants			
	Shareholder	General takaful	Family takaful	Total
	RO	RO	RO	RO
At 1 January 2021	7,875	762,721	53,358	816,079
Cost incurred during the year	1,877,430	-	-	-
Amortised during the year	(1,109,225)	(749,010)	(52,634)	(801,644)
At 31 December 2021	776,080	13,711	724	14,435
	Shareholder	General takaful	Family takaful	Total
	RO	RO	RO	RO
At 1 January 2020	-	732,398	55,852	788,250
Cost incurred during the year	8,958	1,689,773	132,416	1,822,189
Amortised during the year	(1,083)	(1,659,450)	(134,910)	(1,794,360)
At 31 December 2020	7,875	762,721	53,358	816,079

11 Other receivables and takaful assets

	Shareholders	Participants		
		General takaful	Family takaful	Total
2021	**RO**	**RO**	**RO**	**RO**
Accrued profit on bank deposits and Sukuk	**341,481**	**254,732**	**42,921**	**297,653**
Prepayments	**51,253**	**-**	**-**	**-**
Advances	**102,990**	**14,861**	**458,306**	**473,167**
Rent receivable	**12,171**	**-**	**-**	**-**
Other	**79,478**	**912,497**	**-**	**912,497**
	587,373	**1,182,090**	**501,227**	**1,683,317**

	Shareholders	Participants		
		General takaful	Family Takaful	Total
2020	RO	RO	RO	RO
Accrued profit on bank deposits and Sukuk	239,567	295,379	74,474	369,853
Prepayments	38,014	33,680	-	33,680
Advances	89,771	14,861	425,248	440,109
Rent receivable	254,520	-	-	-
Other	36,640	440,846	-	440,846
	658,512	784,766	499,722	1,284,488

12 Investments at fair value through equity

	Shareholders			
	2021	**2021**	2020	2020
	Fair value	**Cost**	Fair value	Cost
	RO	**RO**	RO	RO
Local quoted				
Service sector	**114,000**	**117,600**	123,930	123,930
Industrial sector	**15,525**	**6,330**	-	-
	129,525	**123,930**	123,930	123,930
Local unquoted				
Service sector	**221,355**	**71,428**	198,070	71,428
Real estate development	**129,750**	**129,450**	142,650	157,500
	351,105	**200,878**	340,720	228,928
Total Local	**480,630**	**324,808**	464,650	352,858
Foreign quoted				
Financial sector	**225,740**	**207,698**	193,062	233,713
Service sector	**1,518,362**	**710,690**	1,497,587	689,549
Real estate development	**41,892**	**19,231**	26,177	31,521
Food and beverages	**-**	**-**	44,498	46,346
Total Foreign	**1,785,994**	**937,619**	1,761,324	1,001,129
Total investments	**2,266,624**	**1,262,427**	2,225,974	1,353,987

12 Investments at fair value through equity (continued)

(a) Movement in investments at fair value through equity

	Shareholders	
	2021	2020
	RO	RO
At 1 January	**2,225,974**	2,282,799
Purchases	**21,142**	-
Disposals	**(70,405)**	(209,175)
Realised gain /(loss)	**15,404**	26,388
Net change in fair value [see note (c) below]	**141,333**	373,993
Impairment loss on investment (note 26)	**(66,824)**	(248,031)
At 31 December	**2,266,624**	2,225,974

(b) At the reporting date, details of the Company's investments at fair value through equity for which the Company's holding exceeds 10% of investments held at fair value through equity at 31 December are:

	% of portfolio	Basis of valuation	Number of securities	Fair Value
2021				**RO**
Investment from shareholders' fund				
National Takaful Company (Watania) - listed	**66**	**Fair value**	**14,303,596**	**1,497,587**
2020				RO
Investment from shareholders' fund				
National Takaful Company (Watania) - listed	67	Fair value	14,303,596	1,497,587

(c) Movement in investments fair value reserve:

	Shareholders	
	2021	2020
	RO	RO
At 1 January	**741,124**	420,112
Net change in fair value of investment during the year	**141,333**	373,993
Impact of deferred tax	**(18,992)**	(52,981)
	122,341	321,012
At 31 December	**863,465**	741,124

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

13 Investments carried at amortised cost

	Shareholders	
	2021	2020
	RO	RO
At 1 January	**6,229,587**	5,261,228
Purchase during the year	**100,182**	968,979
Amortised during the year	**(656)**	(620)
At 31 December	**6,329,113**	6,229,587

(a) The Company has invested in sukuks listed in the local and international markets. The Company has a positive intention and ability to hold sukuks until their maturity which ranges from June 2022 to November 2025. The effective average rate of return on investments carried at amortised cost at 31 December 2021 ranges from 4.75% to 8.50% (2020 – from 4.75% to 8.50%) per annum with coupon receipts on a semi-annual basis. All the investments classified as 'investments carried at amortised cost' are debt instruments. The fair value of investments carried at amortised cost at 31 December 2021 is RO 6,329,113 (2020 – RO 6,229,587).

