Annual Report
2019

RSA INSURANCE

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HIS MAJESTY SULTAN QABOOS BIN SAID (LATE)

HIS MAJESTY SULTAN HAITHAM BIN TARIQ BIN TAIMUR AL SAID

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OMR **9.54** Underwriting profit (mn)	OMR **1.73** Investment income (mn)	OMR **4.11** Profit after tax (mn)	OMR **0.041** Earning per share

CHAIRMAN'S REPORT 2019

On behalf of the Board of Directors, it is my pleasure to present our Annual Report for the year ending 31st December 2019.

World Economy

High levels of global indebtedness, rising trade barriers and associated uncertainty weighed on business sentiment and activity across the world.

Oil prices swung between US$55 a barrel to US$75 a barrel, with the volatility coming against a backdrop of slowing global growth, trade tensions, supply and demand fundamentals and geo-political risks.

According to the World Bank, global growth is set to rise by 2.5% this year, a small uptick from 2.4% in 2019 as trade and investment gradually recover.

Gulf Co-operation Council (GCC) Economy

According to the World Bank's Gulf Economic Update in December 2019, economic growth in the GCC states significantly weakened in 2019, with overall real GDP growth estimated to drop to 0.8% from 2% in 2018.

Weakening oil demand caused by a global economic slowdown and lower commodity prices dampened oil sector growth, impacting fiscal and trade balances. Debt levels continue to trend upwards across the region.

However, most countries witnessed growth in the industries other than oil steadily increase.

The continued uncertainty around fossil fuels following the 2014 oil price drop and growing climate change concerns again underscored the ongoing need for Gulf countries to continue reforms to diversify their economies and encourage strong and inclusive growth.

Sectors such as tourism, aviation, retail, hospitality, real estate and construction, alongside significant infrastructure spending, boosted by Expo 2020 in Dubai and the World Cup in Qatar 2022, are well positioned to provide a boost to regional economies.

Looking forward, the IMF forecasts rising oil and gas production will help lift GCC growth to 2.5% in 2020, while warning that lower global demand and geo-political tensions could still weaken prices with adverse implications for growth.

The GCC Insurance Sector

The regional insurance industry witnessed a slowdown in Gross Written Premiums (GWPs) due to sluggish economic conditions during 2016 and 2019. Weak consumer spending led to a drop in sales of vehicles and real estate, affecting the overall demand for related insurance.

Insurance penetration in the region is expected to remain between 1.8%-1.9% from 2019-2024, below the global average of 6.1%, offering significant opportunities in the sector in the future.

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

The GCC insurance market is projected to grow at a compound annual growth rate (CAGR) of 4.3% from US$29.2 billion in 2019 to US$36.1 billion in 2024, with increased demand for life, motor, health and property insurance products across the GCC. Additionally, governmental efforts to strengthen regulations, introduce mandatory lines and diversify the economy are also likely to drive GWPs.

Oman's Economy

The growth rate is projected to accelerate from an estimated 0% in 2019 to 3.7% in 2020 and 4.3% in 2021, supported by rising natural gas production.

Oil and gas revenues still constitute a significant part of government revenues (72%), although the proportion is slowly declining.

With efforts to diversify the economy in areas such as logistics, manufacturing, tourism, fisheries and mining gathering momentum, total non-hydrocarbon revenue increased by 26% compared to 2018.

The government expects to increase spending in 2020 by 2% to OMR 13.2 billion, but its fiscal deficit will remain high at 8% of gross domestic product.

It also anticipates a deficit of OMR 2.5 billion this year, slightly lower than the OMR 2.8 billion projected in the 2019 budget. This year's budget is based on an oil price of US$ 58 a barrel, which is the same as budgeted for 2019, although the average realised oil price for last year was US$ 64 a barrel.

The Oman Insurance Sector

There remains substantial scope for further growth in Oman's insurance market as the country remains relatively under-insured and as in many countries, compulsory motor insurance and health insurance has long been the leading branch in the sector.

According to the Central Bank of Oman's latest Financial Stability Report issued in November 2019, insurance penetration was about 1.6%, which is comparable to that of other GCC states but much lower than the global average of 6.5%, likewise, Insurance Density, (the per capita insurance premium) at OMR 100.7 is much lower than the GCC average of OMR 187 and the global average of OMR 262.

Oman's insurance market is estimated to reach US$1.3 billion in 2024, registering a CAGR of 2.7% (Alpen Capital), with the life segment forecast to increase at a CAGR of 6.1% - the highest in the region - and the nonlife segment at 2.1% from 2019-2024.

The implementation of mandatory health insurance for private sector employees, domestic workers and visitors to the Sultanate from 2020 will support the expansion of the non-life segment.

Review of the 2019 Financial Performance

Al Ahlia posted strong financial results for the year ending 31st December 2019 with a continued focus on profitability, operational efficiency and superior customer service.

Profit after tax (PAT) rose 4.6% to OMR 4.11 million from OMR 3.93 million in 2018. The PAT growth was supported by a reduced loss ratio of 50.3% (51.4%), resulting in another record year of profits.

The Gross Written Premium stood at OMR 23.94 million with a Net Written Premium of OMR 22.4 million .

The performance was boosted by direct distribution development, increased customer engagement across all channels, internal structural changes, ongoing SME platform development and a refreshed mid-market new business pricing strategy.

We continue to enjoy a strong brand equity through our customer-centric proposition of “ONE STEP AHEAD”, which has been serving as an inspirational platform for our performance.

We remain firmly on track to deliver strategic projects underpinning our best-in-class journey, including digitalisation, claims efficiency, core system replacement and pricing sophistication and speed to market.

Proposed Dividend

It is our intention to continue the sustainable and progressive dividend policy we have followed. The board proposes to pay a dividend of 36 baizas per share for the year 2019, (subject to approval at the annual general meeting).

Underwriting Performance in 2019

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 in turn creates a high level of In-Country Value at 94% of the premium retained in Oman and delivers the underwriting profit (after management expenses) for the financial year of 2019 of OMR 9.54 million, compared to 8.94 million in 2018, a 6.7% rise.

Investment Performance in 2019

Despite the challenging conditions, our 2019 investment income remained stable, mainly due to the impact of a prudent portfolio allocation and restructuring in the last three years. We continue to adopt a high-quality, lowrisk and low-volatility investment policy which has helped in improving investment returns. Most the assets in our portfolio comprise low-risk and liquid investments with a due focus on the asset liability maturity profile.

Post IPO Stock Performance

After a successful listing in 2017, in which shares were oversubscribed by more than 2.4 times, our share price has never fallen below the initial offer price of 300 baizas, and it rose 13% during 2019, hitting an all-time high of 400 baizas, a 33% increase.

This demonstrates a strong company performance backed by public confidence. Since listing, we have also consistently paid dividends to our shareholders.

Corporate Governance

Al Ahlia appreciates and 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 stakeholder; independence, rules and procedures for decision making with regard to company affairs; processes for establishing the Company's 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 three are independent. The Board is responsible for organising 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 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 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.

Internal and external auditors (EY) conducted a number of reviews during 2019 and the results have been considered by the Audit Committee in forming an opinion on the effectiveness of the internal control systems of the Company.

The 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 Audit Committee met four times during the year for a variety of work, including reviewing, assessing and evaluating audit plans, resources and arrangements and the risk profile and appetite of the Company, and ensuring compliance with applicable regulations.

