Al Ahlia Insurance Company SAOG

ANNUAL REPORTS AND FINANCIAL STATEMENTS 2021

AL AHLIA INSURANCE COMPANY SAOG

Chairman's Report
31st December 2021

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Chairman's Report 2021

On behalf of the Board of Directors, it is my pleasure to present our Annual Report for the year ending 31st December 2021, my second as chairman of Al Ahlia Insurance Company (AAIC) SAOG.

Al Ahlia has proven its calibre over the past four decades, thanks to its customer-first approach, well defined in our refreshed Purpose "Customers are at the heart of what we do. We promise to remain by their side and be proactive to get them back on their feet in no time" and underlined by our Brand Statement "We go further. Together"

This commitment was demonstrated admirably by our rapid response to assess and process claims for customers impacted by Cyclone Shaheen and the innovation, flexibility and resilience of our staff to safely and efficiently serve the public during the ongoing pandemic.

Although COVID-19 has brought its own social and economic challenges, it has also fueled the demand for digitalisation to offer more tailored products and services faster and easier. Indeed, it has not only thrown the spotlight on the importance of digital adoption and augmentation, but also bolstered confidence among customers in Oman to adopt digital as a safe and convenient option.

At the same time, we were able to maintain our reputation for best-in-class service, competitive pricing and products, high standards of corporate governance, operational excellence, and a high-quality, low-risk and low-volatility investment policy.

World Economy

Output in many countries rebounded in 2021 after a sharp decline in 2020 following the COVID-19 outbreak, with advanced economies and many middle-income countries achieving substantial vaccination rates.

The global economy then entered a slowdown amid fresh threats from new variants and a rise in inflation, debt and income inequality that could endanger the recovery in emerging and developing economies, according to the World Bank's Global Economic Prospects report issued in January 2022.

The rapid spread of the Omicron strain indicates that the pandemic will likely continue to disrupt economic activity in the near term. And global growth is expected to decelerate markedly from 5.5% in 2021 to 4.1% in 2022 and 3.2% in 2023 as pent-up demand dissipates and as fiscal and monetary support is unwound across the world. (World Bank's Global Economic Prospects report)

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Gulf Co-operation Council (GCC) Economy

Swift and well-coordinated policy responses helped limit the initial spread of the Coronavirus, deliver rapid and widespread access to vaccines, and target income and liquidity support to those most in need.

As in other countries, necessary containment measures and travel restrictions severely dampened non-oil economic activity in key job-rich sectors such as tourism, hospitality, real estate, and the retail trade.

Economies were expected to return to an aggregate growth rate of 2.6% in 2021, with 2022 growth rising to 4.7%, assuming an average oil price of US$74 per barrel. Some will also benefit from record-high natural gas prices.

However, countries are vulnerable to risks of scarring from the pandemic and declining oil global demand over the longer term as the world confronts climate change.

GCC Insurance Sector

Robust capital buffers helped GCC insurers weather the COVID-19 storm.

However, profits of some insurance and Takaful providers in GCC countries deteriorated in the first half of 2021 as claims returned to normal levels after 2020 pandemic-induced lockdowns and prices were held back by competition. (Moody's Investors Service).

Economic revival from the pandemic, a growing population and increased insurance awareness, strengthening regulatory reforms and continued implementation of mandatory insurance coverage could all fuel growth in the sector, alongside major infrastructure development.

Oman's Economy

Oman's nominal GDP (the gross domestic product at current market prices) recorded a robust 12.7% during the first nine months of 2021.

With increased oil and gas output and improved prices, Oman's hydrocarbon GDP jumped by 26.5% to OMR 7.4 billion in the same period.

In 2022, oil and gas revenues are forecasted at around OMR 7.2 billion, or 68% of overall receipts, up from OMR 5.4 billion in 2021, when they made up 63% of the total. Oman's projected revenue figures are based on an assumed oil price of US$50 per barrel, up from an expectation of $45 per barrel in the 2021 budget.

The Sultanate is projecting a fiscal deficit of OMR 1.5 billion in 2022, down 32% year-on-year, as growth in state spending is outpaced by a stronger increase in revenues on the back of projected higher oil and gas receipts.

Real GDP growth is forecast to rise to 3.4% in 2022 (up from 3% in 2021), according to the World Bank.

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The budget deficit narrowed to 3.4% of GDP, down from 16.1% in 2020, and ratings and agencies upgraded their outlooks from negative to stable or positive.

Oman Insurance Sector

According to preliminary topline disclosures, the Oman insurance market judged by Gross Written Premiums (GWPs) grew by 3.6% to OMR 486 million, with Net Written Premiums (NWPs) rising 1.8% to OMR 268 million.

However, insurance providers were significantly impacted due to the amount of damage to properties, businesses and vehicles during Cyclone Shaheen in October 2021.In December, the Capital Market Authority (CMA) reported claims arising from the storm amounted to around OMR 63.4 million, through the registration of more than 9,800 claims (mainly property, motoring and engineering), with the final sum expected to reach OMR 69 million.

In August, the CMA also reported a spike in traffic accidents and claims in the second quarter, reflecting increased activity on the roads as movement restrictions were eased, the increasing accident trend continued till the year end.

Review of 2021 Financial Performance

In a testing environment, Al Ahlia worked hard to retain its strong focus on profitability, operational efficiency and superior customer service.

Profit after tax (PAT) fell 13% to OMR 3.82 million from a record of OMR 4.39 million in 2020 due to a slowdown in activity triggered by the pandemic. However, we retained our consistent run of profits since 2011 and maintained the best underwriting margin in the market.

There was also a 13% fall in Net Earned Premiums to OMR 15.8 million and an 8% drop in the GWP to OMR 17.57 million.

We reduced our total operating costs by 13% to OMR 13.34 million. Expenses were cut by OMR 0.8m due to strong action taken in Q4 2020 along with a renegotiation of rentals.

The combination of strong local underwriting capability, working within an internationally tested underwriting framework, enables the Company to execute high-quality risk selection and pricing decisions. The outcome of that technical expertise is a positive risk/premium retention level, which delivered an underwriting profit (after management expenses) for the financial year of 2021 of OMR 2.45 million after incorporated Shaheen Weather impact, compared to OMR 2.85 million in 2020.

Our investment income is OMR 1.88 million delivering a Return on Investment of 4.7%. We continue to adopt a high-quality, low-risk and low-volatility investment policy which has helped to support investment returns. Most of the assets in our portfolio comprise low-risk and liquid investments with a due focus on the asset liability maturity profile.

Since our successful IPO in 2017 delivered cumulative 71% return to our shareholders through cash dividends and stock appreciation. This demonstrates a strong company performance backed by public confidence.

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Proposed Dividend

It is our intention to continue the sustainable and progressive dividend policy, The Board proposes to pay a final dividend of OMR 2.5 million, in addition to the interim dividend of OMR 0.5m paid in August 2021 resulting in total dividend in the year of OMR 3.0 million (subject to approval at the Annual General Meeting).

Corporate Governance

Al Ahlia acknowledges the importance of a sound corporate governance structure in the overall context of meeting our obligations to our stakeholders and delivering our objectives.

Accordingly, we have implemented a governance framework that takes into account the principles set out in the CMA's Code and addresses key issues such as: the rights, duties and obligations of the various stakeholders; independence, rules and procedures for decision making with regard to company affairs; for establishing the Company's overarching strategy, goals and objectives; and processes and obligations for monitoring and evaluating the Company's performance against its objectives. This is all within an overall culture of fairness, transparency, accountability and responsibility.

The Company also monitors compliance with the provisions of the Code of Corporate Governance for Insurance Companies.

We are directed and managed by a Board comprising of nine non-executive members of whom four are independent. The Board is responsible for organizing and directing the affairs of the Company in a manner that is in the best interests of all shareholders and other key stakeholders.

The Board also ensures that the Company meets all legal and regulatory requirements and implements good corporate governance practices, in line with CMA requirements.

The Audit Committee and Nomination, Remuneration and Investment (NRI) Committee have been constituted by the Board to support it in the discharge of its duties.

Internal Controls

The Company has adequate internal control processes and appropriate governance systems in all management areas and the ability to continue as a going concern. The Board also understands its responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the relevant requirements of the Commercial Companies Law.

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Nine internal audits on various aspects of the business were initiated during 2021. The Audit Committee was satisfied that there were no material control weaknesses which could be considered as significant and which might result in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or conditions.

The Board considers that there is an ongoing process for identifying, evaluating and managing the significant risks faced by Al Ahlia.

Corporate Social Responsibility (CSR)

We are committed to being a responsible business. This means operating in a way that our employees can be proud of, ensuring financial strength and transparency for our shareholders, putting our customers first and delivering long-term value to our environment and society.

In accordance with our aim of helping to meet society's challenges, the Board approved an OMR 50,000 donation to the Cyclone Shaheen Relief Fund.

To help those affected, we created a dedicated task force to support claimants, and on-the-spot decisions on the settlement of claims were made with payments within a week of document completion. We were the first in the industry to waive the need for a police report for cyclone-damage claims, with other firms instructed to follow our lead.

We also donated vaccines for 100 underprivileged members of the local community and contributed food boxes to less fortunate families during Ramadan.

Furthermore, our staff gave up their weekends for a beach and wadi clean-up.

Future Outlook

We have consistently played to our strengths – leveraging our scale, distribution, insightful propositions, segmented marketing, power of the brand and strong governance to deliver a stand-out performance.

We are proud of our standing as an industry leader in customer-centric digital transformation, which has helped us to manage the impact of the pandemic and retain our clients. However, we must keep evolving in a competitive market if we are to continue to thrive.

Our objectives are:

- Improve market share through more products and distribution lines
- Maintaining our best-in-class proposition to customers by leveraging investments in digital, data and technical sophistication to ensure sustainability.
- Driving operational efficiency through our target operating model and workflow management.

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Acknowledgements

On behalf of the Board of Directors, I would like to acknowledge and thank our valued customers and shareholders for their unwavering support. I also want to express our appreciation to the CMA and other regulatory agencies for their continued guidance and leadership.

Our people are our most important asset and they continue to strive for excellence at all times. This was demonstrated by a number of awards for 2021, including the coveted "Oman Insurer" Award at the annual Middle East and North Africa Insurance Awards for the fourth consecutive year and the eighth time since 2011.

Indeed, our staff and our many stakeholders have contributed so much to the business, especially during the last two years, when, like many other companies, we faced formidable obstacles and pressures. However, their fortitude has ensured we overcame those constraints and also secured the foundations for a bright future.

I express my utmost gratitude to them for their commitment, not least, for their flexibility in adapting to new ways of working so that we could meet and exceed our customer's expectations.

Above all, we pay tribute to His Majesty Sultan Haitham bin Tariq bin Taimur Al Said for his inspirational and assured leadership during these times of unprecedented change and challenge.

We renew our commitment to supporting the Oman Vision 2040 and His Majesty's goal of steering the country Sultanate towards a peaceful, prosperous and sustainable future.

Sheikh Khalid Al Khalili

Chairman

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AL AHLIA INSURANCE COMPANY SAOG

Management Discussion and Analysis Report
31st December 2021

Al Ahlia

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Management Discussion and Analysis Report

Introduction

It is my honour and privilege to bring you my third Management Discussion and Analysis Report as the Chief Executive Officer of Al Ahlia Insurance Company (AAIC) SAOG.

The COVID-19 pandemic continued to have a significant impact across the world, with economies continuing to adapt to stringent mitigation measures. The roll-out of vaccines – although by no means universal – and the subsequent easing of some restrictions boosted economic activity and growth, and the need for insurance remained during 2021.

Many of our staff continued to work from home but we increasingly leveraged digital channels such as WhatsApp and simplified our website to ensure business continuity and provide a seamless, speedy and safe service. We ensured our entire staff were vaccinated before returning to the office and we were the first to reopen branches with full safety protocols for customers and employees. These measures enabled us to maintain our strong market presence with best-in-class insurance solutions in motor, travel, personal accident, home, property, construction, specialty, casualty, marine and SME lines.

Despite the continued Covid impacts in the market, during cyclone Shaheen weather event in October 2021, which caused extensive damage to life, homes, businesses, infrastructure and vehicles. Al Ahlia responded well to help our customers by settling their claims quicky and effectively.

In this tough environment, I am pleased to report that in 2021 the Company enjoyed another year of profit and maintained the best underwriting margin in the market. Since our successful IPO in 2017 delivered cumulative 71% return to our shareholders through cash dividends and stock appreciation. This demonstrates a strong company performance backed by public confidence.

This ongoing success can be attributed to a combination of:

- A customer-centric approach based on competitive and tailored products
- A willingness to invest in new technologies and platforms to ensure increased productivity and a streamlined and superior customer experience
- A robust business model built on operational excellence and high standards of corporate governance
- A strong focus on cost control and pricing
- A low-risk, low-volatility and high-quality investment policy

Financial Performance

Despite the market slowdown as a result of the pandemic, I am pleased to report strong financial delivery for 2021, maintaining our consistent run of annual profit since 2011. Gross Written Premium (GWP) fell 8% to OMR 17.57 million with a Net Earned Premium (NEP) of OMR at 15.79 million. We managed to reduce our total operating cost by 13% to OMR 13.34. Delivering underwriting results of OMR 2.45 million representing the highest margin in the market. Profit after tax (PAT) fell 13% to OMR 3.83 million from a record of OMR 4.39 million in 2020.

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Key Financial Highlights (OMR)

KEY FINANCIAL HIGHLIGHTS		
	31.12.2021	31.12.2020
Net Insurance Premium Revenue	**15,793,219**	18,105,532
Net Underwriting Result	**2,450,326**	2,848,860
Net Profit/(loss) for the year	**3,827,149**	4,389,840
Basic and diluted earnings per share	**0.038**	0.044

Investment Performance

In 2021, we delivered consistent investment returns with income of OMR 1.88 million representing a return of 4.7%. We continue to adopt a high-quality, low-risk and low-volatility investment policy with the majority of our investments held in fixed deposits.

Proposed Dividend

It is our intention to continue the sustainable and progressive dividend policy. The Board proposes to pay a final dividend of OMR 2.5 million, in addition to the interim dividend of OMR 0.5m paid in August 2021 resulting in total dividend in the year of OMR 3.0 million (subject to approval at the Annual General Meeting).