(b) Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company identified 2,986,068 units (2020 – 2,985,068 units) with total face value of RO 5,429,098 (2020 – RO 5,377,097) to the CMA. The Company can only transfer these assets with the prior approval of the CMA.

(c) Currently, the percentage of Tilal Development Company SAOC investment in relation to overall investments of the Company is 7.2% which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by the CMA. As per the Regulation, investments in bond of any one company should not exceed 5% of the total investments of the insurer. The company has obtained an exceptional approval from CMA for this investment.

14 Taxation

(a) The Company is subject to income tax at the rate of 15% (2020 – 15%) in accordance with the income tax law of the Sultanate of Oman.

	Shareholders	
	2021	2020
	RO	RO
Current tax		
- For the current year	**278,196**	366,811
Deferred tax		
- For the current year	**(85,366)**	(89,874)
Tax expense for the year	**192,830**	276,937

(b) Reconciliation of income tax

	Shareholders	
	2021	2020
	RO	RO
Accounting profit for the year (note c)	**1,585,686**	2,066,892
Tax expense at the rates mentioned in 'a' above	**237,853**	310,034
Non-deductible expense	**(32,691)**	5,012
Tax exempt income	**(12,332)**	(38,109)
	192,830	276,937

14 Taxation (continued)

(c) Accounting profit for the year includes surplus of RO 438,046 (2020 – RO 1,074,784) as per the statement of participants' revenues and expenses and profit before tax RO 1,147,640 (2020 – RO 992,108) as per the statement of comprehensive income.

(d) Status of tax assessments

The Company's income tax assessments have been finalized up to 2017 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 2021.

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

	Shareholders	
	2021	2020
	RO	RO
At 1 January	**391,764**	264,704
Charged for the year	**278,196**	366,811
Paid during the year	**(354,584)**	(239,751)
At 31 December	**315,376**	391,764

(f) Deferred tax

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 15% (2020 - 15%).

	At 1 January 2021	**Credit to the statement of comprehensive income**	**Charged to shareholder' equity**	**At 31 December 2021**
	RO	**RO**	**RO**	**RO**
Deferred tax asset				
Depreciation on property and equipment	**24,620**	**(3,387)**	**-**	**21,233**
Investment in real estate	**(195,825)**	**9,925**	**-**	**(185,900)**
Provision for doubtful debts	**208,044**	**68,804**	**-**	**276,848**
Unrealised income on investments	**98,712**	**10,024**	**(18,992)**	**89,744**
	135,551	**85,366**	**(18,992)**	**201,925**

	At 1 January 2020	Credit to the statement of comprehensive income	Charged to shareholder' equity	At 31 December 2020
	RO	RO	RO	RO
Deferred tax asset				
Depreciation on property and equipment	23,115	1,505	-	24,620
Investment in real estate	(232,602)	13,664	23,113	(195,825)
Provision for doubtful debts	170,544	37,500	-	208,044
Unrealised income on investments	114,488	37,205	(52,981)	98,712
	75,545	89,874	(29,868)	135,551

15 Investment in real estate

Movement of carrying amounts of investment in real estate:

	Shareholders	
	2021	2020
	RO	RO
At 1 January	**5,468,830**	5,946,675
Loss on revaluation of investment in real estate	-	(154,089)
Impairment on investment in real estate	**(298,830)**	(323,756)
At 31 December	**5,170,000**	5,468,830

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

Property description	**Valuation**	**Valuation technique**	**Valuation date**	**Valuer name**	**Fair value level hierarchy**	**Impact of 5% change**
	RO					**RO**
Building at Al Khuwair	**2,700,000**	**Market value**	**31 December 2021**	**Muscat Surveyors LLC**	**Level 2**	**135,000**
Building at Al Hail	**2,470,000**	**Market value**	**31 December 2021**	**Muscat Surveyors LLC**	**Level 2**	**123,500**
	5,170,000					

Property description	Valuation	Valuation technique	Valuation date	Valuer name	Fair value level hierarchy	Impact of 5% change
	RO					RO
Building at Al Khuwair	2,940,000	Market value	31 December 2020	Manaba Al Atta Trading and Services Establishment	Level 2	147,000
Building at Al Hail	2,528,830	Market value	31 December 2020	Manaba Al Atta Trading and Services Establishment	Level 2	126,442
	5,468,830					

As of 31 December 2021, the Company has investment in investment real estate of RO 5,170,000 (31 December 2020 – RO 5,468,830) which is 14.88% 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 5,170,000 (31 December 2020 – RO 2,940,000) to the Capital Market Authority. The Company can only transfer these assets with the prior approval of the CMA.