The Board therefore considers that there is an ongoing process for identifying, evaluating and managing the significant risks faced by Al Ahlia, that it has been in place for 2019 and up to the date of approval of the Annual Report and accounts and that it is regularly reviewed by the Board.

Corporate Social Responsibility (CSR)

We are committed to being a 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 our customers and stakeholders to help meet society's challenges.

The CSR strategy is underpinned by three core ambitions:

- **A 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.

- **Thriving Communities**

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

  We are committed to recruiting and retaining the best local talent at all levels across our organization and we endeavor to deliver beyond the spirit of the Omanisation regulatory requirements. In 2019 we recruited more than 50 Omanis to reach an all time high Omanisation ratio at 77.5% against the regulatory requirement of 75%.

- **Responsible Business**

  Being a responsible business means openness and transparency 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.

During 2019, the Company made donations totaling OMR 10,000 to a wide spectrum of good causes such as Qarankashow with Oman Cancer Association patients, support for senior citizens, conducting a road safety awareness program through a quiz on Hi FM and Hala FM and we will be spending a fun day with local orphanage children.

Acknowledgement

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

I would like to thank the management team for the success in receiving several awards including the coveted "Oman Insurer" Award at the annual Middle East and North Africa Insurance Awards 2020 for the third consecutive year and the seventh time since 2011.

Our management team and staff continue to be pivotal to our success and I express my utmost gratitude to them for their continued dedication and commitment. Above all, we pay tribute to His late Majesty, Sultan Qaboos bin Said Al Said (Late), for his visionary leadership and wise guidance which have placed Oman firmly on the path to peace, prosperity and sustainable economic and social development over the past five decades.

We pledge to fully support His Majesty Sultan Haitham Bin Tariq Bin Taimur Al Said and his government in their endeavours to build even further on this outstanding legacy in the years ahead.

Christopher Dooley

Chairman

4.6%
growth in PAT

Management Discussion and Analysis Report

Introduction

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

I would like to place on record my heartfelt gratitude to my predecessor Lloyd East for his exceptional leadership in ensuring Al Ahlia's ongoing success in delivering superior value to our customers and shareholders. I look forward to working closely with our staff, brokers, agents, regulators, Board, Shareholders and all our stakeholders to realise our ambitions for sustainable growth in value.

At all times, we will continue to 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.

Over the years, Al Ahlia has made significant efforts to build steadfast relationships both in commercial and retail lines, a diverse portfolio of comprehensive insurance solutions for individual and commercial clients and seamless service channels.

It is a combination of all of these factors and our inspired approach that continues to support our future ambitions. With a focus on building a customer-centric proposition in everything we do, we are strategically poised to grow stronger, expand and evolve in an increasingly evolving sector.

Sustaining our progress and growth is key, and I am pleased to report that in 2019 the Company enjoyed a record year of profits with stock reaching an all-time high on the Muscat Securities Market (MSM).

Despite a challenging landscape of ongoing economic uncertainty, geo-political tensions and a highly competitive insurance market, the Company forged ahead with new customer propositions and an enhanced branch network and digital presence.

This success was based on:

- Experienced leaders and staff with proven track records
- A robust business model built on operational excellence and high standards of corporate governance
- Solid growth plans to counter the current challenging market
- A low-risk, low-volatility investment policy
- Consistent profitability backed by a strong balance sheet.

Financial Performance

The Gross Written Premium stood at OMR 23.94 million with a Net Written Premium of OMR 22.4 million. Profit after tax (PAT) rose 4.6% to OMR 4.11 million from OMR 3.93 million. The PAT growth was supported by a reduced loss ratio of 50.3% (51.4% in 2018), resulting in another record year of profits.

Our overall exposure has increased with the number of policies sold growing by 20%. However, this was accompanied by a fall in average premiums in both personal and commercial lines. This was driven by an ageing motor book, a drop in new car sales (50% down over 2015-19) and an emerging trend in personal line consumer behaviour preferring third party cover only over comprehensive cover in Motor.

Our share price rose 13% during 2019, hitting an all-time high of 400 baizas, a 33% increase from our IPO price of 300 baizas in 2017 after providing 107 baizas (35.7% on IPO Price) as dividend since inception.

Earnings per share rose from 39 baizas to 41 baizas, a total dividend of OMR 4.1 million. OMR 0.5 million was paid as an interim dividend in September 2019 with the balance to be disbursed in Q2 2020, subject to the necessary approvals.

Investment Performance

In 2019, our investment income is OMR 1.7m delivering 4% of returns on investments. We continue to adopt a high-quality, low-risk and low-volatility investment policy with majority of our investments held in fixed deposits.

Key Financial Performance Highlights

With our continued efforts to drive top-line in a challenging atmosphere, whilst maintaining strong underwriting discipline and a well formulated investment strategy, I am pleased to report strong financial delivery for 2019:

KEY FINANCIAL HIGHLIGHTS

	2019 (Audited)	2018 (Audited)
	OMR	OMR
Net insurance premium revenue	23,015,661	22,402,764
Net underwriting result	9,537,982	8,939,781
Net Profit/ (loss) for the year	4,111,455	3,931,125
Basic and diluted earnings per share	0.041	0.039

With a constant focus on providing a superior customer experience, during the year we refurbished and rebranded six of our Muscat branches, in line with our new “ONE STEP AHEAD” brand identity. Each of these featured the discovery showcase of our full product range, an express counter and extended working hours at our branches from 8am-5pm to 8am-8pm, based on customer feedback to make it easier for customers to visit after work.

We have also carried out a restructure of our branch network to enhance operational rigour by decentralizing control across four regions, each reporting to a Regional Manager. This has led to greater engagement with the branches and an enhanced execution of our business strategy.

We now have 19 branches after opening a new one in Muscat Hills. Our agency network has expanded to 20 by incorporating 10 new agents with the ambition of increasing this to 30 by the end of 2020. We also opened four new branches near the border locations to assist motorists travelling to and from Oman and installed self-service Kiosks at our key border locations.

New Customer Solutions

As a progressive full-service insurer, Al Ahlia has taken the lead in delivering trustworthy, innovative, convenient and accessible solutions to a discerning and knowledgeable client base to keep our customers "ONE STEP AHEAD." We have introduced breakthrough propositions such as easy online policy purchase and claims registration and a bilingual call centre and website (English and Arabic).

We aim to maintain our strong market presence and empower the customer by diversifying our distribution channels through an increased focus on digital platforms, including our transactional website and social media, such as WhatsApp, Twitter, Facebook and Instagram.

As of October 2019, our Net Promoter Score for claims stood at 87 and for retail at 52, both testifying to a strong level of customer satisfaction and loyalty.

Strategic Alliances

Al Ahlia continues to strive to offer our customers best-in-class, personalized coverage at affordable and competitive prices, further exemplifying our commitment to keep them "ONE STEP AHEAD".

In 2019, we have broadened our affinity propositions offering bespoke Motor Insurance solutions.

Some of the solutions were designed to offer comprehensive cover with "Assured Dealer Repairs" for vehicles up to 10 years old, with all accidental repairs incurred by the insured customer undertaken at modern and fully equipped authorized workshops in Oman; complimentary upgrades like UAE cover and roadside assistance

We also entered a new affinity deal with MARSH for GMC and Suzuki vehicles, allowing our representatives to sell Al Ahlia products at dealers and customers to have their vehicles repaired by them under the terms of their policy.