Market Share and Presence

Al Ahlia has consistently dominated the Motor portfolio since 2012 and commanded a market share of 12.6% by Net Written Premium (NWP) in Q4 2021. Overall, Al Ahlia enjoyed a Property and Casualty market share of 15% (Q4 2021, by NWP excluding Health and Life).

We now have 26 branches within the country and at Border, customer service is further augmented with

- Wide geographical network with 29 agents onboard and plans for further expansion
- Digital presence with robust online platform supported with call centre and bots

Business Continuity During COVID-19

We were one of the first private companies to buy vaccines for our staff, inoculating 210 employees and their family members. Our entire staff were vaccinated before returning to the office and we were the first to reopen branches with full safety protocols for customers and staff. We were the first in the industry to institute working from home to keep people safe, and a total of 65% of our head office staff operated remotely. We established a dedicated WhatsApp number for our claims service and motor surveyors adapted to desktop surveys and provided approvals online.

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Our People Development

One of our Company's key objectives is to be the "Employer of Choice" among both our existing staff and in the wider job market. We firmly support the government's In-Country Value (ICV) strategy by attracting, training, retaining and developing Omani talent for future leadership and management roles.

Our overall localization ratio is currently at 83.3%, ahead of the regulatory requirement of 75%, with a 58% Omanisation rate at senior management level, again above the regulatory requirement of 50%. Our staff committed to 1,332 hours to training during 2021.

We launched a staff spotlight series on social media showcasing the tremendous efforts of our local workforce during the pandemic and our Omani leaders of the future, which received positive customer feedback.

We will continue to invest in Oman and Omanisation, supporting SMEs, other community initiatives and programmes, and training and employment opportunities for nationals.

Information Technology and Digital Leadership

Al Ahlia's information technology (IT) roadmap is firmly aligned with our business strategy and we continue to invest in our strategic objectives around customer service, efficiency and ease of doing business. Al Ahlia has placed great emphasis on strengthening its digital platform to enhance the online customer experience and secure a competitive advantage.

Continuing our commitment to digital excellence, we launched our Online Motor Insurance Platform, to simplify the way people conduct everyday business and make purchasing or renewing an insurance policy easier and more convenient. The enhanced platform is seamlessly integrated with the IT system of the Royal Oman Police, meaning customers only have to fill in a few basic details before purchasing their policy.

Key IT-related highlights:

- Introduced an artificial intelligence programme to our WhatsApp channel, enabling customers to purchase or renew a policy, download documents and locate branches, garages and agents
- Moved claims from branches to WhatsApp for 24/7 customer convenience
- Embedded our eClaims workflow system providing real-time updates and tracking for all stakeholders
- Redesigned our bilingual website, with a minimal number of fields for customers to input information, making navigation simpler, better and faster

We recorded a 99.6% rise in website visits, (resulting in an 84.6% increase in quotes), reached more than 1.1 million people with social media posts, launched an advertising campaign on Al Wisal Radio and partnered with some of Oman's most influential digital celebrities.

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Audits and Compliance

Al Ahlia operates under the "three lines of defence" approach consisting of the front-end business, risk and compliance activities and independent review by an internal audit function. The management have put in place controls and a validation process to ensure material risks are identified and controlled in line with regulatory and policy requirements. The internal audit function conducts cyclical activities taking a risk-based approach on the overall effectiveness of risk management, controls and governance, providing opinions on the overall internal control environment.

During 2021 nine internal audits were conducted and the results have been considered by our Audit Committee in reaching an opinion on the effectiveness of the Company's internal control systems

We fully support the CMA's roll-out of a new electronic system for submitting complaints against companies operating in the insurance sector – insurance firms, brokers, agents and valuators of cancelled motor vehicles.

Awards

Al Ahlia won the coveted "Oman Insurer" Award at the annual Middle East and North Africa Insurance Awards in January 2021 for the fourth consecutive year and the eighth time since 2011.

The accolade, from an independent panel of industry experts, recognises and acknowledges insurers who set new benchmarks of success with a stand-out business performance delivered through a strong business model, wide-reaching network, outstanding marketing initiatives, innovative product development and exceptional customer service.

The Company also won the AIWA (Alam Al Iktisaad Wal A'mal) Award for Best Performing Companies on the MSM in the mid-cap category for the fourth consecutive year, following its successful maiden initial public offering in 2017.

Future Outlook

Whilst the Company enjoys market-leading loss and combined ratios the key focus is to grow topline in a crowded and volatile market.

We aim to enhance customer-centricity and competitiveness, delivering

- Leadership in personal lines with a 14% market share by 2024 with further augmenting direct channels and maintaining digital-first distribution and pricing
- Strengthening commercial lines by becoming Oman's "Insurer of Choice" and exploring new opportunities through new products and segments
- Cost optimisation by improving our agility and speed to market through efficiency to support customer service and business growth.

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At all times, we will strive to operate with fairness, transparency, accountability and responsibility, discharge our duties with honesty and integrity and comply with all the legal and regulatory requirements applying to our business.

Acknowledgements

We pledge our full support for His Majesty Sultan Haitham bin Tariq bin Taimur Al Said and his government in their unrelenting endeavours to guide Oman through the pandemic and to a prosperous, peaceful and sustainable future.

Praveen Kumar
Chief Executive Officer

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Private and confidential
Our ref: aud/rp/ma/4825/22

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

To the Board of Directors of Al Ahlia Insurance Company SAOG

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting the Al Ahlia 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 Al Ahlia Insurance Company SAOG

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

Al Ahlia 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 Ahlia 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.

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 Ahlia Insurance Company SAOG in the terms of engagement dated 16 January 2022, 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.

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23 February 2022
KPMG LLC

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AL AHLIA INSURANCE COMPANY SAOG
REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

1. Company's Corporate Governance Philosophy.

Al Ahlia Insurance Co SAOG ("AAIC" or "the Company" or "Al Ahlia"), in compliance with the Royal Decree 39/2014 is listed on the Muscat Stock Exchange ("MSX"). The Company, as a member of the RSA and Intact Group, has historically had a strong culture of corporate governance and regulatory compliance.

Al Ahlia appreciates the importance of a sound corporate governance structure in the overall context of meeting its obligations to all its stakeholders and delivering its corporate objectives. Accordingly, it has implemented a governance framework that takes into account the principles set out in the Capital Markets Authority (CMA) Code and addresses key issues such as the rights, duties and obligations of the various stakeholders, independence, rules and procedures for decision making with regard to company affairs, processes for establishing the Company's strategy, goals and objectives, processes and responsibilities for monitoring and evaluating the company's performance against its objectives, within an overall culture of fairness, transparency, accountability and responsibility.

The Company also monitors compliance with the provisions of the Code of Corporate Governance for insurance companies.

2. The Board

The Company is directed by a board comprising of nine non-executive members of whom four are independent members. This board was elected through an Annual General Meeting convened on 18th May 2020 in accordance with the requirements of the Commercial Companies Law 2019. The board is supported by an Audit Committee and a Nomination, Remuneration & Investment Committee. Both Committees have clearly written terms of references, which have been duly approved by the board and are in accordance with the relevant provisions of the CMA Code. There is a clear understanding of matters reserved for the board and matters that require shareholder approval.

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The Board is responsible for organizing and directing the affairs of the Company in a manner that is in the best interests of all the stakeholders. The board is also responsible for ensuring that the Company meets all legal and regulatory requirements and implements good corporate governance practices in line with the requirements of the CMA. The key duties of the board are as follows:

(a) Identifying a strategic vision of the company based on its mission, purpose and objectives, setting viable performance indicators within a reasonable time frame which can be measured objectively and updating them periodically.

(b) Adopting business and financial policies pertinent to the performance of the company's business and reviewing them periodically to ensure their efficiency.

(c) Setting operational plans, reviewing and updating them from time to time.

(d) Adopting internal regulations and bylaws pertinent to the management of the affairs of the company.

(e) Adopting the disclosure policy of the company, and monitoring compliance with its provisions as per regulatory requirements.

(f) Identifying necessary competencies and authority required for the executive management and ratifying the delegation and implementation of delegated authority to the management.

(g) Monitoring the work of the management to ensure that business is properly managed according to the company's objectives and ensuring compliance with the laws and regulations.

(h) Reviewing related parties' transactions.

(i) Forming specialised committees, appointing their members, and determining their duties, rights and obligations.

(j) Ensuring the efficacy of systems and policies of the company in ensuring successful operation of the company, its development and attaining its goals and objectives.

(k) Appointment of the following key executive officers: Chief Executive Officer, Head of Internal Audit unit and Compliance Officer as well as determining their rights and responsibilities.

(l) Evaluating, at least annually, the performance of specialised committees emanating from the board and key executive officers.

(m) Approving quarterly and annual financial statements.

(n) Reviewing and approving the Company's organisation structure

(o) Reviewing, through internal and external audit reviews, the effectiveness of the Company's Internal Controls.

(p) Recommending any changes to the AAIC's capital structure (subject to regulatory requirements) for further approval by the regulators and the Shareholders.

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Some of the above matters have been delegated to the board committees, whilst recognizing that the ultimate responsibility rests with the board.

The division of responsibilities between the Chairman and the Chief Executive Officer (CEO) are clearly understood. The Chairman is not involved in the day-to-day management of the Company or its business, whereas the CEO has direct responsibility for the management of the Company.

The Chairman's main responsibilities are to run the board effectively, ensuring that meetings are held at appropriate regularity and frequency with clearly set agenda and all members are provided with appropriate information in advance of the meeting to facilitate their informed participation. The Chairman is also responsible for ensuring that there is appropriate delegation of authority from the board to executive management led by the CEO. During the board meetings the Chairman also ensures that enough time is allowed for discussion of complex issues and that directors (particularly independent non-executive directors) have sufficient time and information to consider critical issues and obtain answers to any questions or concerns they may have.

The CEO is responsible to the board for the executive management of the Company and for liaising with the Chairman and keeping the Board informed on all material matters.

The Company has implemented a Delegated Authority Framework which sets out the way executive authority is delegated across the Company. The Executive License which sets out the delegated authority of the CEO is approved by the Board. Individual executive licenses issued to each of his direct reports set out their specific limits of authority in terms of entering into financial, underwriting and other business commitments. Each direct report is responsible for ensuring a similar process of delegation is in place within his area of responsibility.

The board, at all meetings, receives updates from the Committees covering the matters within the remit of the respective Committees and provides guidance and direction to the Committees, where required.

2.1 Directors

As per Article 181 of the Commercial Companies Law 2019, the term of the Board shall be three years from the date of convening the general meeting in which the election was conducted, to date of convening the third annual general meeting following such general meeting. As per regulations, the Board was elected in the Annual General Meeting of the company held on 18th May 2020. The term of the new Board shall be till the Annual General Meeting of the company in 2023.

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Membership of board and committees at 31st Dec 2021 is as follows:

There were no changes during the year

Name of the director	Position	Remarks	Board	Audit Committee	Nomination, Remuneration & Investment Committee
Khalid Al Khalili	Non-Executive	Chairman of the Board	Y	NA	NA
Martin Rueegg	Non-Executive		Y	Y	Y
Yousuf Al Balushi	Independent Non-Executive		Y	Y	NA
Shahid Rasool	Non-Executive		Y	Y	Y
Paul Holmes	Independent Non-Executive		Y	Y	NA
Patrick O' Flynn	Independent Non-Executive	Chairman of Audit Committee	Y	Y	NA
Christopher Dooley	Non-Executive	Chairman of N.R.I Committee	Y	NA	Y
Shabib Abdullah Al Busaidi	Independent Non-Executive		Y	NA	Y
Jonathan Cope	Non-Executive	Board Deputy Chairman	Y	NA	Y

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فاكس ٧١٥١ ٢٤٧٩ ٩٦٨+

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The profiles of the board members and executive management is provided as annexure to this report.

2.2 Attendance at General Assembly & Board Meeting

Board Meetings

Attendance at board meetings held during the year 2021 are as follows:

Name of the director	Patrick O' Flynn	Shahid Rasool	Christopher Dooley	Paul Holmes	Jonathan Cope	Khalid Al Khalili	Martin Rueegg	Shabib Al Busaidi	Yousuf Al Balushi
23-Feb-21	Y	Y	Y	Y	Y	Y	Y	Y	Y
22-Apr-21	Y	Y	Y	Y	Y	Y	Y	Y	Y
09-Jun-21	Y	Y	Y	Y	Y	Y	Y	Y	Y
27-Jul-21	Y	Y	Y	Y	Y	Y	Y	Y	Y
07-Oct-21	Y	Y	Y	Y	Y	N	Y	Y	Y
26-Oct-21	Y	Y	Y	Y	N	Y	Y	Y	Y
06-Dec-21	Y	Y	Y	Y	Y	Y	Y	Y	Y

(P) Represented through proxy (Y) Attended in Person or by Electronic Means (N) Did not attend and was not represented.

The company held the following General Assembly Meetings

Name of the director	Patrick O' Flynn	Shahid Rasool	Christopher Dooley	Paul Holmes	Jonathan Cope	Khalid Al Khalili	Martin Rueegg	Shabib Al Busaidi	Yousuf Al Balushi
30-Mar-21 Annual General Meeting	Y	Y	Y	Y	Y	Y	Y	Y	Y

2.3 Directors holding Additional Directorship in Oman

Name of the director	Name of Company in which position is held	Capacity	Positions Held
Patrick O' Flynn	Nil	NA	NA
Shahid Rasool	Jabreen International Development Co SAOC Ubhar Capital SAOC Oman Real Estate Investment Services (ORIS) SAOC Salalah Resorts SAOC	Ominvest	Board Member
Khalid Al Khalili	Bank Nizwa Ominvest Omantel	Aflag Financial Investments SAOC Self Self	Chairman of the Board Deputy Chairman and member of Executive Committee Board member and member of Strategy and Investment Committee
Shabib Abdullah Al Busaidi	Al Batinah Power Co. SAOG	PASI	Board Member
Yousuf Al Balushi	Nil	NA	NA
Christopher Dooley	Nil	NA	NA
Martin Rueegg	Nil	NA	NA
Paul Holmes	Nil	NA	NA
Jonathan Cope	Nil	NA	NA

No Director is a member of the board of more than four public joint stock companies whose principal place of business is in the Sultanate of Oman; or is the chairman of more than two such companies.