16 Property and equipment

	Buildings RO	Leasehold improvements RO	Office furniture and equipment RO	Motor vehicles RO	Total RO
Cost					
At 1 January 2021	**724,462**	**179,012**	**1,885,363**	**38,327**	**2,827,164**
Additions	-	-	74,542	-	74,542
At 31 December 2021	**724,462**	**179,012**	**1,959,905**	**38,327**	**2,901,706**
Accumulated depreciation					
At 1 January 2021	**202,776**	**129,247**	**1,727,672**	**38,325**	**2,098,020**
Charge for the year	**29,544**	**16,989**	**71,061**	-	**117,594**
At 31 December 2021	**232,320**	**146,236**	**1,798,733**	**38,325**	**2,215,614**
Carrying value					
At 31 December 2021	**492,142**	**32,776**	**161,172**	**2**	**686,092**

	Buildings RO	Leasehold improvements RO	Office furniture and equipment RO	Motor vehicles RO	Total RO
Cost					
At 1 January 2020	724,462	176,897	1,847,076	38,327	2,786,762
Additions	-	2,115	38,287	-	40,402
At 31 December 2020	724,462	179,012	1,885,363	38,327	2,827,164
Accumulated depreciation					
At 1 January 2020	173,232	111,344	1,616,350	38,325	1,939,251
Charge for the year	29,544	17,903	111,322	-	158,769
At 31 December 2020	202,776	129,247	1,727,672	38,325	2,098,020
Carrying value					
At 31 December 2020	521,686	49,765	157,691	2	729,144

17 Share capital

	2021 RO	2020 RO
Authorised share capital:		
Ordinary shares		
250,000,000 ordinary shares of 100 Baiza each (2020 – 250,000,000 ordinary shares of 100 Baiza each)	**25,000,000**	25,000,000
Issued and fully paid-up capital:		
Ordinary shares		
175,000,000 ordinary shares of 100 Baiza each (2020 – 175,000,000 ordinary shares of 100 Baiza each)	**17,500,000**	17,500,000

(a) Shareholders of the Company who own 10% or more of the Company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	% of holding	**Number of shares**	% of holding	Numberof shares
	2021		2020	
Mohammed Al Barwani Holding Company LLC	**25.86**	**45,250,001**	25.86	45,250,001

18 Share premium

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

19 Legal reserve

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

20 Contingency reserve

During 2020, the Company has adjusted the opening balance of Contingency reserve amounting 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	
	2021	2020
	RO	RO
At 1 January	**531,831**	438,079
Charge for the year [note 27(a)]	**87,462**	93,752
Payments made during the year	**(47,210)**	-
At 31 December	**572,083**	531,831

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

22 Unearned retakaful commission

Movement in unearned retakaful commission is shown below:

	Participants		
	General Takaful	**Family Takaful**	**Total**
	RO	**RO**	**RO**
At 1 January 2021	**160,625**	**-**	**160,625**
Income from retakaful contracts accrued during the year	**449,137**	**-**	**449,137**
Amortised during the year	**(447,354)**	**-**	**(447,354)**
At 31 December 2021	**162,408**	**-**	**162,408**

	General Takaful	Family Takaful	Total
	RO	RO	RO
At 1 January 2020	165,014	-	165,014
Income from retakaful contracts accrued during the year	407,542	-	407,542
Amortised during the year	(411,931)	-	(411,931)
At 31 December 2020	160,625	-	160,625

23 Accounts and other payables

	Shareholders	Participants		
		General Takaful	Family takaful	Total
2021	**RO**	**RO**	**RO**	**RO**
Accounts payables	**1,044,691**	**3,553,075**	**953,509**	**4,503,765**
Government levy payable	**-**	**660,896**	**15,499**	**679,214**
Provision for taxation [note 14 (e)]	**315,376**	**-**	**-**	**-**
Accrued expenses	**209,192**	**-**	**-**	**-**
Leave salary provision	**124,323**	**-**	**-**	**-**
Other payables	**69,149**	**-**	**-**	**-**
	1,762,731	**4,213,971**	**969,008**	**5,182,979**

	Shareholders			Participants
		General Takaful	Family takaful	Total
2020	RO	RO	RO	RO
Accounts payables	87,100	2,707,657	760,693	3,468,350
Government levy payable	-	591,415	14,494	605,909
Provision for taxation [note 14 (e)]	391,764	-	-	-
Accrued expenses	377,823	-	-	-
Leave salary provision	138,477	-	-	-
Other payables	70,420	-	-	-
	1,065,584	3,299,072	775,187	4,074,259

24 Fees and other income

	Participants					
	2021			**2020**		
	General takaful	**Family takaful**	**Total**	General takaful	Family takaful	Total
	RO	**RO**	**RO**	RO	RO	RO
Policy fees and service income	**124,710**	**486**	**125,196**	114,534	403	114,937
	124,710	**486**	**125,196**	114,534	403	114,937

25 Wakala fees and mudarib share

The shareholders manage the general and family takaful operations for the participants and charged 20% (2020 – 11.5%) of gross contributions as wakala fees, as approved by the Board of Directors. The shareholders also manage the participants' fund as a mudarib and charge 55% (2020 – 55%) of the general takaful and family takaful investment income earned by the participants' investment funds. The maximum chargeable wakala fees and mudarib share for the year 2021 as approved by the Shari'ah Supervisory Committee are 20% and 55% (2020 – 11.5% and - 55%) respectively. During the fourth quarter of 2020, the Board of Directors decided to reduce the wakala fees from 20% to 11.5% retrospectively with effect from 1 January 2020. Wakala fees being charged at 20% for first three quarters was reversed in fourth quarter of 2020. The reduction of wakala fees was recommended by the Board of Directors and approved by the Actuary and the Shari'ah Supervisory Committee.