In the Broker segment we continue to be acknowledged as market leading in customer services and our products are cited as "reliable", "high quality", "relevant" and "unique". We will continue to expand our proposition set to actively differentiate ourselves from the competition.

In-Country Value

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 in turn creates a high level of In-Country Value at 94% of the premium retained in Oman and delivers the underwriting profit (after management expenses) for the financial year of 2019 of OMR 9.54 million, compared to 8.94 million in 2018, a 6.7% rise.

One of our Company's key objectives is to be the "Employer of Choice" among both the 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 at Al Ahlia. During 2019, we recruited more than 50 Omanis and the overall localisation ratio is currently at 77.5%, ahead of the regulatory requirement of 75%.

We will continue our ICV contribution supporting SMEs and other community initiatives and programmes.

Information Technology

As part of our steadfast commitment to support Oman's vision of encouraging homegrown talent in organisations, we have appointed Arif Dawood Qasim Al Zadjali as our new IT Director.

Al Ahlia's information technology 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.

Other key IT-related highlights:

- Our core business system, Mississippi, is undergoing a major uplift through the adoption of the latest technology on the Oracle platform to enhance functionality and improve customer experience. The Finance module has now been upgraded successfully and is now in operation.

- Al Ahlia has also moved towards claims process automation and workflow management by simplifying the end-to-end claims process and digitising paper movement using workflow capabilities. We expect to launch this in 2020, again enhancing the customer experience and improving turnaround time.

- We will be implementing a Global Customer Relationship Management solution for intermediaries building upon the success from initial phases of E-trade (SME B2C solution) which has had wide acceptance in the market. We have enhanced capabilities in 2019 with an improved credit control policy and in 2020 the focus will be on improving customer journeys, automation and product diversification.

Audit and Compliance

The company operates under the three lines of defense consisting of the front-end business, risk and compliance activities and independent review by internal audit function. The Management have put in place controls and validation process to ensure material I risks are identified and controlled in line with regulatory and policy requirements. The is verified by the Risk and Compliance function through their various assurance activities throughout the year. Finally, the internal audit function conducts cyclical activities taking a risk-based approach on the overall effectiveness of the risk management, controls and governance, providing opinions on the overall internal control environment.

The internal audits conducted during 2019 were as follows:

- Salvage Recoveries Audit
- IT Change Management Audit
- Financial Control Framework and Balance Sheet Account Reconciliation Audit.
- Portfolio Management Framework Implementation Audit
- Motor Pricing Tools Audit
- Validation & Assurance Framework
- Cyber Security

The results have been considered by our Audit Committee in reaching an opinion on the effectiveness of the Company's internal control systems.

Awards

Al Ahlia won the coveted "Oman Insurer" Award at the annual Middle East and North Africa Insurance Awards 2020 for the third consecutive year and the seventh time since 2011.

The award, 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 over the past 12 months.

The expertise and experience of our staff also helped us to win the AIWA (Alam Al-Iktisaad Wal-A'mal) Award for "Best Performing Companies on the MSM" (in the mid-cap category) for the second consecutive year.

Furthermore, we won the award for 'Best Digital Transformation in Insurance' at the inaugural edition of the Smart SMB Summit held in Muscat for leveraging the power of WhatsApp to enable customers to purchase and renew their policies.

Future Outlook

Ongoing geo-political and trade tensions, mounting climate change realities and the Fourth Industrial Revolution all pose new challenges to the insurance market at home and abroad. However, the industry in Oman holds much promise with a growing population, low penetration rates, a strong regulatory framework and increasing public awareness.

We aim to build on our impressive track record in the Sultanate of delivering consistent underwriting profits and maintaining a high-quality investment book generating stable and visible returns. At the same time, we will work to continuously improve our client offering through outstanding customer service, introduction of attractive new products and services and leveraging the latest digital technologies.

Our "Best-in-Class" project strives to deliver market leadership in personal lines, defend our market-leading position in commercial lines and cost optimisation and improve our speed to market through Lean business efficiency operations.

We aim to further spur business growth and competitiveness through:

- Accelerated investments in areas where we are currently strong and where we have identified opportunities to grow
- Investing strategically with a focus on distribution expansion through technology, capability and long-term partnerships
- Driving operational efficiency by introducing a new target operating model, right-sizing through the re-deployment of full-time staff and improving our workflow management.

Acknowledgments

We pay tribute to His late Majesty, Sultan Qaboos bin Said Al Said, for his visionary leadership and wise guidance and pledge to fully support His Majesty Sultan Haitham bin Tariq bin Taimur Al Said and his government in their endeavors to build even further on this outstanding legacy in the years ahead.

Praveen Kumar

Chief Executive Officer

Report on Compliance with the Code of Corporate Governance

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL AHLIA INSURANCE COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

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

- 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 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 those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

B. Hindy

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Bassam Moustafa Hindy
Muscat
27 February 2020

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 Securities Market ("MSM"). The Company, as a member of the RSA Group, UK, 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 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, 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 three are independent members. This board was elected through an Ordinary General Meeting convened on 17th October 2017, after the conversion to an SAOG structure. 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.

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 in this regard. 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 competences 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 specialized 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.

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

The tenure of the board shall not exceed three years, after which the board is subject to re-election. The current term of the board commenced on 17th October 2017, on which date an Ordinary General Meeting was held to elect a new board.

The membership of board and board committees at 31 December 2019 are as follows:

Name of the director	Position	Remarks	Board	Audit Committee	Nomination, Remuneration & Investment Committe
PCS O' Flynn	Independent Non-Executive	Chairman of Audit Committee	Y	Y	NA
Parameshwaran Iyer	Independent Non-Executive		Y	Y	Y
Yousef Al Balushi	Independent Non-Executive		Y	Y	NA
Shahid Rasool	Non-Executive		Y	Y	Y
Khalid Al Khalili	Non-Executive		Y	NA	Y
Gavin Wilkinson *	Non-Executive	Chairman of N.R.I. Committee	Y	Y	Y
Christopher Dooley	Non-Executive	Chairman of the Board	Y	NA	NA
Laurence Loughnane	Non-Executive		Y	NA	Y
Jonathan Cope	Non-Executive	Deputy Chairman	Y	NA	Y

*Mathew Hotson resigned from the Board and sub-committee from 6th May 2019 and was replaced by Gavin Wilkinson, who was appointed to the Board and the Board Committees on 13th May 2019. This appointment will be presented for ratification by the Shareholders at the next General Assembly Meeting scheduled in March 2020.