None of the directors is a member of the board of directors of a joint stock company which has similar objectives to the company and whose principal place of business is the Sultanate of Oman.

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3. Board Committees

The board has constituted the following Committees to support the board to discharge its duties.

a) The Audit Committee
b) The Nomination, Remuneration and Investment Committee. ("NRI Committee")

The objectives, membership, details of meetings held, and attendance therein are provided below.

Each of the Committees have clearly documented terms of references duly approved by the board.

3.1 Audit Committee

The Audit Committee oversees the application of financial reporting and internal control principles within the Company. The Committee is responsible, amongst other things, for reviewing risk management functions and assessing the Company's processes relating to its risk and internal control systems. Furthermore, the Committee will monitor the integrity of the Company's financial statements and the effectiveness of the external audit process and internal audit functions and ensure maintaining an appropriate relationship with the Company's auditors.

The Committee shall comprise of five board members. The current composition of the committee and attendance is as follows:

Name	Designation	Role in Committee	23-Feb-21	09-Jun-21	07-Oct-21	06-Dec-21
Patrick O' Flynn	Independent Director	Chairman	Y	Y	Y	Y
Yousuf Al Balushi	Independent Director	Member	Y	Y	Y	Y
Martin Rueegg	Non-Executive Director	Member	Y	Y	Y	Y
Paul Holmes	Independent Director	Member	Y	Y	Y	Y
Shahid Rasool	Non- Executive Director	Member	Y	Y	Y	Y

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(P) Represented through proxy (Y) Attended in Person or by Electronic Means (N) Did not attend and was not represented. N/A was either not yet appointed or had resigned

3.2 Nomination, Remuneration & Investment Committee

The Nomination, Remuneration & Investment Committee shall

- ensure transparency in the procedures for the selection and appointment of members of the board and assist the shareholders at General Assembly Meetings in nomination and election of directors who are proficient and most suitable for the Company; and
- attract, motivate and retain qualified and experienced individuals on the board and in the executive management of the Company to achieve its strategic and operational objectives.
- oversee the management of the investment portfolio of the Company in line with the applicable laws of the Sultanate of Oman and the board approved strategy

The Committee shall comprise of five board members. The current composition of the committee and attendance is as follows:

Name	Designation	Role in Committee	23-Feb-21	09-Jun-21	07-Oct-21	06-Dec-21
Christopher Dooley	Non-Executive Director	Chairman	Y	Y	Y	Y
Shahid Rasool	Non-Executive Director	Member	Y	Y	Y	Y
Jonathan Cope	Non-Executive Director	Member	Y	Y	Y	Y
Martin Rueegg	Non-Executive Director	Member	Y	Y	Y	Y
Shabib Abdullah Al Busaidi	Independent Director	Member	Y	Y	Y	Y

(P) Represented through proxy (Y) Attended in Person or by Electronic Means (N) Did not attend and was not represented. N/A was either not yet appointed or had resigned

4. Process of Nomination of Directors

The board of directors is elected by the shareholders of the Company at an Annual/Ordinary General Meeting. The term of the board is for three years. The Nomination, Remuneration & Investment Committee is responsible for assisting the general assembly meeting in the nomination of proficient directors and the election of the most fit for purpose.

If during the term of the board any position becomes vacant due to resignation or any other reason, the Nomination, Remuneration and Investment Committee identifies a suitable candidate to fulfil such vacancy and recommends his (or her) appointment to the board on the temporary basis. The board after considering such recommendation approves the appointment to fulfill the vacancy on a temporary basis subject to ratification at the next general assembly meeting following such temporary appointment.

Independent Non-executive directors are aware that they must report any change in their circumstances or those of the members of their families that might lead to the board reconsidering whether they are independent. Directors are also aware that they have to make the board aware of any conflict of interest they might have in respect of any item of business and abstain themselves from consideration in any such matter.

5. Appraisal of the Performance of the Board of Directors

As per Clause no 2(o) of the fourth principle of Corporate Governance codes, the Chairperson must arrange for an Appraisal of the performance of the Board impartially and independently by a third party and present for approval at the annual general meeting in accordance with a benchmark and standards set by the Board or general meeting.

The evaluation exercise for the present Board was undertaken by M/S Crowe & Horwath in December 2020 by administering a questionnaire. The questionnaire had quantitative as well as qualitative questions. It was followed up by interviews with the Chairman and deputy Chairman. During the review the team held discussions and sought clarifications with Non-Executive as well as Independent Directors, CEO and Board Secretary. Observations were based on information and views provided by the Board members through the questionnaire and those interviewed. The team made few recommendations based on the requirements of Oman Corporate Governance code and best practices globally. The conclusions were submitted by the evaluation team to the Chairman of the Board.

The evaluation criteria for the full Board included its role / participation in strategy formulation, succession planning, review of board composition, business oversight, governance process.

The Board is effective in discharging its responsibility and the Board processes are followed comprehensively. The Board functioned in a smooth and constructive manner with free and open discussions amongst Board members.

6. Remuneration

6.1 Board Remuneration

Directors remuneration proposed for 2021 as per below

a) A remuneration of RO 80,000 for 2021 for the Board of Directors
b) sitting fees of RO 400 per meeting for attendance at board meetings
c) sitting fees of RO 150 per meeting for attendance at board Committee Meetings.
d) Compensation of any travel, accommodation and out of pocket expenses incurred for attending the board and board committee meetings.

6.2 Remuneration paid to Top executives

The key principles that underpin the Company's remuneration policy and processes are:

- Total remunerations are set at a level which enables the recruitment, retention and motivation of high- quality executive talent,
- There is a strong and visible link between remuneration and performance,
- Executive remuneration and shareholder interests are strongly aligned,
- Incentive arrangements are structured so that only exceptional performance attracts the highest level of reward,
- A balance of short and long- term performance measures are used, incorporating measures of financial performance, delivery of shareholder value and a robust assessment of personal contribution,
- Remuneration policy and practice is transparent.

The Company's top executives received a total amount of RO 508,467/- (2020 - RO 517,225/-).

The bonuses are linked to Company performance as well as individual performance which are evaluated during the first quarter of the succeeding year. Each employee of the Company holds an employment contract prepared in accordance with the Omani Labor Law and regulations issued by Ministry of Manpower.

7. Confirmation of Compliance

Company's Approach towards Compliance with the requirements of the Code of Corporate Governance for Publicly Listed Companies ("The Code")

Al Ahlia insurance had completed its Initial Public Offering ("IPO") on 17th August of 2017. Being a result of Joint Venture, the company had a strong governance framework already in place and the IPO gave an opportunity to strengthen this structure further. The review that was undertaken during the legal due diligence and the prospectus had permitted to address the additional requirements applicable to SAOG Companies.

The company has designed its internal control system including governance and processes focused on achieving the main pillars of the Code as set in its principle one as follows:

Transparency: The Board of Directors has been structured to empower its members to exercise their duties in terms of information disclosure to all the company's shareholders by setting up dedicated processes for disclosure internally and externally. The company has also implemented appropriate processes to ensure that transparency is maintained in all communications with the regulators.

Accountability: The Board of Directors of the company is comprised of experienced and qualified members who understand their responsibilities towards safeguarding the interests of the company's shareholders and are well positioned to discharge their responsibilities. A process being put in place to enable the Board to conduct periodic self-assessments to assess its performance as well as the performance of the board committees.

Fairness: The Company as a part of the RSA Group, UK, has adopted the RSA Group's guide to business conduct and implemented the necessary policies, procedures and process to ensure fairness in its dealings with all of its stakeholders. The Board of Directors is comprised of an adequate number of independent members to ensure protection of the interests of all shareholders regardless of their level of ownership.

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Responsibility: The Board of Directors discharges its duties with honesty and integrity and authenticity towards the company which reflects on the company's external environment. This is guaranteed by the composition of the Board which comprises independent members.

The Company is also, continuously reviewing its arrangements to promote these values and comply with all the regulatory requirements applying to its business.

No other fines or strictures were imposed on the Company by the MSX, CMA or any other regulatory authority during the year.

8. Communication with Shareholders

The Company uses the General Assembly Meetings and the disclosures on the MSX website as the primary means of communication to the Shareholders. The Annual Report and the financial statements are made available to shareholders ahead of the AGM. The Quarterly Interim Financial Statements are also made available to the shareholders.

During the year, the Company has made appropriate disclosures as required from time to time on the MSX website including the posting of quarterly and annual financial performance and financial statements.

9. Market Price Data

The company was listed at the Muscat Security Market on 17th August 2017. The movement of the share price of the company during the year 2021 and its performance compared to the MSM index movement is as follows:

	AAIC's Market Price (RO)		MSM 30 Index	
Month – 2021	**High**	**Low**	**High**	**Low**
January	0.360	0.360	3,682.55	3,636.75
February	0.330	0.330	3,614.22	3,600.16
March	0.350	0.350	3,710.82	3,681.99
April	0.310	0.310	3,761.07	3,734.09
May	0.320	0.320	3,852.61	3,830.36
June	0.330	0.330	4,074.79	4,060.84
July	0.310	0.310	4,044.62	4,026.29
August	0.366	0.362	3,972.76	3,964.27
September	0.360	0.360	3,951.06	3,935.28
October	0.360	0.360	4,077.58	4,062.44
November	0.360	0.360	4,118.11	4,000.35
December	0.360	0.358	4,110.77	4,074.85

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Distribution of shareholding

The statement below details the distribution of company's shares as at 31st December 2021.

Distribution of shareholding as on 31/12/2021

Category	Distribution of shares		Number of shares	Number of share holders	Percentage of shares (%)
	Minimum	Maximum			
1	1	1000	21,827	33	0.02%
2	1001	5000	258,222	87	0.25%
3	5001	10000	164,063	19	0.16%
4	10001	20000	268,283	17	0.29%
5	20001	50000	567,489	16	0.56%
6	50,001	100000	817,575	10	0.82%
7	100001	200000	1,095,214	8	1.10%
8	200001	500000	1,539,029	4	1.53%
9	500001	1000000	2,205,561	3	2.21%
10	1000001	2000000	2,140,000	2	2.14%
11	2000001	5000000	-	-	-
12	5000001	10000000 and above	90,922,737	4	90.92%
	Total		**100,000,000.00**	**203**	**100%**

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10. Other Matters

10.1 Directors' responsibilities with respect to financial statements

The directors are required to ensure that adequate accounting records are maintained to disclose at any time, and with reasonable accuracy, the financial position of the Company. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors must present financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing such financial statements, they are required to:

- Select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment,
- State whether applicable accounting standards have been followed and explain any material departures,
- Use the going concern basis of accounting unless it is inappropriate to do so.

The directors have satisfied themselves that the Company has adequate resources to continue in operation for the foreseeable future having considered the uncertainties and contingencies disclosed in the financial statements and have therefore prepared the financial statements on a going concern basis.

10.2 Internal controls

The board of directors have formed an Audit Committee to support the board in the discharge of its responsibilities in respect of supervising the Company's financial reporting processes, evaluating the adequacy and effectiveness of the Company's audit arrangements and overseeing the Company's risk management activities in ensuring that the risk appetite is appropriate and that key risks are identified and managed.

The Audit Committee has reviewed the Company's overall system of governance as well as the scope and quality of management's ongoing monitoring of risks and the work of its internal and external audit and compliance functions to provide assurance on the Company's ability to meet its strategic objectives.

The internal and external auditors have also conducted a number of reviews during 2021 and the results have been considered by the Audit Committee in building an opinion on the effectiveness of the internal control systems of the company.

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Al Ahlia Insurance Co. SAOG
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CR No. 1754807

شركة التأمين الأهلية ش.م.ع.ع.
ص.ب ١٤٦٣، الرمز البريدي ١١٢، روي، سلطنة عمان

هاتف ٦٨٠٠ ٢٤٧٦ ٩٦٨+
فاكس ٧١٥١ ٢٤٧٩ ٩٦٨+

س.ت. ١٧٥٤٨٠٧

Based on the above, the Audit Committee has satisfied itself with the reviews that have been conducted and has concluded that there were no material control weaknesses which can be considered as significant which might result in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or conditions.

During the period from 01-01-2021 to 31-12-2021 the Audit Committee held four meetings. During these meetings the Committee amongst other activities have:

- reviewed the internal and external audit arrangements and ensured their independence.
- reviewed and approved the internal audit plans as well as the adequacy of internal audit resources to execute the plans
- assessed the effectiveness of the internal audit function and reviewed the findings reported within the audit reports and the management actions to address them
- ensured that the external auditors had access to all information and explanations required by them for carrying out their audit and expressing their audit opinion
- reviewed and approved the financial statements and made recommendations to the board for their approval
- reviewed and approved the risk appetite as well as the risk profile of the Company
- evaluated the activities of the risk and compliance department in developing and implementing mitigating actions and managing the risks identified.
- assessed the arrangements in place to achieve compliance with applicable regulation

The board therefore considers that there is an ongoing process for identifying, evaluating and managing the significant risks faced by AAIC, that it has been in place for 2021 and up to the date of approval of the Annual Report & Accounts and that it is regularly reviewed by the board.

10.3 Risk management

The board has overall responsibility for the Company's systems of risk management. The Company has adopted the RSA Group's Risk Management framework. The Risk Management Framework provides the mechanism through which risk management and control is embedded throughout the Company. This is being achieved through the 'three lines of defence' governance model which includes Management as the first line, Risk Management function as the 2nd line and Independent Assurance by Internal Audit as the 3rd line.

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The Company has also adopted as a part of its overall policy framework the RSA Group's risk policy statements which set out the minimum standards to be maintained by the Company's operations to manage their risks in a way that is consistent with the risk appetite. The implementation process involved clear ownership for each policy and a formal process of seeking approvals for any variation of or dispensation from a requirement. All breaches that are identified are monitored and escalated to the appropriate level, including to the Audit Committee and the board. These policies, where relevant, are supported by procedures incorporating best practice in key business areas.