26 Investment income – net

	2021 RO	2020 RO
Profit on wakala bank deposits	**682,624**	618,489
Profit from investment carried at amortised cost	**392,794**	358,384
Rental income from investment in real estate	**323,369**	401,936
Dividend income	**202,112**	362,256
Profit on the Mudarbah investment	**25,000**	50,000
Realised gain on sale of investments – net	**37,126**	24,111
Fair value gain / (loss) on investments carried at fair value through profit or loss - net [note 6 (b)]	**257,511**	(42,389)
Impairment loss on investment in real estate [note 15]	**(298,830)**	(323,756)
Impairment loss on investments at fair value through equity [note 12 (a)]	**(66,824)**	(248,031)
Investment management costs and purification charges	**(204,038)**	(141,785)
	1,350,844	1,059,215

(a) Investment management cost includes purification charges amounting to RO 27,025.

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

	2021 RO	2020 RO
General takaful	**342,388**	284,354
Family takaful	**32,072**	48,917
Shareholders	**976,384**	725,944
	1,350,844	1,059,215

27 General and administrative expenses

	Shareholders	
	2021 RO	2020 RO
Staff costs [note (a) below]	**3,511,296**	3,265,708
Depreciation (note 16)	**117,594**	158,769
Rent and utilities	**219,480**	244,362
Legal and professional	**103,227**	184,844
IT expenses	**195,620**	162,947
Communication	**67,745**	86,314
Advertisement and publicity	**24,363**	32,195
Directors' sitting fee [note 32(a)]	**56,400**	45,800
Business travel	**43,201**	25,233
Shari'ah Supervisory Committee's sitting fee [note 32(a)]	**11,250**	18,750
Directors' travel and other expenses [note 32(a)]	**2,498**	12,742
Shari'ah Supervisory Committee's travel and other expenses [note 32(a)]	**16,000**	4,920
Corporate social responsibility	**78,284**	2,775
Others	**203,547**	224,626
	4,650,505	4,469,985

27 General and administrative expenses (continued)

(a) Staff costs

	Shareholders	
	2021	2020
	RO	RO
Salaries and benefits	**3,006,405**	2,776,722
Other staff cost	**181,950**	182,087
Social security cost	**173,979**	146,006
Employees' end of service benefits charge (note 21)	**87,462**	93,752
Leave salary	**61,500**	67,141
	3,511,296	3,265,708

28 Earnings per share attributable to shareholders - basis and diluted

	Shareholders	
	2021	2020
Shareholders' profit for the year – RO	**954,810**	715,171
Weighted average number of shares outstanding during the year – number	**175,000,000**	175,000,000
Shareholders' earnings per share – basic and diluted – RO	**0.005**	0.004

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	
	2021	2020
Shareholders' net assets – RO	**22,728,834**	23,401,683
Weighted average number of shares outstanding – number	**175,000,000**	175,000,000
Shareholders' net assets per share – RO	**0.130**	0.134

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

30 Dividend distributions

During the current year, the Board of Directors proposed cash dividend of 10 Baiza per share (2019 – 6 Baiza per share) amounting to RO 1,750,000 (2019 - RO 1,050,000) for the year ended 31 December 2020. The proposed cash dividend was approved in the Annual General Meeting held on 25 March 2021.

Board of Directors has proposed a cash dividend of 7.5 Baiza per share for the year ended 31 December 2021 (2020 – cash dividend of 10 Baiza per share) subject to approval of shareholders at the Annual General Meeting.

31 Cash and cash equivalents

2021	Shareholders RO	Participants RO	Total RO
Cash and bank balances			
Cash at bank in current accounts	319,036	1,563,877	1,882,913
Cash at bank in call account	893,841	3,817,601	4,711,442
Cash balances with investment managers	667,210	-	667,210
Cash in hand	3,791	818	4,609
	1,883,878	5,382,296	7,266,173

2020	Shareholders RO	Participants RO	Total RO
Cash and bank balances			
Cash at bank in current accounts	81,077	1,410,775	1,491,852
Cash at bank in call account	401,709	4,714,938	5,116,647
Cash balances with investment managers	645,881	-	645,881
Cash in hand	3,592	2,414	6,006
	1,132,259	6,128,127	7,260,386

The above cash and cash equivalents include restricted cash and bank balances amounting to RO 67,109 (2020 – RO 74,510).