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 2018 are as follows:

Name of the director	PCS O' Flynn	Shahid Rasool	Christopher Dooley	Laurence Loughane	Jonathan Cope	Khalid Al Khalili	Mathew Hotson	Parameshwaran Iyer	Yousef Al Balushi	Gavin Wilkinson
19-Feb-19	Y	Y	Y	Y	P	Y	Y	Y	Y	N/A
22-Apr-19	N	Y	Y	Y	P	Y	P	Y	Y	N/A
18-Jun-19	Y	Y	Y	Y	Y	Y	N/A	Y	Y	P
24-Jul-19	P	Y	Y	Y	P	Y	N/A	Y	Y	Y
02-Oct-19	Y	Y	Y	Y	Y	Y	N/A	Y	Y	Y
23-Oct-19	Y	Y	Y	N	P	Y	N/A	Y	Y	P
11-Dec-19	Y	Y	Y	Y	Y	Y	N/A	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

The company held the following General Assembly Meetings

Name of the director	PCS O' Flynn	Shahid Rasool	Christopher Dooley	Laurence Loughane	Jonathan Cope	Khalid Al Khalili	Mathew Hotson	Parameshwaran Iyer	Yousef Al Balushi	Gavin Wilkinson
24-Mar-19 Annual General Meeting	N	Y	Y	N	N	N	N	Y	Y	N/A

2.3 Directors holding Additional Directorship in Oman

Name of the director	Name of Company in which position is held	Capacity	Positions Held
PCS O' Flynn	Nil	NA	NA
Parameswaran Iyer	Nil	NA	NA
Yousef Al Balushi	Nil	NA	NA
Shahid Rasool	Jabreen International Development Co SAOC		
	Ubhar Capital SAOC		
	Oman Real Estate Investment Services (ORIS) SAOC	Ominvest	Board Member
	Salalah Resorts SAOC		
Khalid Al Khalili	Bank Nizwa	Self	Chairman of the Board
	Ominvest	Self	Deputy Chairman and member of Executive Committee
Mathew Hotson	Nil	NA	NA
Christopher Dooley	Nil	NA	NA
Laurence Loughnane	Nil	NA	NA
Jonathan Cope	Nil	NA	NA
Gavin Wilkinson	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.

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 will be 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 is as follows:

Name	Designation	Role in Committee
PCS O' Flynn	Independent Director	Chairman
Yousef Al Balushi	Independent Director	Deputy Chairman
Parameswaran Iyer	Independent Director	Member
Mathew Hotson*	Non-Executive Director	Member
Shahid Rasool	Non- Executive Director	Member
Gavin Wilkinson*	Non-Executive Director	Member

* Mathew Hotson resigned from the Board and sub-committee from 6th May 2019 and was replaced by Gavin Wilkinson who was appointed to the board and the committees on 13th May 2019.

Attendances at the Audit Committee meetings are as follows:

Name of the member	19/02/19	18/06/19	26/09/19	11/12/19
PCS O' Flynn	Y	Y	Y	Y
Yousef Al Balushi	Y	Y	Y	Y
Parameswar Iyer	Y	Y	Y	Y
Mathew Hotson*	Y	N/A	N/A	N/A
Shahid Rasool	Y	Y	Y	N
Gavin Wilkinson*	N/A	N	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

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 six board members. The current composition of the committee is as follows:

Name	Designation	Role in Committee
Mathew Hotson*	Non- Executive Director	Chairman
Laurence Loughnane	Non- Executive Director	Deputy Chairman
Jonathan Cope	Non- Executive Director	Member
Parameswaran Iyer	Independent Director	Member
Khalid Al Khalili	Non- Executive Director	Member
Shahid Rasool	Non- Executive Director	Member
Gavin Wilkinson*	Non- Executive Director	Member

*Mathew Hotson resigned from the Board and sub-committee from 6th May 2019 and was replaced by Gavin Wilkinson who was appointed to the board and the committees on 13th May 2019.

Attendances at the Nomination, Remuneration and Investment Committee meetings are as follows:

Name of the member	19/02/19	18/06/19	26/09/19	11/12/19
Mathew Hotson*	Y	N/A	N/A	N/A
Jonathan Cope	P	Y	Y	Y
Parameswaran Iyer	Y	Y	Y	Y
Khalid Al Khalili	Y	Y	Y	Y
Shahid Rasool	Y	Y	Y	P
Laurence Loughnane	Y	Y	Y	Y
Gavin Wilkinson*	N/A	P	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

3. 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.

During the year Mathew Hotson resigned from his position on the board and board committees on 6th May 2019. As explained above, the board members, on 13th May 2019, approved the appointment of Gavin Wilkinson on a temporary basis to fill the vacancy created by the resignation of Mathew Hotson. This appointment shall be presented to the shareholders for ratification and final approval at the next General Assembly meeting scheduled in March 2020.

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.

4. 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. Consequently, the Shareholders have appointed M/S Crowe & Horwath for carrying out this activity.

The Board evaluation exercise was undertaken by M/S Crowe & Horwath in January 2020 by administering a questionnaire. The questionnaire had quantitative as well as qualitative questions. It was followed up by interviews with the Chairman and Vice 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.

5. Remuneration

6.1 Board Remuneration

Following the conversion of the structure to SAOG, the board members at the meeting held on 19th September 2017 considered and approved a board remuneration framework under which, board members would be paid the following

a) A Fixed remuneration of Ro 10,000 per annum (approved by the shareholders at the AGM held on 24th March 2019)

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 remuneration 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 563,695/- (2018- RO 532,946/-).

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 of 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.

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 fines or strictures have been imposed on the Company by the MSM, 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 MSM 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 MSM 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 2019 and its performance compared to the MSM index movement is as follows:

	AAIC's Market Price (RO)		MSM 30 Index	
Month – 2019	High	Low	High	Low
January	0.360	0.360	4,215.13	4,166.46
February	0.346	0.346	4,158.25	4,113.38
March	0.360	0.360	4,005.95	3,983.95
April	0.360	0.360	3,946.14	3,927.68
May	0.360	0.360	3,947.85	3,933.64
June	0.356	0.356	3,891.50	3,884.46
July	0.322	0.322	3,769.63	3,749.62
August	0.322	0.322	4,005.11	3,958.79
September	0.318	0.318	4,029.88	4,014.04
October	0.360	0.360	4,013.86	3,999.80
November	0.360	0.360	4,084.95	4,064.06
December	0.400	0.360	3,988.53	3,963.49

Distribution of shareholding

The statement below details the distribution of company's shares as at 31st December 2019.

Distribution of shareholding as on 31/12/2019

Category	Distribution of shares		Number of shares	Number of share holders	Percentage of shares (%)
				Minimum	Maximum
1	1	1000	30,182	41	0.03%
2	1001	5000	246,270	82	0.25%
3	5001	10000	168,800	20	0.17%
4	10001	20000	269,513	16	0.27%
5	20001	50000	746,187	22	0.75%
6	50,001	100000	1,045,830	13	1.05%
7	100001	200000	1,203,358	9	1.20%
8	200001	500000	2,311,366	7	2.31%
9	500001	1000000	3,675,696	5	3.68%
10	1000001	2000000	2,140,000	2	2.14%
11	2000001	5000000	2,362,805	1	2.36%
12	5000001	10000000 and above	85,799,993	3	85.80%
	Total		**100,000,000.00**	**221**	**100%**

10. Other Matters

10.1 Directors' responsibilities with respect to financial statements

The directors are required to ensure that adequate accounting records are maintained so as 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 2019 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.

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 01-01-2019 to 31-12-2019 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 2019 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.

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 2019 were as follows:

- Salvage Recoveries Audit
- IT Change Management Audit
- Financial Control Framework and Balance Sheet account reconciliation Audit
- Portfolio Management Framework Implementation Audit
- Motor Pricing Tools Audit
- Cyber Security Audit
- Validation and Assurance Framework Audit
- Claims workflow and controls Audit

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 2019 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 EY as the Company’s auditors for the year 2019.

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

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The MENA practice of EY has been operating in the region since 1923 and employs over 7,000 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY’s EMEIA practice, with over 4,889 partners and approximately 124,318 professionals. Globally, EY operates in more than 150 countries and employs 328,597 professionals in 700 offices. Please visit ey.com for more information about EY.

The board based on the recommendation of the Audit & Risk Committee shall consider the appointment of external auditors for 2020 and make recommendations to the Shareholders for consideration at the Annual General Assembly Meeting.