Within AAIC the risk elements are viewed under the following headings:
- Insurance (underwriting and claims) risk,
- Reinsurance risk,
- Operational risk,
- Credit, market and liquidity risk,
- Regulatory risk,
- Legal Risk

10.4 Internal audit

The Company has appointed an Internal Auditor and also makes use of the RSA Group's internal audit function (GIA) to provide internal audit services ensuring appropriate levels of independence. The Internal Auditor reports to the Audit Committee, which monitors the activities and effectiveness of Internal Audit. The audits conducted during 2021 were as follows:

- Risk Appetite Framework and Reporting
- Reinsurance
- Policy Management Framework
- Underwriting Governance and Oversight Controls
- Finance Governance and Oversight Controls
- Claims Governance and Oversight Controls
- Procurement and Vendor Management
- Logical and Applications Access Management
- International Financial Reporting Standard (IFRS) 17 Implementation

10.5 Related Party Transactions

The company adopts the highest degree of transparency and clarity for related party transactions. All such transactions are subject to review of the audit committee and approval of the board of directors and where required, by shareholders in Annual General Meeting.

The details of such transactions, where required, will be sent to every shareholder along with the notice to the general meeting covering the related party transactions detail. These transactions will also be disclosed in detail in the company's annual report.

The details of related party transactions for the year 2021 are included within the notes of financial statements. All these transactions have been concluded in accordance with the governing regulations applicable at the time when they were entered and disclosed in the financial statements in accordance with applicable international financial accounting standards. All the transactions are at 'arms-length' and do not involve any preferential terms.

10.6 External auditors

The Audit Committee has the authority to meet with internal and external auditors without management present. Each year, the Committee considers the performance of the external auditors, the regulatory requirements about auditor rotation, the Company's business and the market environment and invites proposals from a shortlisted panel of auditors. Based on an assessment of the responses, the Committee makes its recommendations to the board regarding appointment of auditors. The board after due consideration of the same presents it to the Shareholders at the Annual General Assembly for approval.

The shareholders of the Company appointed KPMG as the Company's auditors for the year 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.

The board based on the recommendation of the Audit & Risk Committee shall consider the appointment of external auditors for 2022 and make recommendations to the Shareholders for consideration at the Annual General Assembly Meeting.

During the year, RO 17,000 was charged by external auditors against the audit services rendered by them to the Company

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11. Corporate social responsibility

We are committed to responsible business. This means, running Al Ahlia in a way that our employees can be proud of, ensuring financial strength and transparency for our shareholders, putting our customers first, and delivering long-term value to our environment and society.

Our vision is to be a responsible business working with its customers and stakeholders to help meet society's challenges.

Our CSR strategy is underpinned by three core ambitions.

01- Safe, Secure World

We believe we can play a powerful and practical role in helping our customers to avoid risks, using insight, data and our product development expertise to help keep them safer in their homes, on the roads and in their businesses.

02- Thriving Communities

Our business will not be successful unless the communities we operate in also flourish and thrive. We're supporting our employees to contribute to the economic and social development of their local areas, by sharing skills, offering time, and fundraising for local causes.

03 - Responsible Business

Being a Responsible Business means being open and transparent with our customers, employees and suppliers about how we manage our operations and deliver our products. This helps us to build dialogue and trust, and to understand where and how we can improve.

The unexpected impact of Cyclone Shaheen has challenged the Company and the community in many ways. As part of the Corporate Social Responsibility, Al Ahlia contributed RO 50,000/- to the Oman Charitable Organization to support the relief efforts for those affected

The other contributions made in the year are as follows:

- Ramadan Food Contribution
- Covid19 vaccination for 100 underprivileged members through the Muscat Private Hospital RO 2,200
- Employees volunteering to Beach and Wadi cleaning initiatives

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Al Ahlia

RSA INSURANCE

During the spread of COVID 19 pandemic in the Sultanate, the company upheld its commitment to a safe and secure world. A hybrid operating model was adopted with nearly 70% of staff working from office and the rest working from home, with full adherence to the safety protocols.

With changing circumstances, the company remains committed to comply with the directions of the Supreme Committee entrusted to tackle the spread of COVID 19, the regulator Capital Market Authority ("CMA") and working with local communities to increase awareness and provide support to the neediest in our society.

Chairman,

Audit & Risk Committee

Date:

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ANNEXURES

1. Profiles of Board members

Khalid Bin Abdullah Al Khalili – Chairman

Khalid Al Khalili has an engineering degree with more than 20 years of experience in the domain of project management. He has been responsible for the development of several real estate projects in various sectors including Government, Tourism, Health, Commercial and Residential with a net total value exceeding $500m. He is presently working as Chairman of Alflag group of companies. He also holds the Directorship of the following public joint stock companies

Deputy Chairman & Executive Committee – OmInvest
Chairman of the Board – Bank Nizwa SAOG
Board member and Member of Strategy and Investment Committee - Omantel

Jonathan Cope – Deputy Chairman

Jonathan Cope holds a Master's degree (MA) from Edinburgh University and post-graduate qualifications in Law (PGD, LPC) from BPP Law School in London. He is a UK-qualified lawyer and also a qualified Company Secretary with the Institute of Chartered Secretaries and Administrators (ICSA) and has over thirteen years of experience in various capacities with law firms in the UK. Having joined the RSA Group in 2013, he is now UK & International General Counsel, RSA Group.

Christopher Dooley – Non-Executive Director

Christopher Dooley is a Chartered Insurer with a BA (Hons) qualification and a Diploma in Direct Marketing, with over 30 years of experience in General Insurance and Leadership in the UK and overseas in Asia and in the Middle East. Chris was the Managing Director of Royal & Sun Alliance Insurance (Middle East) BSC (c) Bahrain till retirement in June 2019. He is currently a member of the board of Al Alamiya for Cooperative Insurance Company, KSA. Other experience includes - Director, Customers & People-Singapore (RSA), CEO - Hong Kong (RSA) and Director/CEO Thailand - Insurance Australia Group

Patrick O' Flynn – Independent Director

Patrick O' Flynn has had a long and distinguished career in general insurance spanning over 40 years. Having served in several leadership positions across developed as well as emerging markets such as

UK, Western Europe, Latin America, Middle East, Africa and Asia within the RSA Group. He is now retired and currently holds positions as Independent Non-Executive Director on the boards of different entities of the Now Health International Group. During his career he has held several board memberships of entities in the geographies that he has worked in including the Middle East.

Yousuf Al Balushi – Independent Director

Yousuf Al Balushi holds a Bachelor's Degree in Marketing from Ajman University UAE. He has undertaken extensive training on strategic planning in financial management, statistical analysis of financial markets etc. He has an overall experience of 11 years in the field of investment and marketing. His present responsibility includes examining and assessing economic and market trends, earning prospects, financial statements and various other indicators and factors to determine suitable investment strategies.

Martin Rueegg – Non-Executive Director

Martin Rueegg is an academic baccalaureate in Insurance Business Administration and a Chartered Public Accountant from Winterthur Business School. Martin has more than 20 years of experience in the general insurance industry, of which 10 years were in Senior Leadership level positions in Europe and Emerging Markets in Asia with Axa Insurance. Presently, he is the Managing Director and CEO of the UAE and Bahrain Operations of Royal & Sun Alliance Insurance (Middle East). He also serves as the Managing Director on the board of Royal & Sun Alliance Insurance (Middle East) BSC (c) and is a non executive Board member of Al Alamiya For Cooperative Insurance Company , KSA

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Shahid Rasool – Non-Executive Director

Shahid is the Deputy CEO at OMINVEST and joined the firm as CIO in August 2014. Over the last 22 years, he has held leadership responsibilities at prominent Investment Banks and Investment Firms in the Middle East. Shahid has managed substantially large investment platforms across public equities, private equity, fixed income and alternative investments across regional and international markets. Before joining OMINVEST, Shahid was Head of Public Securities at QInvest (Qatar's largest investment bank) and managed the bank's proprietary capital and client portfolios focusing on MENA and Global Equities. Earlier, he was Head of Investments Group at First Gulf Bank (which has now become First Abu Dhabi Bank) in Abu Dhabi, where he led a large team and managed multi-asset investment portfolios covering MENA and Global markets. He also managed regional and global Private Equity investments at Abu Dhabi Investment Company and Asset Management business at Riyad Bank, Saudi Arabia. Shahid is a CFA charter holder and received his MBA from The University of Chicago, Booth School of Business, Illinois, USA.

Paul William Holmes - Independent Director

Paul Holmes has an Honours Degree in Economics, professionally qualified as an Associate of the Chartered Insurance Institute and has enjoyed a successful and distinguished career in the industry before retiring in an executive capacity in late 2019.

Paul initially worked for Aviva, the UK's largest insurer, both in the UK and the Middle East in various management and executive roles prior to expanding his experience with other international companies and where he has enjoyed working in the Middle East for the last 24 years. He has enjoyed a successful career working in the GCC, leading a number of Joint Ventures companies in both the capacity as Managing Director / CEO as well as Executive Director Board positions.

Shabib Abdullah Ali Al Busaidi – Independent Director

Shabib Ali Al Busaidi is currently working as the Assistant Expert for Insurance Affairs with the Public Authority for Social Insurance (PASI) and has been with PASI since 2012. Mr. Shabib Abdullah Al Busaidi has held many senior roles with the Ministry of National Economy before joining PASI and holds a Masters in Actuarial Sciences from the University of Kent, Post Graduate Diploma in Mathematical Sciences from the University of Liverpool and a Bachelors Degree in Commerce and Economics from the Sultan Qaboos University

الأهلية
Al Ahlia

RSA INSURANCE

Board Secretary - M.P.Venkatesh

Prasanna Venkatesh Muthukrishnan is a Chartered Accountant with over 25 years of senior management experience in general insurance in the Middle East region in the areas of Finance, Secretarial, Corporate Governance, Information Technology and Operations. Having joined the RSA Group in 1988 he has held a variety of positions within the Asia and Middle East Regions of the group including roles as Regional Chief Financial Officer for Middle East, Regional Chief Information Officer for Asia and Middle East Region. Besides being the Board Secretary for Al Ahlia, he also performs a similar role for the Company's parent Royal & Sun Alliance Insurance (Middle East) BSC (c) Bahrain and its other subsidiary Al Alamiya For Cooperative Insurance Company, KSA.

2. Profiles of Executive Management

Praveen Kumar – Chief Executive Officer

Praveen Kumar had joined RSA Group in 2007 as Chief Financial Officer. He holds a Bachelor of Science Degree (Mathematics), from University of Madras. He is a Chartered Accountant from Institute of Chartered Accountants of India and is also CIMA, CPA, and Post Graduate Diploma in Risk Management from Institute of Risk Management UK. Praveen has vast experience in Financial Services Industry and was also previously the RSA ME Regional CFO.

Miron Shahabuddin Kibria – Chief Financial Officer

Miron Kibria had joined RSA Group in 2006 and has over 15 yrs experience in general insurance and risk management and worked in various senior Finance and Risk roles across the RSA Group in the UK and Middle East operations. He rejoined AAIC in 2018 as Chief Risk Officer for Oman & Middle East and was previously the Financial Controller for AAIC from 2012 to 2016. He is a qualified Chartered Management Accountant (CIMA) and holds a BA (Hons) degree in Accounting and Finance from Liverpool John Moores University in UK.

Kevin Moss – Technical Director

Kevin has joined Al Ahlia Oman in 2011 as Technical Director. Kevin is an Associate of the Chartered Insurance Institute(U.K.). He is also a Senior Associate of Australian and New Zealand Institute of Insurance and Finance. Kevin is also member of Technical Committee of Oman Insurance Association. He has a vast experience in the domain of underwriting in the Middle East Region and London Market. His previous experience has been with RSA Middle East, Kuwait Qatar Insurance

Company, Norwich Union Insurance (Gulf), National Company for Co-operative Insurance Jeddah to name a few.

Richard Byford – Claims Director

Richard Byford has joined Al Ahlia in 2015. He is a Chartered Associate of the Chartered Insurance Institute, UK. He has a certificate in Business Management (credit) from Lancaster University, UK. Richard had earlier stint with RSA as Head of Claims for Asia and Middle East as well as Head of Risk Management Solutions for Asia and Middle East. He has a vast experience in the domain of underwriting, risk management and claims management in Europe, UK and Middle East.

Arif Dawood Al Zadjali - IT Director

Arif Al Zadjali has joined Al Ahlia in 2019. He holds a Master Degree in Business Administration from College of Strathclyde, UK and Bachelor in Computer science from Sultan Qaboos University. He has almost 24 years of experience in Information Technology, E. Government, E.Transformation, Change Management, Business strategy, Project Management With strong technical backgrounds in different IT fields and a leadership skills mixed with practical experience in different sectors. In addition Arif been nominated in many National projects i.e. E.Oman initiative, Oman vision 2040.

Fathiya Hajri – Sr. Manager HR Operations

Fathiya has joined AAIC in 1998 and has extensive experience in human resource management . She holds a BSC degree in Business Administration and Human Resources and has more than 20 years' experience in this field

Kapil Garg – Senior Internal Auditor

Kapil Garg joined AAIC in 2017 as Senior Auditor in the Internal Audit Department. He holds a Master of Commerce Degree and is a Chartered Accountant from The Institute of Chartered Accountant of India. Before joining AAIC, Kapil Garg was working with Future Generali India Insurance Company as Senior Manager – Internal Audit.

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Al Ahlia Insurance Company SAOG

Financial statements

For the year ended 31 December 2021

Registered address:

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Al Ahlia Insurance Company SAOG

Financial statements
for the year ended 31 December 2020

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Independent auditors' report

To the Shareholders of Al Ahlia Insurance Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Ahlia Insurance Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants *International* Code of Ethics for Professional Accountants *(including International Independence Standards)* (IESBA Code) 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 IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters _(continued)_

Valuation of insurance contract liabilities

See Note 4.1 (a), 4.1 (b) and 20 to the financial statements.

The key audit matter	How the matter was addressed in our audit
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 insurance liabilities, 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. Independently re-projecting the liabilities balance for certain classes of business; • 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.

Key Audit Matters _(continued)_

Recoverability of insurance and reinsurance receivables

See Note 4.1 (c) and 7 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Company has significant insurance and reinsurance receivables against written premium 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 audit procedures on the recoverability of insurance and reinsurance receivables included: • evaluating and testing key controls over the processes designed to record and monitor insurance and reinsurance receivables: • testing the ageing of insurance and reinsurance receivables to assess if these have been accurately determined. Testing samples of long outstanding insurance and reinsurance 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 reinsurance 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.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified audit opinion on those financial statements for the year ended 31 December 2020 on 28 February 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon:

- Chairman's Report;
- Management Discussion and Analysis Report; and
- Corporate Governance 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, 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

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

In preparing the financial statements, management 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 management 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 ISAs 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 ISAs, 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 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 management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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.