32 Related parties

Related parties represent associated companies, major shareholders, directors, Shari'ah Supervisory Committee members, key management personnel and business entities in which they are interested or have the ability to control or exercise significant influence in financial and operating decisions. The transactions are entered into at terms and conditions which the directors consider to be comparable with those adopted for arm's length transactions with third parties. The approximate volumes of such transactions involving related parties and holders of 10% or more of the Company's shares or their family members other than those separately disclosed, during the year were as follows:

(a) Transactions with related parties

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

	2021 RO	2020 RO
Gross contributions	4,083,307	3,995,465
Retakaful / reinsurance contribution ceded	59,968	51,436
Gross outstanding claims	385,108	5,799,438
Gross claims settled	1,882,931	2,232,024
Commission paid	728,448	263,907
Directors' sitting fee (note 27)	56,400	45,800
Directors' travel and other expenses (note 27)	2,498	12,742
Shari'ah Supervisory Committee sitting fee (note 27)	11,250	18,750
Shari'ah Supervisory Committee's travel and other expenses (note 27)	16,000	4,920
Income from investment in Sukuks and mudarbah	314,312	339,870
Amortisation of investment in Tilal Sukuk Company SAOC	-	471
Investment Property management cost	40,000	39,929

32 Related parties (continued)

(b) Balances with related parties

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

	2021 RO	2020 RO
Contribution balances receivables from related parties	**3,126,552**	2,764,217
Investment in Tilal Sukuk	**2,500,597**	2,501,098
Investment in MB Sukuk Issue	**1,500,000**	1,500,000
Investments at fair value through equity	**1,848,692**	1,838,307
Investment at fair value through profit or loss	**340,663**	202,932
Cash with investment manager – Al Madina Investment	**525,000**	500,000
Other receivable	**-**	64,708

(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:

	2021 RO	2020 RO
Short-term benefits	**677,898**	655,620
Employee end of service benefits	**28,417**	33,589
	706,315	689,209

33 Contingencies and commitment

Contingent liabilities

At 31 December 2021, 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 67,109 (2020 – RO 74,510).

Capital commitment

At 31 December 2021, the Company has no capital commitment (2020 – nil).

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's financial performance.

34 Segment information

Business segments – primary reporting segment

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

Operating segments

The Company has the following operating segments:

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.

34 Segment information (continued)

	Fire, energy, medical, engineering, liability and general accident	Motor, marine and aviation	Total General Takaful	Family Takaful
	RO	RO	RO	RO
Gross contributions	32,886,404	8,419,575	41,305,979	2,818,090
Retakaful/reinsurance share	(25,139,515)	(1,928,253)	(27,067,768)	(2,221,329)
Retained contributions	7,746,889	6,491,322	14,238,211	596,761
Unearned contributions adjustment - net	18,764	(531,181)	(512,417)	18,464
Net earned contributions	7,765,653	5,960,141	13,725,794	615,225
Fee and Commission income	375,041	197,023	572,064	486
Segment Revenue	8,140,694	6,157,164	14,297,858	615,711
Net claims incurred	(3,546,210)	(3,429,434)	(6,975,644)	(443,186)
Commission expense	(544,661)	(204,350)	(749,011)	(52,634)
Takaful expense	(28,410)	(211,460)	(239,870)	(180)
Underwriting surplus before wakala fees	4,021,413	2,311,920	6,333,333	119,711
Provision for impairment of receivables	-	-	(448,691)	(10,000)
Wakala fees	-	-	(8,261,196)	(563,618)
Surplus from takaful operations after wakala fees	-	-	(2,376,554)	(453,907)
Investment income - net			342,388	32,072
Mudarib share			(188,313)	(17,640)
Hiba from Shareholder's to Policyholder's			2,500,000	600,000
			277,521	160,525
Identifiable assets and liabilities on 31 December 2021				
Identifiable assets	64,154,421	27,494,751	91,649,172	5,645,299
Identifiable liabilities	64,161,909	27,497,957	91,659,866	6,104,003

	Fire, energy, medical, engineering, liability and general accident	Motor, marine and aviation	Total General Takaful	Family Takaful
	RO	RO	RO	RO
Gross contributions	29,661,004	7,302,463	36,963,467	2,635,318
Retakaful/reinsurance share	(21,983,031)	(1,601,160)	(23,584,191)	(2,015,905)
Retained contributions	7,677,973	5,701,303	13,379,276	619,413
Unearned contributions adjustment - net	21,900	288,815	310,715	(2,901)
Net earned contributions	7,699,873	5,990,118	13,689,991	616,512
Fee and Commission income	312,618	213,847	526,465	403
Segment Revenue	8,012,491	6,203,965	14,216,456	616,915
Net claims incurred	(4,244,811)	(2,432,109)	(6,676,920)	(157,689)
Commission expense	(1,146,129)	(513,321)	(1,659,450)	(134,910)
Takaful expense	(251,660)	(197,530)	(449,190)	(26,540)
Underwriting surplus before wakala fees	2,369,891	3,061,005	5,430,896	297,776
Provision for impairment of receivables	-	-	(240,000)	(10,000)
Wakala fees	-	-	(4,250,799)	(303,062)
Surplus from takaful operations after wakala fees	-	-	940,097	(15,286)
Investment income - net	-	-	284,354	48,917
Mudarib share	-	-	(156,394)	(26,904)
			1,068,057	6,727
Identifiable assets and liabilities on 31 December 2020				
Identifiable assets	47,810,742	20,490,318	68,301,060	3,684,242
Identifiable liabilities	48,012,493	20,576,782	68,589,275	4,303,471

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 their operations are carried inside the Sultanate of Oman.