During the year, RO 27,998 was charged by external auditors against the audit and consultancy services rendered by them to the Company

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 company made some humble contributions during the year to cover a wide spectrum of causes – road safety, cancer, and the elderly.

Name of the institution	Contributions made in OMR
Ihsaan Association – Old Age Home	3,000
Road Safety Awareness	468
Oman Cancer Association	4,000
Total	**7,468**

*Planned event with an orphanage under the Ministry of Social Affairs for RO 2,532 was delayed and will be held in Q1 2020

Looking forward to 2020 we are committed to working with local communities and charities to increase awareness and provide support to the neediest in our society.

Sd/-

Chairman,

Audit & Risk Committee

Date: 24th Feb 2020

Annexures

ANNEXURES

1. Profiles of Board members

Christopher Dooley – Chairman

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 recent experience includes - Director, Customers & People-Singapore (RSA), CEO - Hong Kong (RSA) and Director/CEO Thailand - Insurance Australia Group

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, UK in 2013 he is now Head of Legal, UK & International, RSA 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.

Yousef Al Balushi – Independent Director

Yousef 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.

Parameswaran Iyer – Independent. Director

Parameswaran Chandrasekhar Iyer is M. Com and Associate Member of Institute of Chartered Accountants of India, Associate Member of Institute of Company Secretaries of India, Fellow Member of Financial Services Institute of Australasia and ASA Member of Certified Public Accountants of Australia. He has a vast experience of more than 35 years in the domain of finance, corporate planning, business strategy and new business initiatives. He is presently working as Group General Manager with Jawad Sultan Group LLC.

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.

Khalid Bin Abdullah Al Khalili – Non-Executive Director

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 viz Government, Tourism, Health, commercial and residential with a net total value exceeding $ 500 m. 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

Gavin Wilkinson - Non-Executive Director

Gavin Wlikinson was appointed as Board member on 13th May 2019 in place of the vacancy created by the resignation of Matthew Hotson. He was also appointed as member and Chair of the Nomination, Remuneration and Investment committee and as member of the Audit committee effective the same date. He holds a master's degree from Oxford University, UK, and is also a Chartered Accountant from the Institute of Chartered Accountants of England and Wales. He has been in senior management positions in the RSA Group since 2010 prior to which he was a Senior Manager with Deloitte for six years between 2004 and 2010. He is currently the Chief Financial Officer, UK and International at RSA Group, is a member of the Board and the Audit & Risk Committee of Royal & Sun Alliance Insurance (ME) BSC (c) Bahrain, and is also a member of the Board of RSA Insurance Ireland DAC. His most recent role prior to his current one was that of Chief Financial Officer of RSA Ireland.

Laurence Loughnane - Non-Executive Director

Laurence Loughnane has over forty years of experience in the technical domain of insurance business having held variety of leadership roles in underwriting, pricing, portfolio management and claims in many international markets. He is currently the Regional Chief Underwriting Officer for RSA Insurance (Middle East) BSC (c).

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 in addition to his CFO was also the RSA ME Regional CFO.

Miron Shahabuddin Kibria – Head of Risk and Compliance / Interim Chief Financial Officer

(subject to CMA Approval)

Miron Kibria is holds a BA (Hons) degree in Accounting in Finance from Liverpool John Moores University in the UK and is an associate of the Chartered Institute of Management Accountants (CIMA). He has extensive experience in general insurance and risk management frameworks and joined the RSA Group in 2006 and has worked in various senior roles across the UK, Group and Middle East operations. He rejoined AAIC in 2018 as Risk & Compliance Director for Oman & Middle East and was previously the Financial Controller for AAIC from 2012 to 2016

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.

Andy Williamson – Director Commercial

Andy Williamson has joined Al Ahlia in 2017. He holds a BA (Hons) Degree in Business Studies from University of Hull, UK. He has extensive expertise in general insurance working for RSA Group, AIG Europe Ltd., Axa Insurance Plc, and Zurich Insurance Plc. His core expertise lies in Leadership and people management, distribution, broker relationship management and sales, strategy formulation and implementation with a very strong financial acumen, P&L, and portfolio management.

Addal Sarwar – Director Retail

Addal Sarwar had joined Al Ahlia in 2016. He holds a BSC Management Sciences degree with specialisation in operational maths and statistical analysis from Leicester De Montfort University, UK. Prior to joining Al Ahlia, Addal had worked as the Direct Marketing Head for AIG Middle East and North Africa.

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

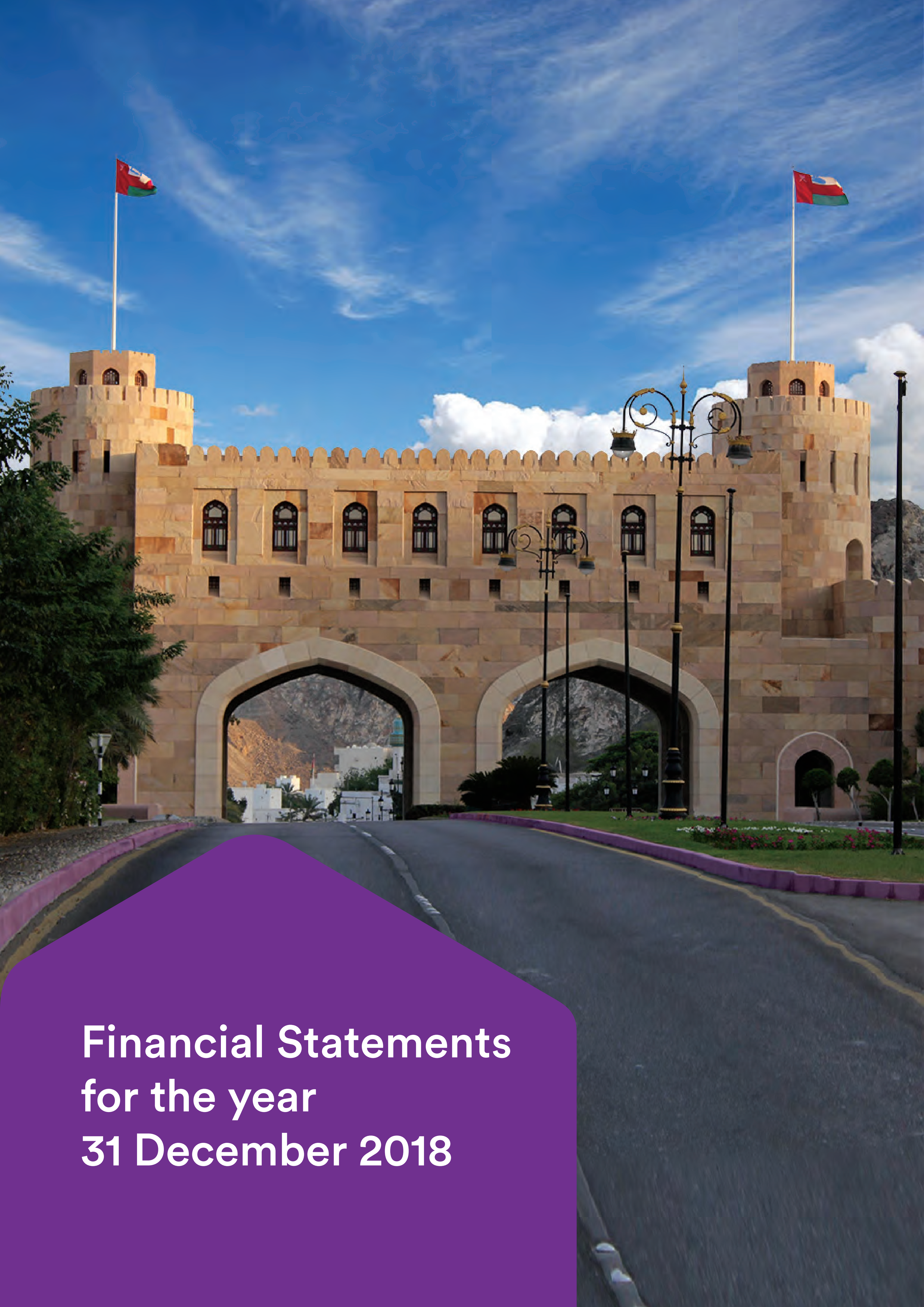
Fathiya has joined AAIC in 1998 and has extensive experience in human resource management . She holds a BSC degree in Business Administration and Human Resources and has more than 20 years' experience in this field