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

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

Report on Other Legal and Regulatory Requirements

Further, we report that financial statements of the Company as at and for the year ended 31 December 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.

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Ravikanth Petluri
23 February 2022

Al Ahlia Insurance Company SAOG

Statement of financial position
at 31 December 2021

	Notes	2021 RO	2020 RO
Assets			
Cash and cash equivalents	5	**1,646,960**	2,332,733
Bank deposits	6	**36,528,097**	38,412,876
Insurance and reinsurance receivables	7	**5,025,697**	5,883,353
Reinsurance share of outstanding claims and IBNR reserve	20	**6,133,561**	6,965,366
Reinsurance share of unearned premium reserve	17	**139,471**	440,561
Other receivables and prepayments	8	**6,130,658**	6,058,834
Investments at fair value through profit or loss	9.1	**94,741**	70,741
Available-for-sale investments	9.2	**71,429**	71,429
Held-to-maturity investments	9.3	**2,407,429**	2,407,890
Property and equipment	11	**1,072,756**	1,184,996
Right-of-use-assets	33	**800,744**	1,186,634
Deferred tax asset	23	**208,243**	165,776
Goodwill	12	**15,448,529**	15,448,529
Total assets		**75,708,315**	80,629,718
Equity and liabilities			
Equity			
Share capital	13	**10,000,000**	10,000,000
Legal reserve	14	**3,909,423**	3,909,423
Contingency reserve	15	**10,000,000**	10,000,000
Revaluation reserve	16	**113,158**	113,876
Retained earnings		**16,291,458**	15,763,591
Total equity		**40,314,039**	39,786,890
Liabilities			
Liabilities arising from insurance contracts			
Gross unearned premium reserve	17	**7,190,554**	8,588,703
Gross outstanding claims and IBNR reserve	20	**17,952,171**	22,984,039
		25,142,725	31,572,742
Reinsurance payable		**858,351**	1,092,187
Other liabilities and accruals	18	**7,321,369**	5,896,380
Lease liabilities	33	**901,923**	1,122,332
Income tax payable	23	**1,169,908**	1,159,187
Total liabilities		**35,394,276**	40,842,828
Total equity and liabilities		**75,708,315**	80,629,718
Net assets per share	26	**0.403**	0.398

These financial statements were approved and authorized for issue by the Board of Directors on 23rd February 2022 and were signed on their behalf by:

Chairman **Director**

شركة الأهلية للتأمين
P.O. Box 1463
P.C. 112 Muscat
Sultanate of Oman
Staff No. 1238
Al-Ahlia Insurance CO. S.A.O.G.

The attached notes 1 to 33 form part of these financial statements.

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Al Ahlia Insurance Company SAOG

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Notes	**2021 RO**	2020 RO
Gross premium earned	*19*	**18,969,174**	21,272,026
Reinsurance share of ceded premium earned	*19*	**(3,175,955)**	(3,166,494)
Net premium earned	*19*	**15,793,219**	18,105,532
Commissions income		**184,435**	194,326
Gross claims expense	*20*	**(5,950,830)**	(13,214,261)
Reinsurance share of gross claims expense	*20*	**(65,247)**	6,687,417
Deferred acquisition cost	*8*	**194,719**	(134,160)
Commission expense		**(1,473,733)**	(1,752,118)
Net underwriting income		**8,682,563**	9,886,736
General and administrative expenses	*22*	**(6,232,237)**	(7,037,876)
Investment income – net	*21*	**1,881,659**	2,090,707
Finance cost on lease liabilities	*33*	**(61,341)**	(75,576)
Other income – net		**231,015**	325,849
Profit before taxation		**4,501,659**	5,189,840
Income tax expense	*23*	**(674,510)**	(800,000)
Profit and other comprehensive income for the year		**3,827,149**	4,389,840
Basic and diluted earnings per share	*27*	**0.038**	0.044

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The attached notes 1 to 33 form part of these financial statements.

Al Ahlia Insurance Company SAOG

Statement of changes in equity

for the year ended 31 December 2021

	Notes	Share capital RO	Legal reserve RO	Contingency reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
Balance at 1 January 2020		10,000,000	3,909,423	10,000,000	114,596	15,473,031	39,497,050
Dividend paid	*32*	-	-	-	-	(4,100,000)	(4,100,000)
Release of revaluation reserve	*16*	-	-	-	(720)	720	-
Profit for the year		-	-	-	-	4,389,840	4,389,840
Balance at 31 December 2020		10,000,000	3,909,423	10,000,000	113,876	15,763,591	39,786,890
Balance at 1 January 2021		**10,000,000**	**3,909,423**	**10,000,000**	**113,876**	**15,763,591**	**39,786,890**
Dividend paid	*32*	-	-	-	-	**(3,300,000)**	**(3,300,000)**
Release of revaluation reserve	*16*	-	-	-	**(718)**	**718**	-
Profit for the year		-	-	-	-	**3,827,149**	**3,827,149**
Balance at 31 December 2021		**10,000,000**	**3,909,423**	**10,000,000**	**113,158**	**16,291,458**	**40,314,039**

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The attached notes 1 to 33 form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2021

	Notes	2021 RO	2020 RO
Cash flows from operating activities			
Profit before taxation		**4,501,659**	5,189,840
Adjustments for:			
Investment income – net	*21*	**(1,881,659)**	(2,090,707)
Movement in unearned premium reserve	*17*	**(1,097,059)**	(2,345,818)
Allowance for impaired debts	*7*	**267,485**	370,000
Depreciation on property and equipment	*11*	**301,395**	301,037
Finance cost on lease liabilities	*33*	**61,341**	75,576
Depreciation relating to right-of-use assets	*33*	**385,890**	371,409
Provision for end of service benefits	*18*	**73,866**	83,602
		2,612,918	1,954,939
Cash flows before changes in operating assets and liabilities:			
Insurance and reinsurance receivables		**590,171**	(73,975)
Reinsurance share of outstanding claims and IBNR reserve		**831,805**	(271,787)
Other receivables and prepayments		**(50,275)**	(155,145)
Gross outstanding claims and IBNR reserve		**(5,031,868)**	(458,640)
Reinsurance payable		**(233,836)**	165,541
Other liabilities and accruals		**1,393,254**	1,815,588
Cash generated from operations		**112,169**	2,976,521
Income tax paid		**(706,256)**	(1,775,774)
End of service benefits paid	*18*	**(42,131)**	(128,402)
Net cash (used in) / generated from operating activities		**(636,218)**	1,072,345
Investing activities			
Purchase of property and equipment	*11*	**(189,155)**	(336,189)
Additional bank deposits during the year		**-**	(2,200,000)
Redemption of bank deposits during the year		**1,884,779**	4,500,000
Purchase of investments		**-**	-
Interest and dividend received		**1,836,571**	789,484
Net cash generated from investing activities		**3,532,195**	2,753,295
Financing activities			
Payment of lease liabilities	*33*	**(281,750)**	(432,695)
Dividend paid	*32*	**(3,300,000)**	(4,100,000)
Net cash used in financing activities		**(3,581,750)**	(4,532,695)
Net decrease in cash and cash equivalents		**(685,773)**	(707,055)
Cash and cash equivalents at the beginning of the year	*5*	**2,332,733**	3,039,788
Cash and cash equivalents at the end of the year	*5*	**1,646,960**	2,332,733

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The attached notes 1 to 33 form part of these financial statements.

1. General

Al Ahlia Insurance Company SAOG (the "Company") is an Omani joint stock company registered and incorporated in the Sultanate of Oman. The Company operates in Oman and writes short term insurance contracts covering general risks. The address of its registered office is PO Box 1463, Postal Code 112 Muscat, Sultanate of Oman.

The Company is a subsidiary of Royal & Sun Alliance Insurance (Middle East) BSc (c), whose registered address is Flat No - 81, Building No - 198, Road No - 2803, Block No – 428, P O Box 11871, Manama, Kingdom of Bahrain. The ultimate parent company is RSA Insurance Group Ltd registered in UK.

The Company commenced its commercial operations on 1 July 2004 by acquiring the general insurance businesses of the Muscat branch of Royal & Sun Alliance Insurance Plc (Middle East) EC and W J Towell & Co. LLC, both related parties. On 30 April 2010, the Company acquired 99.99% of the issued and fully paid share capital of formerly Al Ahlia Insurance Company SAOC. With effect from 17 January 2011, the formerly Al Ahlia Insurance Company SAOC has been merged in to the Company. The Company completed the IPO process and the Company's shares were listed for trading on the Muscat Securities Market from 17 August 2017 onwards.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with applicable requirements of the Commercial Companies Law of 2019, Insurance Companies Law, as amended and relevant requirements of the Capital Market Authority of the Sultanate of Oman.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit and loss, available-for-sale and revaluation of land and building. The Company presents its statement of financial position in order of liquidity.

2.3 Functional and presentation currency

These financial statements are presented in Rial Omani which is the Company's functional and presentation currency. All values are rounded to nearest Rial Omani (RO).

2.4 Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates

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 the future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

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2. Basis of preparation (continued)

2.4 Use of estimates and judgments (continued)

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.

This note outlines the steps taken by the Company to estimate the impact of COVID-19 and the judgements applied by management in assessing the values of assets and liabilities as at 31 December 2021.

Insurance risk

In its underwriting segment, the Company is primarily exposed to business interruption policies. The Company has in place pandemic and infectious disease policy exclusions as well. The Company has evaluated all business interruption policies in force 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 specific policy exclusions and the support from its reinsurers. 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.

Reinsurance risk

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 have expressly disassociated with the Company nor have any reinsurance companies communicated its non-willingness to accept COVID-19 related claims.

Credit risk

The Company has robust governance in place to ensure the appropriateness of provision against doubtful insurance receivables and the resultant estimates are being reviewed continuously by the management.

For year ended 31 December 2021, the Company has used specific measures to assess probability of impairment and possible defaults or delay in collection or payment of outstanding debts.

Liquidity risk management

In response to 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 remains strong and is well placed to absorb and manage the impacts of this disruption.

2.5 Standards and interpretations adopted for accounting period beginning on 1 January 2021

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2021.

- Interest Rate Benchmark Reform – Phase 2 (Amendment to IFRS 9, IAS 39, IFRS 7 and IFRS 16).

The above change did not have a material impact on the financial statements.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been consistently applied by the Company.

3.1 Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

3.2 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of business acquired as of the date of acquisition. The cost of acquisition is the amount of cash paid and the fair value of other purchase consideration. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The Company determines whether goodwill is impaired on at least an annual basis. The recoverable amount of an asset or CGU (Cash generating unit) is the greater of its value in use and its fair value less cost to sell. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3.3 Intangible assets

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expenses on intangible assets are recognised in profit or loss.

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which it relates to. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

3.4 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that have an original maturity of more than three months from the date of acquisition are excluded from cash and cash equivalents.

3. Summary of significant accounting policies (continued)

3.5 Insurance and reinsurance receivables

Insurance and reinsurance receivable are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest method less impairment losses, if any. A provision for impairment of insurance and reinsurance receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. 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 original effective interest rate.

3.6 Investment securities

The Company classifies its investments upon initial recognition into the following categories:

- Investments at fair value through profit or loss
- Held-to-maturity investments
- Available-for-sale investments

Investments at fair value through profit or loss (FVTPL):

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument forms part of a contract containing one or more embedded derivatives and *IAS 39 Financial Instruments : Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.
- A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition.

Held-to-maturity investments:

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities and which the Company has the intention and ability to hold to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. After initial measurement, held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'investment income' in the statement of profit or loss.

Available-for-sale (AFS) investments:

AFS investments are those which are neither classified as held for trading nor designated at fair value through profit or loss. Quotes shares held by the Company that are traded in an active market are stated at fair value at the end of each reporting period.

Fair value is determined in the manner described in note 31. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in the statement of profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in the statement of other comprehensive income and accumulated under the 'investments revaluation reserve'. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to the statement of profit or loss.

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3. Summary of significant accounting policies (continued)

3.6 Investment securities (continued)

Available-for-sale (AFS) investments (continued):

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

The Company determines whether available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

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.

3.7 Derecognition of financial instruments

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

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.8 Property and equipment

Property and equipment other than land and building, are stated at cost less accumulated depreciation and any impairment in carrying value. Land and building are initially recorded at cost and subsequently measured at fair value.

When an asset is carried at fair value, any increase in the carrying amount arising on revaluation is credited directly to other comprehensive income under the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, in which case the increase is credited to profit or loss to the extent of decrease previously expensed. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited to the retained earnings.

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

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Building	over 40 years
Motor vehicles	over 3 years
Furniture	over 4 years
Equipment	over 3 years
Software	over 5 years

3. Summary of significant accounting policies (continued)

3.8 Property and equipment (continued)

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

For revalued assets, any surplus arising on revaluation is recognised in other comprehensive income except that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss, in which case the credit to that extent is recognised in profit or loss. Any deficit on revaluation is recognised in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case debit to that extent is recognised in other comprehensive income. Incremental depreciation on revaluation surplus is transferred to retained earnings on annual basis.

3.9 Impairment and uncollectibility

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in the profit or loss. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value; less any impairment loss previously recognised in the profit or loss;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
c) For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Non-financial assets

At each reporting date, the Company assesses if there is any indication of impairment of non-financial assets other than goodwill. If an indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss in the profit or loss.

The Company also assesses if there is any indication that an impairment loss recognised in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the profit or loss. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

3.10 Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to profit or loss as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provision for reported claims not paid as at the reporting date is made on the basis of individual case estimates. In addition, a provision based on the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

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3. Summary of significant accounting policies (continued)

3.11 Liability adequacy test

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

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

3.12 Reinsurance

In order to minimise financial exposure from large claims the Company enters into agreements with other parties for reinsurance purposes. Premiums ceded and claims reimbursed are presented on a gross basis.

Amounts due to reinsurers are estimated in a manner consistent with the related reinsured policies and in accordance with the reinsurance contract.

Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These are shown as assets in the statement of financial position until the claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "Insurance and reinsurance receivables". Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

3.13 End of service benefits

The Company contributes to the pension scheme for Omani nationals in accordance with the Omani Public Authority for Social Insurance under Royal Decree No. 72/91. This is a defined contribution pension plan and the Company's contributions are charged to profit or loss in the period to which they relate. In respect of this scheme, the Company has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

The Company's obligation in respect of non-Omani employees' end of service benefits is the amount of future benefit that such employees have earned in return for their service in the current and prior periods having regard to the employee contract and Oman Labour Law 2003, as amended.

In accordance with the provisions of IAS 19, Employee benefits, management carries an exercise to assess the present value of the Company's obligations as of reporting date, using the actuarial techniques, in respect of employees' end of service benefits payable under the Oman aforesaid Labour Law. Under this method, an assessment is made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service.

3.14 Other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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3.15 Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3. Summary of significant accounting policies (continued)

3.16 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability
Or
In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

3.17 Premiums earned

Net premiums, after deducting policy acquisition costs, are recognised as revenue. Premiums are taken into income over the term of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the profit or loss in order that revenue is recognised over the period of risk.

Unearned premium are those premiums written in a year that relate to period of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent period is deffered as a provision for unearned premium. An additional provision is created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Companies Law.

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Deferred acquisition costs are calculated as a percentage of unearned premium reserve, includes an element of commission and is recognised as a portion of premium earned.

3.18 Commissions income and expense

Commissions income and expense are recognised at the time policies are written.

3.19 Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

3.20 Dividend income

Dividends on investments are recognised in profit or loss when the Company's right to receive the dividends is established.

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3.21 Income tax

Taxation is provided for in accordance with Omani tax regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

3. Summary of significant accounting policies (continued)

3.21 Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

3.22 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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3. Summary of significant accounting policies (continued)

3.22 Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.23 Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated at the rate of exchange ruling at that date. All exchange differences arising are taken to the profit or loss.

3.24 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. All operating segments' operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance.

3.25 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 period. 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.

3. Summary of significant accounting policies (continued)

3.26 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are approved.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

3.27 Directors' remuneration

The board of directors' remuneration is accrued within the limits specified by the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman, as amended.

3.28 New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations applicable to the Company are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company are assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Company does not plan to adopt these standards early.

i) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments introduce two approaches for entities that apply IFRS 4 to reduce the impact of differing effective dates with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments: an overlay approach and a temporary exemption from applying IFRS 9.

The amended IFRS 4:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and

- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 till the earlier of annual reporting periods beginning before 1 January 2023 or when IFRS 17 becomes effective. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of the financial statements to understand:

- how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and

- the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies IFRS 9.

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3. Summary of significant accounting policies (continued)

3.28 New standards and interpretations not yet adopted (continued)

i) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (continued)

An insurer that elects to apply the temporary exemption from IFRS 9 shall disclose information to enable users of the financial statements:

a) to understand how the insurer qualified for the temporary exemption; and
b) to compare insurers applying the temporary exemption with entities applying IFRS 9.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2023 and will expire once IFRS 17 becomes effective.

Potential impact on the financial statements

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Company's financial statements. That standard may impact how the classification and measurement of financial instruments requirements under IFRS 9 is adopted.

The Company qualifies for temporary exemption from applying IFRS 9 on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance with the carrying amount of its liabilities within the scope of IFRS 4 being greater than 90 per cent of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

The fair value information of the Company's directly held financial assets at 31 December 2021 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of IFRS 9, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9, together with all other financial assets:

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9		All other financial assets	
	Fair value at 31 December 2021	Movement in fair value during the year	Fair value at 31 December 2021	Movement in fair value during the year
	RO	RO	RO	RO
31 December 2021				
Assets				
Cash and cash equivalent	1,646,960	-	-	-
Bank deposits	36,528,097	-	-	-
Other receivables	4,789,642	-	-	-
Investments at fair value through profit or loss	-	-	94,741	-
Available-for-sale investments	-	-	71,429	-
Held-to-maturity investments	2,407,429	-	-	-
	45,372,128	-	166,170	-

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3. Summary of significant accounting policies (continued)

3.28 New standards and interpretations not yet adopted (continued)

i) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (continued)

Potential impact on the financial statements (continued)

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9		All other financial assets	
	Fair value at 31 December 2020	Movement in fair value during the year	Fair value at 31 December 2020	Movement in fair value during the year
	RO	RO	RO	RO
31 December 2020 Assets				
Cash and cash equivalent	2,332,733	-	-	-
Bank deposits	38,412,876	-	-	-
Other receivables	4,928,780	-	-	-
Investments at fair value through profit or loss	-	-	70,741	-
Available-for-sale investments	-	-	71,429	-
Held-to-maturity investments	2,407,890	-	-	-
	48,082,279	-	142,170	-

The financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 in the table above are classified as amortised cost under IAS 39. The credit ratings of these financial assets are as follows:

	Credit ratings (from Standard & Poor's or equivalents)					
	AAA	**AA+ to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Below BBB- or not rated**	**Total**
31 December 2021						
Bank balances	-	-	**53,635**	**1,587,190**	**6,135**	**1,646,960**
Bank deposits	-	-	**1,000,000**	**35,378,097**	**150,000**	**36,528,097**
	-	-	**1,053,635**	**36,965,287**	**156,135**	**38,175,057**
31 December 2020						
Bank balances	-	-	53,632	2,272,966	6,135	2,332,733
Bank deposits	-	-	-	38,262,876	150,000	38,412,876
	-	-	53,632	40,535,842	156,135	40,745,609

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3. Summary of significant accounting policies (continued)

3.28 New standards and interpretations not yet adopted (continued)

ii) IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' as of 1 January 2023.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is not practical, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Management anticipates that IFRS 17 will be adopted in the Company's financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have a significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts. However, it is not practical to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review.

iii) Other standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements, when effective:

New standard or amendments	*Effective date*
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3 – Reference to Conceptual Framework	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023

4. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described in Note 3, management has made judgements that have the most significant effect on the amounts recognised in the financial statements and applied certain assumptions, and other key sources of estimation uncertainty at the reporting date as discussed below:

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4. Critical accounting judgments and key sources of estimation uncertainty (continued)

4.1 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Insurance claims

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes required are made to the provision. Adequacy of the claims estimates on an overall basis is also assessed by an independent actuary and adjustments if required are recorded in the underwriting account. General insurance claims provisions are not discounted for the time value of money.

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.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

(b) Liability adequacy test

At each reporting date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is recognised in profit or loss and an unexpired risk provision created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months of the reporting date.

(c) Impairment of insurance and reinsurance receivables

An estimate of the collectible amount of insurance and reinsurance receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

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5. Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise the following:

	2021 RO	2020 RO
Cash and bank	**1,646,960**	2,332,733

Bank balances amounting to RO 39,748 (2020 – RO 40,861), RO 1,214 (2020 – RO 1,214) and RO 3,480 (2020 – RO 787,596) are denominated in UAE Dirham's, Pound Sterling and US Dollars respectively.

6. Bank deposits

	2021 RO	2020 RO
Bank deposits with a maturity of greater than three months from the value date of deposits	**36,528,097**	38,412,876

The deposits are held with commercial banks in Oman and carry annual interest rates ranging from 3% to 5% (2020 – ranging from 2% to 5%).

At the reporting date, the Company does not hold any bank deposits denominated in foreign currency nil (2020 – nil).

Bank deposits include balances with related party amounting to RO 8,306,843 (2020 – RO 9,356,843) (note 24).

7. Insurance and reinsurance receivables

	2021 RO	2020 RO
Due from policyholders	**1,415,859**	1,403,782
Due from agents and brokers	**4,767,020**	5,012,006
Due from reinsurance companies	**206,348**	649,950
	6,389,227	7,065,738
Less: allowance for impaired debts	**(1,363,530)**	(1,182,385)
	5,025,697	5,883,353

Insurance and reinsurance receivables include balances from the related parties amounting to RO 33,696 (2020 – RO 473,935) (note 24). Allowance for impairment towards these receivables amounted to nil as of 31 December 2021 (2020 – nil).

Movements in allowance for impaired debts were as follows:

	2021 RO	2020 RO
At 1 January	**1,182,385**	920,021
Charge during the year	**267,485**	370,000
Written off during the year	**(86,340)**	(107,636)
At 31 December	**1,363,530**	1,182,385

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8. Other receivables and prepayments

	2021 RO	2020 RO
Accrued interest income	**3,861,051**	3,839,502
Receivable from related parties (note 24)	**3,857**	199,888
Prepaid expenses	**57,244**	41,001
Deferred acquisition costs	**1,283,772**	1,089,053
Sundry receivables	**924,734**	889,390
	6,130,658	6,058,834

Deferred acquisition costs pertain to deferrable direct and indirect costs incurred in renewing and acquiring new insurance contracts during the financial period.

Movements in deferred acquisition cost were as follows:

	2021 RO	2020 RO
At 1 January	**1,089,053**	1,223,213
Acquisition cost deferred during the year	**1,283,772**	1,089,053
Acquisition cost amortised during the year	**(1,089,053)**	(1,223,213)
At 31 December	**1,283,772**	1,089,053

9. Investment securities

	2021 RO	2020 RO
Investments at fair value through profit or loss (note 9.1)	**94,741**	70,741
Available-for-sale investments (note 9.2)	**71,429**	71,429
Held to maturity investments (note 9.3)	**2,407,429**	2,407,890
	2,573,599	2,550,060

Movement in investment securities during the year are as follows:

	2021 RO	2020 RO
At 1 January	**2,550,060**	2,548,058
Fair value change and amortisation	**23,539**	2,002
	2,573,599	2,550,060

9.1 Investments at fair value through profit or loss

	2021		2020	
	Fair value RO	**Cost RO**	Fair value RO	Cost RO
Quoted – banking	**57,073**	**35,864**	41,382	35,864
Quoted – industrial	**37,668**	**25,000**	29,359	25,000
	94,741	**60,864**	70,741	60,864

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9. Investment securities (continued)

9.2 Available-for-sale investments

	2021		2020	
	Fair value RO	**Cost RO**	Fair value RO	Cost RO
Unquoted – services	**71,429**	**71,429**	71,429	71,429

9.3 Held-to-maturity investments

	Effective interest rate %	**2021 RO**	2020 RO
Government Development Bonds – Issue 50	**5.21**	**88,171**	87,983
Government Development Bonds – Issue 52	**5.12**	**541,919**	540,863
Government Development Bonds – Issue 53	**5.17**	**1,427,339**	1,429,044
Government Development Bonds – Issue 59	**5.00**	**350,000**	350,000
		2,407,429	2,407,890

10. Restriction on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority certain specific bank deposits and investments included in the statement of financial position at a total value of RO 35,135,527 (2020 – RO 36,870,766). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

The Company has provided a bank guarantee to the Capital Market Authority of RO 150,000 (2020 – RO 150,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (note 25).

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11. Property and equipment

	Land and building RO	Motor vehicles RO	Furniture and equipment RO	Capital work in progress RO	Total RO
Cost / valuation					
At 1 January 2020	198,713	64,281	2,913,207	272,430	3,448,631
Additions	-	-	196,467	139,722	336,189
Disposal	-	-	252,765	(252,765)	-
At 1 January 2021	198,713	64,281	3,362,439	159,387	3,784,820
Additions	-	-	45,474	143,681	189,155
At 31 December 2021	**198,713**	**64,281**	**3,407,913**	**303,068**	**3,973,975**
Depreciation					
At 1 January 2020	7,114	64,281	2,227,392	-	2,298,787
Charge for the year	720	-	300,317	-	301,037
At 1 January 2021	7,834	64,281	2,527,709	-	2,599,824
Charge for the year	718	-	300,677	-	301,395
At 31 December 2021	**8,552**	**64,281**	**2,828,386**	-	**2,901,219**
Carrying value					
At 31 December 2021	**190,161**	-	**579,527**	**303,068**	**1,072,756**
At 31 December 2020	190,879	-	834,730	159,387	1,184,996

On 31 December 2021, in accordance with the Company's policy, land and buildings were re-valued at their fair value for existing use by a professional valuer. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount and the net amount restated to the revalued amount of the asset. If land and building had been carried at cost less depreciation, the carrying amount would have been RO 74,845 (2020 – RO 75,563).

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12. Goodwill

Goodwill arising on acquisition

Goodwill represents amount arising on acquisition of formerly Al Ahlia Insurance Company SAOC on 30 April, 2010. With effect from 17 January, 2011 the formerly Al Ahlia Insurance Company SAOC has been merged into the Company.

	RO
Consideration transferred	**20,614,225**
Less: fair value of identifiable net assets acquired	**(5,165,696)**
Goodwill	**15,448,529**

Impairment testing

At the end of the reporting period, the Company assessed the recoverable amount of goodwill, using key assumptions including 2.5% (2020 – 3%) terminal growth rate, weighted average cost of capital in the range of 12.6% (2020 – 12%) and determined that goodwill was not impaired. The impairment test, amongst others, is dependent on the weighted average cost of capital and achievement of projected results for a five year period. Cost of capital reflects the market's assessment of the entities future cash flows and is modelled taking into account risk free rate of return and adjusted for currency/country risk. Currency risk is determined by taking the spread of Oman government 10 year bonds with the UK 10 year government bond yield. The spread will capture any additional market risk and additional inflation/ currency depreciation risk specific as required by IAS 36.

A rise in the pre – tax discount rate beyond 13% (i.e., +1%) would result in impairment assuming all other assumptions remained unchanged.

13. Share capital

	2021 **RO**	2020 RO
Authorised – ordinary shares of 100 baizas each (2020 – 100 baizas each)	**10,000,000**	10,000,000
Issued and paid up – ordinary shares of 100 baizas each (2020 – 100 baizas each)	**10,000,000**	10,000,000

Shareholders

The following shareholders of the Company own 10% or more of the Company's share capital:

	2021		2020	
	No of shares	**%**	No of shares	%
Royal & Sun Alliance Insurance (Middle East) BSc (c)	**52,500,000**	**52.50%**	52,500,000	52.50%
OMINVEST	**24,299,993**	**24.30%**	24,299,993	24.30%
	76,799,993	**76.80%**	76,799,993	76.80%

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14. Legal reserve

As required by the Commercial Companies Law of Oman, 10% of the profit for the year is required to be transferred to legal reserve until such time as the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution. At 31 December 2021, the legal reserve has reached one third of the issued capital accordingly no transfer made in the current year (2020 – nil).