35 Risk management

(a) Governance framework

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

(b) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

(c) Takaful risk

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

	2021	2020
General takaful	**RO**	RO
Motor	**2,096,810**	3,420,368
Fire, general accidents, engineering and others	**4,403,819**	13,632,293
Marine cargo and hull	**399,482**	414,383
Medical	**1,440,388**	1,025,393
	8,340,499	18,492,437
Family takaful		
Life	**(616,784)**	1,174,134
Total	**7,723,715**	19,666,571

35 Risk management (continued)

(c) Takaful risk (continued)

The net claims ratios are as follows:

	2021	2020
	%	%
Motor	**59**	41
Fire, general accidents, engineering and others	**14**	18
Medical	**69**	74
Life	**72**	26

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).

Impact of COVID-19 on insurance risk

In its underwriting segment, the Company is primarily exposed to medical and business interruption policies. The Capital Market Authorities in Oman have instructed all insurers to accept medical claims related to COVID-19 irrespective of cover terms and conditions. The Company anticipates that the impact of medical claims would be immaterial due to low rate of hospitalisation and deferral of elective medical procedures required.

With regards to Business Interruption (BI) policies, the Company has in place pandemic and infectious disease policy exclusions as well. The Company has valuated all business interruption policies inforce for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company has determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Company and specific policy exclusions. Furthermore, the Company has been able to retain major customers during the year ended 31 December 2021 and has generally witnessed renewals and new business across major lines of businesses.

(d) Retakaful risk

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for retakaful / reinsurance purposes. Such retakaful / reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful / reinsurance is effected under treaty, facultative and excess-of-loss retakaful / reinsurance contracts.

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

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

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

(e) Key assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident period. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

35 Risk management (continued)

(e) Key assumptions (continued)

Other key assumptions include variation in mortality, longevity, profit rates and delays in settlement. Discount rate used is determined with reference to risk free rate adjusted for country risk premium.

(f) Sensitivities

The general takaful claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and underwriting results.

	Change in assumptions	Impact on Liabilities	Impact on underwriting results
	%	RO	RO
2021			
Incurred claims – net	+10%	741,883	(741,883)
	-10%	(741,883)	741,883

	Change in assumptions	Impact on Liabilities	Impact on underwriting results
	%	RO	RO
2020			
Incurred claims – net	+10%	683,461	(683,461)
	-10%	(683,461)	683,461

Claims development

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

	Gross Claims Development				
	RO	RO	RO	RO	RO
Accident Year	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claims cost:					
At end of accident year	25,202,832	24,848,437	19,532,204	39,491,656	
One year later	21,480,588	27,987,831	15,163,289		
Two years later	21,019,398	24,395,727			
Three years later	20,932,827				
Current estimate of cumulative claims	20,932,827	24,395,727	15,163,289	39,491,656	99,983,499
Cumulative payments till date	17,078,395	17,348,126	7,894,392	9,275,570	51,596,483
Liability recognized in statement financial position	3,854,432	7,047,601	7,268,897	30,216,086	48,387,016
Liability in respect of years prior to 2018					4,380,422
Additional Reserves					-
OSLR Adjusted					414,456
Unallocated Loss Adjustment Reserves					293,832
Total gross reserve included in the consolidated statement of financial Position as at 31 December 2021					55,010,786

35 Risk management (continued)

Claims development (continued)

	Gross Claims Development				
	RO	RO	RO	RO	RO
Accident Year	**2017**	**2018**	**2019**	**2020**	**Total**
Estimate of ultimate claims cost:					
At end of accident year	**149,226,825**	**25,202,832**	**24,848,437**	**19,532,204**	
One year later	**114,465,654**	**21,480,588**	**27,987,831**		
Two years later	**118,663,499**	**21,019,398**			
Three years later	**114,732,893**				
Current estimate of cumulative claims	**114,732,893**	**21,019,398**	**27,987,831**	**19,532,204**	**183,272,326**
Cumulative payments till date	**109,359,957**	**15,353,377**	**14,284,129**	**5,599,192**	**144,596,656**
Liability recognized in statement financial position	**5,372,936**	**5,666,021**	**13,703,702**	**13,933,012**	**38,675,670**
Liability in respect of years prior to 2017					**914,396**
Additional Reserves					**55,007**
OSLR Adjusted					**379,980**
Unallocated Loss Adjustment Reserves					**239,238**
Total gross reserve included in the consolidated statement of financial Position as at 31 December 2020					**40,264,290**