Gautham Subramanian – Actuary

Gautham Subramanian had joined RSA is 2016. He is an Associate of the Society of Actuaries with specialization in nonlife reserving covering Motor, Marine, Property, Engineering. He has also an expertise in FCR and Retail Lines Pricing. He has a prior experience of working as Consulting Actuary in the Middle East Region. He has also been a visiting faculty at Institute of Management Studies and was a Research Assistant at Indian Institute of Technology.

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.



Financial Statements for the year 31 December 2018

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INDEPENDENT AUDITOR'S 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 2019, and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL AHLIA INSURANCE COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

1. Valuation of insurance contract liabilities

Key audit matters	*How our audit addressed the key audit matters*
The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling cost. A range of methods may be used to determine these liabilities. Underlying these methods are a number of assumptions relating to the expected settlement amount and settlement patterns of claims. The basis of the Company's estimation of insurance contract liabilities is presented in the accounting policies section at note 3.12 to the financial statements. Also, attention is drawn to the critical accounting estimates and judgements, disclosures of outstanding claims and the insurance risk management set out in notes 4.3 (a), 20 and 29 to the financial statements respectively.	We assessed management's calculation of insurance liabilities by performing the following procedures: • We evaluated and tested key controls around the claims handling and reserve setting processes of the Company. We examined evidence of the operation of controls over the valuation of individual claims reserves, such as large loss review controls and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the financial statements is valued appropriately). • We checked a sample of claims reserves, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant, the inspection of the Company's correspondence with lawyers for claims under investigation. • We reviewed management's reconciliation of the underlying Company data recorded in the insurance policy administration systems with the data used in the actuarial reserving calculations. • We matched the insurance contract liabilities as recommended by the Company's actuary to the liabilities in the financial statements. • We assessed the experience and competency of the Company's actuary to perform the year end valuation. • We involved our actuarial specialist team members, to apply appropriate industry knowledge and experience and we compared the methodology, models and assumptions used against recognised and acceptable actuarial practices. We have also assessed the adequacy of the liabilities arising from insurance contracts in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL AHLIA INSURANCE COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

2. Revenue recognition

Key audit matters	*How our audit addressed the key audit matters*
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period, and recognised on the date on which the policy commences. At the end of each period, a proportion of net retained premiums is provided for to cover portions of risk which have not expired at the reporting date. We determined this to be a key audit matter because it involves complex computations, which is generally performed by the system and due to the materiality of the amounts involved. The accounting policy and disclosures on revenue are set out in notes 3.19, 19 and 28 to the financial statements, respectively.	We performed the following audit procedures: • We considered whether the premiums on insurance policies are accounted for on the date of inception of policies, with the exception of premium income on marine cargo policies which is accounted for on the expected date of voyage, by testing a sample of revenue items to insurance contracts, with a specific focus on transactions which occurred near the reporting date. We ensured compliance with the Company's accounting policies. • We evaluated the relevant IT systems and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period. • We compared the unearned premiums reserve account balance as reported in the financial statements to the reserve balance computed by the Company's actuary. • We recalculated the unearned premium reserve based on the remaining period of insurance contracts existing as of the reporting date. • We also tested a sample of journal entries posted to revenue accounts to identify any unusual or irregular items.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL AHLIA INSURANCE COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

3. Goodwill impairment testing

Key audit matters	*How our audit addressed the key audit matters*
The impairment testing of goodwill performed by the management is significant to our audit because assessment of the recoverable amount of cash generating unit (CGU) under the value-in-use basis is complex and requires considerable judgment on the part of management. As disclosed in note 4.3 (f) to the financial statements, management's impairment assessment process is highly judgmental and is carried out using various variables and assumptions, including estimated future cashflows, terminal growth rate and discount rates, which are affected by expected future market or economic conditions. Given the high level of management judgment in their impairment assessment, we considered this area to be a key audit matter. The accounting policy and the disclosures relating to goodwill impairment testing are set out in note 3.4 and note 12 to the financial statements respectively.	We obtained management's goodwill impairment model and performed the procedures as set out below: • We examined the Company's forecast cash flows which underpin management's impairment review. We tested the basis of preparing those forecasts taking into account the accuracy of previous forecasts and the historic evidence supporting underlying assumptions. • We assessed future cash flow assumptions through comparison of current performance, seeking corroborative evidence and enquiry with management in respect of key growth and trading assumptions. • The reasonableness of other key assumptions such as the discount rate and long term growth rate were tested with appropriate input from our internal specialists and applying an independent assessment on general market indicators to conclude on the appropriateness of these assumptions. • We tested the mathematical accuracy of management's model and carried out audit procedures on management's sensitivity calculations. • We tested management's assessment on whether any reasonably possible change in these key assumptions would result in an impairment of goodwill and therefore require disclosure under IAS 36 Impairment of Assets.

Other information included in the Company's 2019 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2019 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2019 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL AHLIA INSURANCE COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Other information included in the Company's 2019 Annual Report (continued)
Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

Responsibilities of management and those charged with governance for the financial statements
Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance 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, those charged with governance are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance 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.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL AHLIA INSURANCE COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

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

- 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 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 those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

B. Hindy

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س ت: ١٢٢٤٠١٣
ص ب: ١٧٥٠ روي - ١١٢، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112 Sultanate of Oman

Bassam Moustafa Hindy
Muscat
27 February 2020

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STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	2019 RO	2018 RO
Assets			
Cash and cash equivalents	5	**3,039,788**	2,460,164
Bank deposits	6	**40,712,876**	39,657,876
Premiums and insurance balances receivable	7	**6,179,378**	7,786,216
Reinsurers' share of outstanding claims	20	**6,693,579**	8,454,865
Reinsurers' share of unearned premium reserve	17	**280,765**	628,666
Other receivables and prepayments	8	**4,604,468**	4,477,012
Investments at fair value through profit or loss	9	**68,278**	39,440
Available-for-sale investments	9	**71,429**	71,429
Held-to-maturity investments	9	**2,408,351**	2,408,812
Property and equipment	11	**1,149,843**	756,970
Right of use assets	33	**1,485,634**	-
Deferred tax asset	23	**148,832**	100,591
Goodwill	12	**15,448,529**	15,448,529
Total assets		**82,291,750**	**82,290,570**
Equity and liabilities			
Capital and reserves			
Share capital	13.a	**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	**114,596**	115,316
Retained earnings		**15,473,031**	15,260,856
Total equity		**39,497,050**	**39,285,595**
Liabilities			
Liabilities arising from insurance contracts			
Gross unearned premium reserve	17	**10,774,725**	11,713,587
Gross outstanding claims	20	**23,442,679**	22,857,378
		34,217,404	34,570,965
Reinsurance balances payable		**926,646**	986,997
Other liabilities and accruals	18	**4,125,592**	5,173,510
Lease liabilities	33	**1,407,042**	-
Income tax payable	23	**2,118,016**	2,273,503
Total liabilities		**42,794,700**	43,004,975
Total equity and liabilities		**82,291,750**	82,290,570
Net assets per share	26	**0.395**	0.393