15. Contingency reserve

In accordance with Article 10 (bis) (2) (c) and 10 (bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended:

- 10% of the net outstanding claims in case of the general insurance business at the reporting date is transferred from retained earnings to contingency reserve, and;
- 1% of the life assurance premiums in case of the life assurance business is transferred from retained earnings to contingency reserve.

The Company may discontinue this transfer when the reserve equals to the issued share capital or RO 5 million for foreign companies. The reserves shall not be used except by prior approval of the Capital Market Authority.

At 31 December 2021, the Company's contingency reserve is equal to the statutory limit of RO 10 million and accordingly, no transfer has been made in the current year to the contingency reserve (2020: RO 10 million).

16. Revaluation reserve

This represents the reserve as a result of revaluation of land and building.

17. Unearned premium reserve

	2021 RO	2020 RO
Gross unearned premium reserve	**7,190,554**	8,588,703
Reinsurance share of unearned premium reserve	**(139,471)**	(440,561)
	7,051,083	8,148,142
Movement during the year :		
At 1 January	**8,148,142**	10,493,960
Premiums written during the year	**14,696,160**	15,759,714
Premiums earned during the year	**(15,793,219)**	(18,105,532)
At 31 December	**7,051,083**	8,148,142

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18. Other liabilities and accruals

	2021 RO	2020 RO
Due to related parties (note 24)	**886,446**	607,179
Other payables	**4,561,883**	3,883,630
Accrued expenses	**816,677**	762,069
Provision for end of service benefits	**456,516**	424,781
Accounts payable	**599,847**	218,721
	7,321,369	5,896,380

Movements in the related liability for end of service benefits recognised in the statement of financial position are as follows:

	2021 RO	2020 RO
At 1 January	**424,781**	469,581
Accrued during the year	**73,866**	83,602
Paid during the year	**(42,131)**	(128,402)
At 31 December	**456,516**	424,781

19. Net premium earned

	2021 RO	2020 RO
Gross written premiums	**17,571,025**	19,086,004
Movement in unearned premium reserve	**1,398,149**	2,186,022
Gross premium earned	**18,969,174**	21,272,026
Reinsurance share of ceded premiums	**(2,874,865)**	(3,326,290)
Movement in reinsurance share of unearned premium reserve	**(301,090)**	159,796
Reinsurance share of ceded premium earned	**(3,175,955)**	(3,166,494)
Net premium earned	**15,793,219**	18,105,532

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20. Claims

The amount in the provision for outstanding claims, and the related reinsurer's share is as follows:

	2021		
	Gross RO	Reinsurance share RO	Net RO
At 1 January			
Outstanding claims	**18,026,583**	**(6,798,697)**	**11,227,886**
IBNR	**4,957,456**	**(166,669)**	**4,790,787**
	22,984,039	**(6,965,366)**	**16,018,673**
Add: claims provided during the year	**5,950,830**	**65,247**	**6,016,077**
	28,934,869	**(6,900,119)**	**22,034,750**
Less: insurance claims paid during the year	**(10,982,698)**	**766,558**	**(10,216,140)**
At 31 December	**17,952,171**	**(6,133,561)**	**11,818,610**
Analysis of outstanding clams at 31 December			
Outstanding claims	**14,165,142**	**(6,087,444)**	**8,077,698**
IBNR	**3,787,029**	**(46,117)**	**3,740,912**
	17.952,171	**(6,133,561)**	**11,818,610**

	2020		
	Gross RO	Reinsurance Share RO	Net RO
At 1 January			
Outstanding claims	16,346,527	(6,603,231)	9,743,296
IBNR	7,096,152	(90,348)	7,005,804
	23,442,679	(6,693,579)	16,749,100
Add: claims provided during the year	13,214,261	(6,687,417)	6,526,844
	36,656,940	(13,380,996)	23,275,944
Less: insurance claims paid during the year	(13,672,901)	6,415,630	(7,257,271)
At 31 December	22,984,039	(6,965,366)	16,018,673
Analysis of outstanding clams at 31 December			
Outstanding claims	18,026,583	(6,798,697)	11,227,886
IBNR	4,957,456	(166,669)	4,790,787
	22,984,039	(6,965,366)	16,018,673

Claims include claims related to related parties amounting to RO nil (2020 – RO Nil).

Majority of the claims are expected to be paid within twelve months of the reporting date. The amounts due from reinsurers are contractually due within a maximum period of three months from the date of payment of the claims. Outstanding claims payable to related parties are disclosed in note 24.

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21. Investment income – (net)

	2021 RO	2020 RO
Interest income on bank deposits	**1,829,087**	1,913,312
Net income on investments	**24,000**	2,464
Dividend income	**28,572**	174,931
	1,881,659	2,090,707

22. General and administrative expenses

	2021 RO	2020 RO
Staff costs	**3,250,090**	3,771,318
Depreciation of property and equipment (note 11)	**301,395**	301,037
Depreciation of right-of-use assets (note 33)	**385,890**	371,409
Technical service fees (note 24)	**463,569**	380,912
Telephone	**75,101**	127,375
IT expenses	**652,201**	637,142
Travel expenses	**2,797**	9,958
Other expenses	**1,101,195**	1,438,725
	6,232,238	7,037,876

23. Income tax

	2021 RO	2020 RO
Statement of profit or loss and other comprehensive income:		
Current tax	**721,060**	819,560
Prior year tax	**(4,083)**	(2,616)
Deferred tax	**(42,467)**	(16,944)
	674,510	800,000
Current liability:		
Current year	**721,060**	819,560
Prior years	**448,848**	339,627
	1,169,908	1,159,187
Deferred tax asset:		
At 1 January	**165,776**	148,832
Movement for the year	**42,467**	16,944
At 31 December	**208,243**	165,776

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23. Income tax *(continued)*

The deferred tax asset comprises the following types of temporary differences:

	2021 RO	2020 RO
Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**27,236**	20,442
Taxable timing differences on right-of-use assets	**23,170**	14,669
Deductible timing difference on provisions	**157,837**	130,665
At 31 December	**208,243**	165,776

The tax rate applicable to the Company is 15% (2020 – 15%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 14.92% (2020 – 15.41%).

Set out below is reconciliation of income tax calculated on accounting profits with income tax expense for the year:

	2021 RO	2020 RO
Profit before income tax	**4,501,659**	5,189,840
Tax calculated at the statutory income tax rate of 15%	**675,249**	778,476
Tax effect of:		
Income / gains not taxable	**(129,858)**	(156,043)
Prior year's tax	**(27,261)**	(2,616)
Deferred tax	**(42,467)**	(16,944)
Expenses not deductible in taxable profit	**198,847**	197,127
Income tax expense	**674,510**	800,000

Status of tax assessments

Assessments of the Company up to tax year 2017 are complete. Tax assessments of the former Al Ahlia Insurance Company SAOC prior to its merger with the Company are complete up to tax year 2010.

The management is of the opinion that any additional taxes assessed for the open tax years, if any, would not be material to the Company's financial position as at 31 December 2021.

24. Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains significant balances with these related parties which arise in the normal course of business from commercial transactions and are at mutually agreed terms and conditions.

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24. Related party transactions *(continued)*

Balances with related parties included in the statement of financial position are as follows:

	31 December 2021				
	Deposits and other receivables RO	**Insurance and reinsurance receivables RO**	**Reinsurance payable RO**	**Outstanding claims payable RO**	**Other payables RO**
Major shareholders	**8,306,843**	**-**	**-**	**-**	**8,306,843**
Other related parties	**3,857**	**33,696**	**15,769**	**-**	**53,322**
	8,310,700	**33,696**	**15,769**	**-**	**8,360,165**

	31 December 2020				
	Deposits and other Receivables RO	Insurance and reinsurance receivables RO	Reinsurance payable RO	Outstanding claims payable RO	Other payables RO
Major shareholders	9,356,843	-	-	-	-
Other related parties	199,888	473,935	36,421	-	607,179
	9,556,731	473,935	36,421	-	607,179

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

	For the year ended 31 December 2021				
	Reinsurance share of ceded premiums RO	**Commission income RO**	**Reinsurance share of claims recovered RO**	**Technical service fees RO**	**Deposits placed RO**
Major shareholders	**-**	**-**	**-**	**463,569**	**-**
Other related parties	**273,969**	**67,121**	**556,610**	**-**	**-**
	273,969	**67,121**	**556,610**	**463,569**	**-**

	For the year ended 31 December 2020				
	Reinsurance share of ceded premiums RO	Commission income RO	Reinsurance share of claims recovered RO	Technical service fees RO	Deposits placed RO
Major shareholders	-	-	-	380,912	200,000
Other related parties	242,552	64,749	800,292	-	-
	242,552	64,749	800,292	380,912	200,000

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24. Related party transactions *(continued)*

Compensation of key management personnel
The remuneration of key management during the year was as follows:

	For the year ended 31 December	
	2021	2020
	RO	RO
Short-term benefits	**480,871**	493,598
Employees' end of service benefits	**27,596**	23,657
	508,467	517,255

Terms and conditions of transactions with related parties
Outstanding balances at year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2020 – Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

25. Contingent liabilities

Contingencies
The Company's bankers have provided financial guarantees to third parties on behalf of the Company amounting to RO 52,875 (2020 – RO 225,307).

The Company has provided a bank guarantee to the Capital Market Authority of RO 150,000 (2020 – RO 150,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 10).

Legal claims
The Company, in the normal course of business is subject to litigations and lawsuits. The Company, based on an independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

26. Net assets per share

	2021	2020
	RO	RO
Net assets (RO)	**40,314,039**	39,786,890
Number of shares at the reporting date	**100,000,000**	100,000,000
Net assets per share (RO)	**0.403**	0.398

Net assets per share are calculated by dividing the shareholders' equity at the reporting date by the number of shares outstanding.

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27. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2021	2020
	RO	RO
Profit for the year	**3,827,149**	4,389,840
Weighted average number of shares	**100,000,000**	100,000,000
Earnings per share	**0.038**	0.044

No figure for diluted earnings per share has been presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

28. Segmental information

The Company has two reportable segments, as described below. The strategic business units offer different products and services and are managed separately because they require different marketing strategies. For each of the strategic business units, the CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Company's reportable segments:

(i) Motor
(ii) Non – motor

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net insurance income, as included in the internal management reports that are reviewed by the CEO. Inter-segment pricing is determined on an arm's length basis.

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28. Segmental information (continued)

	Motor		Non - motor		Total	
	2021 RO	2020 RO	**2021 RO**	2020 RO	**2021 RO**	201 RO
Net premium earned	**12,232,762**	11,755,776	**3,560,457**	6,349,756	**15,793,219**	18,105,532
Net underwriting income	**5,695,244**	4,037,683	**2,987,319**	5,849,053	**8,682,563**	9,886,736
General and administrative \ expenses					**(6,232,237)**	(7,037,876)
Investment income – net					**1,881,659**	2,090,707
Other income – net					**231,015**	325,849
Finance cost on lease liabilities					**(61,341)**	(75,576)
Profit before tax					**4,501,659**	5,189,840
Income tax expense					**(674,510)**	(800,000)
Profit for the year					**3,827,149**	4,389,840
Segment assets	**1,478,763**	1,100,784	**6,078,041**	7,394,196	**7,556,804**	8,494,980
Unallocated assets					**68,151,511**	72,134,738
Total assets					**75,708,315**	80,629,718
Segment liabilities	**12,371,903**	18,279,543	**13,326,044**	13,843,119	**25,697,947**	32,122,662
Unallocated liabilities					**9,696,329**	8,720,166
Total liabilities					**35,394,276**	40,842,828

Assets and liabilities of the Company are commonly used across the primary segments.

29. Risk management

Governance framework

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

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29. Risk management *(continued)*

Reinsurance risk

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

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The Company's maximum theoretical credit risk exposure at the reporting date in this connection is RO 6,133,561 (2020 – RO 6,965,366).

The five largest reinsurance premiums account for 82% as of 31 December 2020 (2020: 40%).

The concentration of reinsurance risk at the reporting date by geographic region is as follows:

	2021	2020
	RO	RO
Oman	**595,869**	163,662
Middle east	**596,976**	1,262,380
Others	**4,940,716**	5,539,324
	6,133,561	6,965,366

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's bank deposits carry fixed rate of interest and therefore, are not exposed to interest rate risk.

Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims:

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor, fire and accident and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

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29. Risk management *(continued)*

Insurance risk *(continued)*

Fire-property:

For property insurance contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

Motor:

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine:

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

The insurance risk arising from insurance contracts is not concentrated in any of the countries in which the Company operates.