(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:

	2021		2020	
Assets	**USD**	**Other foreign currencies**	USD	Other foreign currencies
Cash and bank balances	**975,262**	**-**	1,012,995	-
Takaful and retakaful / reinsurance balance receivables	**9,708,313**	**1,724**	11,479,369	1,724
Investments at fair value through equity	**41,891**	**1,744,103**	26,177	1,735,147
Investments carried at amortised cost	**2,500,597**	**-**	2,501,098	-
Liabilities				
Retakaful / reinsurance payables	**26,988,239**	**14,436**	15,253,460	14,436

35 Risk management (continued)

(g) Financial risk factors (continued)

(i) Market risk (continued)

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 2021, 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 17,458 (2020 – RO 17,368).

Profit rate risk

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

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

	Change in assumptions	**2021**	2020
		RO	RO
Income from bank deposit and investments carried at amortised cost	**+0.5%**	**106,867**	101,902
	-0.5%	**(106,867)**	(101,902)

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

2021	**Less than 1 year**	**Over 1 year**	**Total**
	RO	**RO**	**RO**
Bank deposits	**3,700,000**	**8,750,000**	**12,450,000**
Investments carried at amortised cost	**1,477,138**	**4,851,975**	**6,329,113**

2020	Less than 1 year	Over 1 year	Total
	RO	RO	RO
Bank deposits	4,000,000	7,700,000	11,700,000
Investments carried at amortised cost	1,500,000	4,729,587	6,229,587

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.

49% (2020 – 49%) of the Company's equity investments at the statement of financial position date are within the Sultanate of Oman.

A 10% change in fair value of the Company's investments carried at fair value through profit or loss would have impact on profit / (loss) of approximately RO 125,230 (2020 – RO 121,221).

A 10% change in fair value of the Company's investments at fair value through equity would have impact on equity of approximately RO 226,662 (2020 – RO 222,597).

35 Risk management (continued)

(g) Financial risk factors (continued)

(i) Market risk (continued)

Fair value estimation

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, by valuation techniques. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets;

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.

2021	**Level 1 RO**	**Level 2 RO**	**Level 3 RO**	**Total RO**
Investment in real estate	**-**	**5,170,000**	**-**	**5,170,000**
Investments at fair value through equity	**1,915,519**	**-**	**351,105**	**2,266,624**
Investments carried at fair value through profit or loss	**1,252,303**	**-**	**-**	**1,252,303**
	3,167,822	**5,170,000**	**351,105**	**8,688,927**

2020	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
Investment in real estate	-	5,468,830	-	5,468,830
Investments at fair value through equity	1,885,254	-	340,720	2,225,974
Investments carried at fair value through profit or loss	1,212,211	-	-	1,212,211
	3,097,465	5,468,830	340,720	8,907,015

The net change in fair value of investments carried at fair value through profit or loss of RO 257,511 (2020 – RO 42,389) relates to level 1 of fair valuation hierarchy.

The change in fair value of investments at fair value through equity includes loss amounting to RO 191,552 (2020 – RO 188,525) which relates to level 1 and gain amounting to RO 35,110 (2020 – RO 34,072) which relates to level 3 of fair valuation hierarchy.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

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

	2021 RO	2020 RO
Cash and bank balances (excluding cash in hand)	**7,261,565**	7,254,580
Bank deposits	**12,450,000**	11,700,000
Takaful balance receivable	**16,266,597**	12,016,150
Retakaful / reinsurance balance receivable	**872,022**	480,106
Other receivables and takaful assets (excluding advances and prepayments)	**1,643,280**	1,341,426
Investments carried at amortised cost	**6,329,113**	6,229,587
	44,822,577	39,021,849

35 Risk management (continued)

(g) Financial risk factors (continued)

(ii) Credit risk (continued)

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

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

	2021	2020
	RO	RO
P3	-	-
Unrated	**19,711,565**	18,954,580
	19,711,565	18,954,580

Takaful receivables comprise a number of customers within Oman and local and foreign retakaful / reinsurance companies. At 31 December 2021, top 5 retakaful / reinsurance companies account for 70% (2020 – 64%) 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:

	2021	2020
	RO	RO
Oman	**16,339,331**	12,034,179
Middle east	**200,052**	228,993
Others	**599,236**	233,084
	17,138,619	12,496,256

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:

	2021	2020
	RO	RO
Brokers and agents	**365,194**	201,443
Individuals and corporate clients	**15,901,404**	11,814,707
Retakaful / reinsurance companies	**872,021**	480,106
	17,138,619	12,496,256

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:

35 Risk management (continued)

(g) Financial risk factors (continued)

(ii) Credit risk (continued)

Rating	2021 RO	2020 RO
A	226,543	161,104
AA	140,159	13,180
B	27,986	165,191
Other rated	68,856	49,376
Unrated	734,932	417,709
	1,198,476	806,560

Impact of COVID-19 on the Company

The Company's reinsurance is placed with reinsurance companies approved by the management, which are generally international reputed companies with high credit ratings. As of 31 December 2021, no reinsurance companies has expressly disassociated with the Company nor has any reinsurance companies communicated its non-willingness to accept COVID-19 related claims.