These financial statements were approved and authorised for issue by the Board of Directors on 24 February 2020 and were signed on their behalf by:

Sd/- Sd/-

Chairman Director

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 RO	2018 RO
Insurance premium revenue	19	**24,881,678**	25,803,903
Insurance premium ceded to reinsurers	19	**(1,866,017)**	(3,401,139)
Net insurance premium revenue	19	**23,015,661**	22,402,764
Commissions received on ceded reinsurance		**128,795**	288,115
Claims	20	**(14,690,883)**	(19,445,296)
Reinsurers' share of claims	20	**3,114,572**	7,926,332
Deferred acquisition cost	8	**12,322**	125,604
Commissions paid		**(2,042,485)**	(2,357,738)
Net underwriting result		**9,537,982**	8,939,781
General and administrative expenses	22	**(6,308,228)**	(6,036,929)
Investment income (net)	21	**1,726,244**	1,728,573
Interest on lease liabilities	33	**(80,746)**	-
Other income – net		**1,203**	(300)
Profit before taxation		**4,876,455**	4,631,125
Income tax	23	**(765,000)**	(700,000)
Profit and other comprehensive income for the year		**4,111,455**	3,931,125
Basic and diluted earnings per share	27	**0.041**	0.039

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital RO	Special reserve RO	Legal reserve RO	Contingency reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
Balance at 1 January 2018	10,000,000	11,784,883	3,909,423	10,000,000	116,034	2,744,130	38,554,470
Dividend paid	-	-	-	-	-	(3,200,000)	(3,200,000)
Release of revaluation reserve					(718)	718	-
Transfer from special reserve (note 13.b)	-	(11,784,883)	-	-	-	11,784,883	-
Profit for the year	-	-	-	-	-	3,931,125	3,931,125
Balance at 31 December 2018	**10,000,000**	**-**	**3,909,423**	**10,000,000**	**115,316**	**15,260,856**	**39,285,595**
Balance at 1 January 2019	**10,000,000**	**-**	**3,909,423**	**10,000,000**	**115,316**	**15,260,856**	**39,285,595**
Dividend paid	**-**	**-**	**-**	**-**		**(3,900,000)**	**(3,900,000)**
Release of revaluation reserve	**-**	**-**	**-**	**-**	**(720)**	**720**	**-**
Profit for the year (note 32)	**-**	**-**	**-**	**-**		**4,111,455**	**4,111,455**
Balance at 31 December 2019	**10,000,000**	**-**	**3,909,423**	**10,000,000**	**114,596**	**15,473,031**	**39,497,050**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 RO	2018 RO
Cash flows from operating activities			
Profit before taxation		4,876,455	4,631,125
Adjustments for:			
Investment income (net)	21	**(1,726,244)**	(1,728,573)
Movement in unearned premium reserve		**(590,961)**	751,401
Deferred acquisition cost	8	**(12,322)**	(125,604)
Allowance for impaired debts	7	**60,000**	140,000
Depreciation on property and equipment	11	**229,868**	149,346
Provision for end of service benefits	18	**113,529**	87,619
Gain on sale of property and equipment		**-**	-
		2,950,325	3,905,314
Cash flows before changes in operating assets and liabilities:			
Premiums and insurance balances receivable		**1,546,838**	(1,246,274)
Reinsurers' share of outstanding claims		**1,761,286**	(6,582,587)
Other receivables and prepayments		**(127,456)**	(211,017)
Right of use assets		**(1,485,634)**	-
Gross outstanding claims		**585,301**	5,893,295
Reinsurance balances payable		**(60,351)**	(959,729)
Lease liabilities		**1,407,042**	-
Other liabilities and accruals		**(1,050,095)**	928,358
Cash generated from operations		**5,527,256**	**1,727,360**
Income tax paid		**(968,727)**	(587,006)
End of service benefits paid	18	**(111,352)**	(11,688)
Net cash from operating activities		**4,447,177**	1,128,666
Investing activities			
Purchase of property and equipment	11	**(622,742)**	(502,673)
Redemption of bank deposits (net)		**(1,055,000)**	609,034
Purchase of investments			
Interest received		**(28,377)** **(354,532)**	1,738,566 2,528,870
Net cash from in investing activities		**32,447**	**2,280,699**
Financing activity			
Dividend paid	**32**	**(3,900,000)**	**(3,200,000)**
Net cash used in financing activity		**(3,900,000)**	**(3,200,000)**
Net change in cash and cash equivalents		**579,624**	209,365
Cash and cash equivalents at the beginning of the year		**2,460,164**	2,250,799
Cash and cash equivalents at the end of the year	**5**	**3,039,788**	**2,460,164**

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 PLC 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. New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of standards effective as of 1 January 2019.

The following new standards and amendments became effective as at 1 January 2019:

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
    - IFRS 3 Business Combinations - Previously held Interests in a joint operation
    - IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
    - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
    - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

The above standards, other than IFRS 16, do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.1 IFRS 16: Leases

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below:

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

2.1 IFRS 16: Leases (continued)

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively

with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparatives are not restated.

The Effect of adoption of IFRS 16:

Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For the leases previously classified as operating leases, the lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In all leases, the right-of-use assets and lease payments were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application, adjusted for any related prepaid, accrued lease payments and expense previously recognised.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Impact on transition

Right-of -use assets of RO 1,136,883 were recognised and an equivalent right-of-use liabilities were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets	**RO**
Operating lease commitments as at 31 December 2018	1,399,460
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	1,136,833
Less:	
Commitments relating to short- term leases	-
Lease liabilities as at 1 January 2019 (note 33)	1,136,833

2.2 Standards issued but not yet effective

2.2.1 IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. As the standard has been recently issued, the Company will assess its implication in due course. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

2.2.2 IFRS 9 Financial Instruments

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company meets the eligibility criteria for the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2022, applying the temporary exemption from applying IFRS 9 as introduced by the amendment, Amendments to IFRS 4 applying ‘IFRS 9 - Financial Instruments’ with ‘IFRS 4 – Insurance Contracts’.

The Company has not previously adopted IFRS 9, therefore, the Company has applied the temporary exemption from IFRS 9 and continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018. During 2017, the Company had performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance.

2.2.3 Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

2.2.3 Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

3. Summary of significant accounting policies

3.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, applicable requirements of the Commercial Companies Law, as amended, Insurance Companies Law of 1979, as amended and relevant requirements of the Capital Market Authority of the Sultanate of Oman.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law of 1974. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law became effective on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

3.2 Basis of preparation

These financial statements are presented in Rial Omani (RO) since that is the currency in which the majority of the transactions are denominated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit and loss and revaluation of land and building.

The accounting policies have been consistently applied in dealing with items that are considered material in relation to the Company's financial statements for all the years presented.

3.3 Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree. 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.