Key assumptions:

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

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Claims development

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

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29. Risk management *(continued)*

Insurance risk *(continued)*

Claims development (continued)

Gross incurred claims

31 December 2021

Accident year	2015 RO	2016 RO	2017 RO	2018 RO	2019 RO	2020 RO	2021 RO	Total RO
One year later	8,230,268	10,579,336	8,622,277	12,445,079	8,184,731	12,418,703	8,304,664	
Two years later	10,440,427	8,948,367	8,584,571	15,987,797	7,363,031	10,711,484		
Three years later	9,957,960	7,829,404	7,829,404	15,543,275	7,161,526			
Four years later	9,747,987	7,785,934	7,785,934	15,096,721				
Five years later	9,207,375	7,003,463	7,001,185					
Six years later	9,092,061	7,001,185						
Seven years later	8,992,510							
Estimate of incurred claims	8,992,510	7,001,185	7,001,185	15,096,721	7,161,526	10,711,484	8,304,664	64,292,124
Cumulative payments to date	(8,978,654)	(6,571,026)	(6,571,026)	(14,143,638)	(5,474,581)	(4,225,712)	-	(46,316,934)
Liability recognized	13,856	430,159	430,159	953,083	1,686,945	6,485,772	8,304,664	17,975,190
Liability in respect of prior years								(23,019)
Liability recognised in the statement of financial position (gross outstanding claims and IBNR) as at 31 December 2021 (note 20)								17,952,171

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29. Risk management *(continued)*

Insurance risk *(continued)*

Claims development (continued)

Net incurred claims

31 December 2021

Accident year	2015 RO	2016 RO	2017 RO	2018 RO	2019 RO	2020 RO	2021 RO	Total RO
One year later	7,792,661	8,860,101	7,263,077	5,574,994	7,377,758	7,345,858	6,775,704	
Two years later	8,428,209	8,261,326	7,493,007	5,830,191	6,248,299	6,812,407		
Three years later	8,027,131	7,111,145	6,638,096	4,455,580	6,057,413			
Four years later	7,845,937	7,000,722	6,451,686	4,135,229				
Five years later	7,317,357	6,300,268	5,809,124					
Six years later	7,202,416	6,297,992						
Seven years later	7,102,865							
Estimate of incurred claims	7,102,865	6,297,992	5,809,124	4,135,229	6,057,413	6,812,407	6,775,404	42,990,434
Cumulative payments to date	(7,089,009)	(6,107,833)	(5,734,786)	(3,610,049)	(4,772,108)	(3,836,527)		(31,150,312)
Liability recognized	13,856	190,159	74,338	525,180	1,285,305	2,975,880	6,775,404	11,840,122
Liability in respect of prior years								(21,512)
Liability recognised in the statement of financial position (net outstanding claims and IBNR) as at 31 December 2021 (note 20)								**11,818,610**

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29. Risk management *(continued)*

Insurance risk *(continued)*

Claims development (continued)

Gross incurred claims

31 December 2020

Accident year	2014 RO	2015 RO	2016 RO	2017 RO	2018 RO	2019 RO	2020 RO	Total RO
One year later	11,033,907	10,062,339	11,399,443	10,422,277	14,595,079	10,694,731	13,018,703	
Two years later	10,256,042	10,436,551	8,948,367	8,584,571	15,987,797	9,873,031		
Three years later	9,776,326	9,957,960	7,829,404	7,670,419	15,543,275			
Four years later	9,438,283	9,747,987	7,785,934	7,674,725				
Five years later	8,789,752	9,207,375	7,003,463					
Six years later	8,718,572	9,092,061						
Seven years later	8,634,088							
Estimate of incurred claims	8,634,088	9,092,061	7,003,463	7,674,725	15,543,275	9,873,031	13,018,703	70,839,346
Cumulative payments to date	(8,616,079)	(8,978,062)	(6,493,001)	(6,882,709)	(13,548,090)	(3,377,495)		(47,895,436)
Liability recognized	18,009	113,999	510,462	792,0016	1,995,185	6,495,536	13,018,703	22,943,910
Liability in respect of prior years								40,129
Liability recognised in the statement of financial position (gross outstanding claims and IBNR) as at 31 December 2020 (note 20)								22,984,039

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29. Risk management *(continued)*

Insurance risk *(continued)*

Claims development (continued)

Net incurred claims

31 December 2020

Accident year	2014 RO	2015 RO	2016 RO	2017 RO	2018 RO	2019 RO	2020 RO	Total RO
One year later	8,997,593	9,592,661	9,760,101	9,063,077	7,726,147	9,887,758	7,945,858	
Two years later	7,634,330	8,428,209	8,261,326	7,493,007	5,830,181	8,758,299		
Three years later	7,218,870	8,027,131	7,111,145	6,638,096	4,455,580			
Four years later	6,887,655	7,845,937	7,000,722	6,451,686				
Five years later	6,241,082	7,317,357	6,300,268					
Six years later	6,169,903	7,202,416						
Seven years later	6,085,418							
Estimate of incurred claims	6,085,418	7,202,416	6,300,268	6,451,686	4,455,580	8,758,299	7,945,858	47,199,525
Cumulative payments to date	(6,067,410)	(7,088,417)	(6,034,102)	(5,698,526)	(3,057,666)	(3,250,823)		(31,196,944)
Liability recognized	18,008	113,999	266,166	753,160	1,397,914	5,507,476		16,002,581
Liability in respect of prior years								16,092
Liability recognised in the statement of financial position (net outstanding claims and IBNR) as at 31 December 2020 (note 20)								16,018,673

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29. Risk management *(continued)*

Insurance risk *(continued)*

The below table sets out the concentration of insurance contract liabilities by type of contract (Refer note 20)

Line of Business	31 December 2021			31 December 2020		
	Gross liabilities RO	Reinsurance liabilities RO	Net liabilities RO	Gross liabilities RO	Reinsurance liabilities RO	Net liabilities RO
Motor	6,442,834	321,162	6,121,672	11,599,765	98,389	11,501,376
Property	10,284,116	4,675,947	5,608,169	7,676,735	4,815,780	2,860,955
Marine	346,072	186,395	159,677	426,840	265,685	161,155
General Accidents	150,253	3,434	146,819	227,368	14,190	213,178
Engineering	728,896	946,623	(217,727)	3,047,331	1,766,822	1,280,509
Group Life	-	-	-	6,000	4,500	1,500
	17,952,171	6,133,561	11,818,610	22,984,039	6,965,366	16,018,673

Sensitivity of underwriting profit and losses

The Company have exposures to risks in each class of business that may develop and that could have a material impact upon the Company's financial position. The geographical and insurance risk diversity within the Company's portfolio of issued insurance policies makes it impossible to predict whether material developments will occur and, if they do occur, the location and timing of such occurrences. The Company evaluate the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Currency risk

Currency 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.

Considering the fact that the Omani Rial is effectively pegged to US Dollar, the Company is not exposed to any material currency risk.

Equity and bond price risk

The Company is exposed to market risk with respect to its investments. The Company limits equity and bond price risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition, the Company monitors actively the key factors that affect stock market movements.

99.95% (2020 – 99.95%) of the Company's investments at the reporting date are within the Sultanate of Oman.

A 10% increase/decrease in the fair value of quoted investments at fair value through profit or loss will result in an increase/decrease in profits of RO 9,474 (2020 – RO 7,074)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, other than those relating to reinsurance contracts as described in reinsurance risk above, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

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29. Risk management *(continued)*

Credit risk *(continued)*

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties.
- The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Premium and insurance balances receivable comprise a large number of customers mainly within Sultanate of Oman.
- The Company's bank balances and bank deposits are maintained with a range of international and local banks in accordance with limits, based on their credit standing, set by the board of directors. Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The following tables explain the credit position of the Company.

	31 December 2021			
	Neither past due nor impaired RO	**Past due but not impaired RO**	**Impaired RO**	**Total RO**
Insurance and reinsurance receivables	**2,739,489**	**2,286,610**	**1,363,128**	**6,389,227**
Reinsurance share of outstanding claims and IBNR reserve	**6,133,561**	-	-	**6,133,561**
Investments in local bonds	**2,407,429**	-	-	**2,407,429**
Bank balances	**1,640,825**	-	-	**1,640,825**
Bank deposits	**36,528,097**	-	-	**36,528,097**
Other receivables	**6,073,414**	-	-	**6,073,414**
Total	**55,522,815**	**2,286,610**	**1,363,128**	**59,172,553**

	31 December 2020			
	Neither past due nor impaired RO	Past due but not impaired RO	Impaired RO	Total RO
Insurance and reinsurance receivables	2,088,726	3,795,600	1,181,412	7,065,738
Reinsurance share of outstanding claims and IBNR reserve	6,965,366	-	-	6,965,366
Investments in local bonds	2,407,890	-	-	2,407,890
Bank balances	2,326,598	-	-	2,326,598
Bank deposits	38,412,876	-	-	38,412,876
Other receivables	6,017,833	-	-	6,017,833
Total	58,219,289	3,795,600	1,181,412	63,196,301

The Company has made full provision towards its impaired receivable balances.

The Company seeks to limit credit risk by investing in financial assets with only reputed and creditworthy financial institutions in Oman. The geographical concentration of credit risk for bank balances and bank deposits is within Oman.

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29. Risk management *(continued)*

Credit risk *(continued)*

The following table provides an age analysis of receivables arising from insurance and reinsurance contracts past due but not impaired:

	Past due but not impaired						
	Less than 3 months RO	**3 to 6 months RO**	**6 to 9 months RO**	**9 to 12 months RO**	**> 12 months RO**	**Total RO**	**Past due and impaired RO**
2021	**929,366**	**470,363**	**774,170**	**112,711**	**-**	**2,286,610**	**1,363.128**
2020	1,491,612	1,398,919	905,069	-	-	3,795,600	1,181,412

The maximum credit exposure to credit risk for insurance and reinsurance receivables at the reporting date by geographic region is as follows:

	2021 RO	2020 RO
Oman	**6,335,731**	6,449,738
Middle east	**40,509**	599,490
Others	**12,987**	16,510
	6,389,227	7,065,738

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

	2021 RO	2020 RO
Brokers and agents	**4,767,020**	5,012,006
Individuals and corporate clients	**1,415,859**	1,403,782
Insurance and reinsurance companies	**206,348**	649,950
	6,389,227	7,065,738

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The table below summaries the maturity of assets and liabilities of the Company based on remaining undiscounted contractual obligations. As the Company does not have any interest bearing liabilities, the totals in the table match the statement of financial position.

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29. Risk management *(continued)*

Liquidity risk *(continued)*

	2021			2020		
	Less than one year RO	**More than one year RO**	**Total RO**	Less than one year RO	More than one year RO	Total RO
ASSETS						
Bank deposits*	**13,150,000**	**23,378,097**	**36,528,097**	9,959,961	28,452,915	38,412,876
Insurance and reinsurance receivables	**5,025,697**	-	**5,025,697**	5,883,353	-	5,883,353
Reinsurance share of outstanding claims and IBNR reserve	**6,133,561**	-	**6,133,561**	6,965,366	-	6,965,366
Investments at fair value through profit or loss	**94,741**	-	**94.741**	70,741	-	70,741
Available-for-sale investments	**71,429**	-	**71,429**	71,429	-	71,429
Held-to-maturity investments	**2,407,429**	-	**2,407,429**	2,407,890	-	2,407,890
Other receivables	**6,073,414**	-	**6,073,414**	6,017,833	-	6,017,833
Cash and cash equivalents	**1,646,960**	-	**1,646,960**	2,332,733	-	2,332,733
TOTAL ASSETS	**34,603,231**	**23,378,097**	**57,981,328**	33,709,306	28,452,915	62,162,221
LIABILITIES						
Gross outstanding claims and IBNR reserve	**17,952,171**	-	**17,952,171**	22,984,039	-	22,984,039
Reinsurance payable	**858,351**	-	**858,351**	1,092,187	-	1,092,187
Other liabilities and accruals	**7,321,369**	-	**7,321,369**	5,896,380	-	5,896,380
TOTAL LIABILITIES	**26,131,891**	-	**26,131,891**	29,972,606	-	29,972,606

* Bank deposits have been classified based on maturity date but can be liquidated within 3 days subject to necessary approvals.

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30. Capital management

Capital management framework

Regulatory framework

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

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

31. Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Management believes that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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31. Fair values of financial instruments *(continued)*

	31 December 2021		
	Level 1	**Level 3**	**Total**
	RO	**RO**	**RO**
Financial assets at FVTPL			
- Local securities	**57,073**	**71,429**	**128,502**
- Foreign securities	**37,668**	-	**37,668**
Land and buildings (gross)	-	**198,713**	**198,713**

	31 December 2020		
	Level 1	Level 3	Total
	RO	RO	RO
Financial assets at FVTPL			
- Local securities	41,382	71,429	112,811
- Foreign securities	29,359	-	29,359
Land and buildings (gross)	-	198,713	198,713

The Company has investments amounting to RO 2.41 million as at reporting date (31 December 2020 – RO 2.41 million) which are classified as 'held to maturity' investments and carried at the amortised cost (note 9.3). The carrying value of the held-to-maturity investments is equal to the fair value.

Available for sale investments amounting to RO 0.1 million at reporting date (31 December 2020 – RO 0.1 million) represents the Company's investment in Orange Card Company SAOC, which is recorded at cost. The shares of Orange Card Company SAOC are not traded and management considers the carrying value of the investment to approximate its fair value (note 9.2).

In accordance with the Company's policy, the land and buildings were re-valued at their fair value on 31 December 2021 for existing use by an accredited independent valuer who is an industry specialist in valuing these types of properties. The fair market value as at 31 December 2021 amounted to RO 0.2 million. The valuation is based on acceptable methods of valuation such as sales comparison, income capitalization and market comparable methods. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. In estimating the fair value of the land and buildings, the highest and best use of the properties is their current use.

There were no transfers between level 1, 2 and 3 during the period.

32. Dividend

Interim dividend in respect of six months period ended 30 June 2021 of 5% of the share capital i.e., 5 baizas per share amounting to RO 500,000 (2020 - 5 baizas per share amounting to RO 500,000), was paid during the year.

For the year 2021 the Board of Directors have proposed a cash dividend of 25 % of the share capital i.e. 25 baizas per share amounting to RO 2,500,000 (2020 - cash dividend of 28% of the share capital i.e., 28 baizas per share amounting to RO 2,800,000).

33. Leases

The Company has lease contracts mainly towards rental of premises on lease, printers and motor vehicles used in its operations. It has been assumed that the lease term for premises on lease, printers and motor vehicles is generally five years. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company has not applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for the above leases.

33. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Office premises RO	Printers RO	Motor vehicles RO	Total RO
2021				
At 1 January	**1,123,658**	**16,836**	**46,140**	**1,186,634**
Depreciation expenses	**(354,402)**	**(8,418)**	**(23,070)**	**(385,890)**
At 31 December	**769,256**	**8,418**	**23,070**	**800,744**
2020				
At 1 January	1,391,170	25,254	69,210	1,485,634
Additions	72,409	-	-	72,409
Depreciation expenses	(339,921)	(8,418)	(23,070)	(371,409)
At 31 December	1,123,658	16,836	46,140	1,186,634

Approximately 96% (2020 – 93%) of the total right-of-use assets pertain to premises taken on lease.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2021 RO	2020 RO
As at 1 January	**1,122,332**	1,407,042
Additions	**-**	72,409
Finance cost on lease liabilities	**61,341**	75,576
Payments	**(281,750)**	(432,695)
At 31 December	**901,923**	1,122,332

The following are the amounts recognised in the statement of profit or loss and other comprehensive income:

	2021 RO	2020 RO
Depreciation expense of right of use assets	**385,890**	371,409
Finance cost on lease liabilities	**61,341**	75,576
	447,231	446,985

Set out below is the undiscounted future lease payments in each of the following periods are as follows:

	2021 RO	2020 RO
Less than one year	**441,507**	441,507
Between one and five years	**471,987**	913,494
	913,494	1,355,001

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