(iii) Liquidity risk

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

Capital adequacy and solvency margin

At 31 December 2021, the Company's solvency margin (as determined in accordance with the Oman Insurance regulations) indicates surplus of RO 5,164,352 (2020 – RO 6,304,720) against the regulatory requirement.

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

2021	1 month to 4 months RO	4 months to 12 months RO	Non-fixed maturity RO	Total RO
Financial liabilities				
Takaful liabilities	-	-	75,373,018	75,373,018
Retakaful / reinsurance payable	-	12,815,331	-	12,815,331
Accounts and other payables (excluding government levy and income tax payable)	5,958,149	-	-	5,958,149
Charity fund payable	6,327	-	-	6,327
Total	5,964,476	12,815,331	75,373,018	94,152,825

2020	1 month to 4 months RO	4 months to 12 months RO	Non-fixed maturity RO	Total RO
Financial liabilities				
Takaful liabilities	-	-	57,153,407	57,153,407
Retakaful / reinsurance payable	-	9,472,919	-	9,472,919
Accounts and other payables (excluding government levy and income tax payable)	4,142,170	-	-	4,142,170
Charity fund payable	38,177	-	-	38,177
Total	4,180,347	9,472,919	57,153,407	70,806,673

35 Risk management (continued)

(g) Financial risk factors (continued)

(iii) Liquidity risk (continued)

Impact of COVID-19 on liquidity risk

In response to the COVID-19 outbreak, the Company continues to monitor and respond to all liquidity requirements that are presented. The Company continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Company in the current extreme stress. As at the reporting date the liquidity position of the Company remain strong and is well placed to absorb and manage the impacts of this disruption.

(h) Capital risk management

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

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

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

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

36 Financial assets by category

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

	Loans and receivables	Investments carried at fair value through profit or loss	Investments at fair value through equity	Investments carried at amortised cost	Total
	RO	RO	RO	RO	RO
2021					
Cash and bank balances	7,266,174	-	-	-	7,266,174
Bank deposits	12,450,000	-	-	-	12,450,000
Investments carried at fair value through profit or loss	-	1,252,303	-	-	1,252,303
Takaful balance receivable	16,266,597	-	-	-	16,266,597
Retakaful / reinsurance balance receivable	872,022	-	-	-	872,022
Other receivables and takaful assets (excluding advances and prepayments)	1,643,280	-	-	-	1,643,280
Investments at fair value through equity	-	-	2,266,624	-	2,266,624
Investments carried at amortised cost	-	-	-	6,329,113	6,329,113
	38,498,073	1,252,303	2,266,624	6,329,113	48,346,113

36 Financial assets by category (continued)

	Loans and receivables	Investments carried at fair value through profit or loss	Investments at fair value through equity	Investments carried at amortised cost	Total
	RO	RO	RO	RO	RO
2020					
Cash and bank balances	7,260,386	-	-	-	7,260,386
Bank deposits	11,700,000	-	-	-	11,700,000
Investments carried at fair value through profit or loss	-	1,212,211	-	-	1,212,211
Takaful balance receivable	12,016,150	-	-	-	12,016,150
Retakaful / reinsurance balance receivable	480,106	-	-	-	480,106
Other receivables and takaful assets (excluding advances and prepayments)	1,341,426	-	-	-	1,341,426
Investments at fair value through equity	-	-	2,225,974	-	2,225,974
Investments carried at amortised cost	-	-	-	6,229,587	6,229,587
	32,798,068	1,212,211	2,225,974	6,229,587	42,465,840

37 Zakat

With regards to the zakat liability of the Company's shareholders, the Shari'ah Supervisory Committee has approved the calculation of zakat in accordance with the guidance provided by AAOIFI. Such calculation is based on the net invested fund method. This has been communicated to the shareholders and is payable directly by them as per the Articles of Association of the Company.

38 Distribution of surplus in policyholders' fund

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

39 Shari'ah Supervisory Committee

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

40 Earnings prohibited under Shari'ah

Earnings retained during the previous year from transactions which are not permitted under Shari'ah and are recorded as part of accounts and other payables amounted to RO 6,327 (2020 – RO 38,177). All non-Islamic income is credited to a charity account where the Company uses these funds for charitable purposes.

41 Hibah

For the year ended 31st December 2021, Hibah amounting RO 3,100,000 was provided by Shareholders to support the Policyholders' fund (General Takaful RO 2,500,000 and Family Takaful RO 600,000). This has been approved by the Board of Directors and Sharia'h Supervisory Committee.