3.4 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of the 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. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Also refer note 4.3 (f).

3.5 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.

3.6 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.

3.7 Premiums and insurance balances receivable

Premiums and insurance balances receivable are measured at amortised cost and carried at estimated realisable value. An estimate is made for impaired debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

3.8 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 investments revaluation reserve is reclassified to the statement of profit or loss.

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.

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.

3.9 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.

3.10 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 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:

Building	over 40 years
Motor vehicles	over 3 years
Furniture and equipment	over 3-4 years

The carrying values of premises 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.

3.11 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.

3.12 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.

3.13 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.

3.14 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 "Premiums and insurance balances receivable". 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.

3.15 End of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period.

With respect to its national employees, the Company makes contributions to the Omani Public Authority for Social Insurance under Royal Decree No. 72/91 for Omani employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

3.16 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.

3.17 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.

3.18 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 Group. 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.

3.19 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 of 1979 calculated at 45% of the net retained premiums for the year for all classes of business in the general insurance business.

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.

3.20 Commissions earned and paid

Commissions earned and paid are recognised at the time policies are written.

3.21 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.

3.22 Dividend income

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

3.23 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.

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 utilised.

3.24 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.

3.25 Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. 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.

3.26 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.

3.27 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 by the Board based on the delegation received from shareholders.

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

3.28 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.

4. Critical accounting judgment 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:

4.1 Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

4.2 Impairment of available-for-sale investments

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.

4.3 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) Useful lives of premises and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

(d) Allowance for impaired debts

Allowance for impaired debts is based on management's best estimates of recoverability of the amounts due and the number of days for which such debts are due.

(e) Impairment of intangible asset

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.

(f) Impairment of goodwill

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.

(g) Taxation

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5. Cash and cash equivalents

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

	2019	2018
	RO	RO
Cash and bank	**3,039,788**	2,460,164

Bank balances amounting to RO 41,588 (2018 – RO 41,627), RO 1,213 (2018 - RO 1,212) and RO 214,038 (2018 - RO 1,159) are denominated in UAE Dirham's, Pound Sterling and US Dollars respectively.

6. Bank deposits

	2019	2018
	RO	RO
Bank deposits with a maturity of greater than three months from the value date of deposits	**40,712,876**	39,657,876

The deposits are held with commercial banks in Oman and carry annual interest rates ranging from 2% to 5% (2018- 2% to 5%).

At the reporting date, the Company does not hold any bank deposits denominated in foreign currency nil (2018 – nil).

Bank deposits include balances with related party amounting to RO 9,156,843 (2018 - RO 8,156,843) (note 24).

7. Premiums and insurance balances receivable

	2019	2018
	RO	RO
Customers	**1,519,450**	2,279,900
Agents and brokers	**5,387,283**	5,719,816
Reinsurance balances receivable	**192,666**	646,461
	7,099,399	8,646,237
Less: allowance for impaired debts	**(920,021)**	(860,021)
	6,179,378	7,786,216

Customers and reinsurance balance receivable include balances from the related parties amounting to RO 40,796 (2018 - RO 443,962) (note 24). Allowance for impairment towards these receivables amounted to nil as of 31 December 2019 (2018 – nil).

Movements in allowance for impaired debts were as follows:

	2019 RO	2018 RO
At 1 January	**860,021**	720,021
Charge during the year	**60,000**	140,000
At 31 December	**920,021**	860,021

8. Other receivables and prepayments

	2019 RO	2018 RO
Accrued interest	**2,540,281**	2,548,613
Receivable from related parties (note 24)	**210,020**	122,358
Prepaid expenses	**55,810**	141,505
Deferred acquisition costs	**1,223,213**	1,210,891
Sundry receivables	**575,144**	453,645
	4,604,468	4,477,012

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:

	2019 RO	2018 RO
At 1 January	**1,210,891**	1,085,287
Acquisition costs paid/ payable during the year	**1,223,213**	1,210,891
Amortised during the year	**(1,210,891)**	(1,085,287)
At 31 December	**1,223,213**	1,210,891

9. Investment securities

	2019 RO	2018 RO
Investments at fair value through profit or loss (i)	**68,278**	39,440
Available-for-sale investments (ii)	**71,429**	71,429
Held to maturity investments (iii)	**2,408,351**	2,408,812
	2,548,058	2,519,681

(i) Investments at fair value through profit or loss

	2019 Fair value RO	2019 Cost RO	2018 Fair value RO	2018 Cost RO
Quoted - banking	43,413	35,864	39,440	35,864
Quoted – industrial	24,865	25,000	-	-
	68,278	60,864	39,440	35,864

(ii) Available-for-sale investments

	2019 Fair value RO	2019 Cost RO	2018 Fair value RO	2018 Cost RO
Unquoted – services	71,429	71,429	71,429	71,429

(iii) Held-to-maturity investments

	Effective interest rate %	2019 RO	2018 RO
Government Development Bonds – Issue 50	5.21	**87,983**	87,795
Government Development Bonds – Issue 52	5.12	**541,325**	540,730
Government Development Bonds – Issue 53	5.17	**1,429,043**	1,430,287
Government Development Bonds – Issue 59	5.00	**350,000**	350,000
Held-to-maturity investments		**2,408,351**	2,408,812

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 36,271,343 (2018: RO 35,862,876). 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 (2018: RO 150,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (note 25).

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 2018	198,713	64,281	2,060,222	-	2,323,216
Additions	-	-	182,066	320,607	502,673
Disposal	-	-	-	-	-
At 1 January 2019	198,713	64,281	2,242,288	320,607	2,825,889
Additions	-	-	670,919	(48,177)	622,742
Disposal	-	-	-	-	-
At 31 December 2019	**198,713**	**64,281**	**2,913,207**	**272,430**	**3,448,631**
Depreciation					
At 1 January 2018	5,676	64,281	1,849,616	-	1,919,573
Charge for the year	718	-	148,628	-	149,346
Disposal					
At 1 January 2019	6,394	64,281	1,998,244	-	2,068,919
Charge for the year	720	-	229,148	-	229,868
At 31 December 2019	**7,114**	**64,281**	**2,227,392**	**-**	**2,298,787**
Carrying value					
At 31 December 2019	**191,599**	**-**	**685,815**	**272,430**	**1,149,843**
At 31 December 2018	192,319	-	244,044	320,607	756,970

On 31 December 2019, in accordance with the Company's policy, land and buildings were re-valued at their open market 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 76,283 (2018: RO 77,003).

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

In 2019, the Company assessed the recoverable amount of goodwill, using key assumptions including 3% (2018 - 4%) terminal growth rate, discount rate of 8.05% (2018- 8.9%) and determined that goodwill was not impaired. The impairment test, amongst others, is significantly dependent on the cost of capital and achievement of projected results (five years which are approved by the Board).

Had the discount rate increased up to 12% and terminal growth rate been reduced to 2%, all other assumptions remaining unchanged, an impairment provision would have been required.

13. Share capital and special reserve

13.a Share capital

	2019 RO	2018 RO
Authorised – ordinary shares of 100 baizas each (2018 – 100 baizas each)	**10,000,000**	10,000,000
Issued and paid up – ordinary shares of 100 baizas each (2018 - 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:

	2019		2018	
	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%

13.b Special reserve

In 2013, a capital restructure program was executed where in the share capital was reduced from RO 22.569 million to RO 10 million by way of RO 1.569 million payback to the shareholders at RO 2 per share and creation of special reserve of RO 11.784 million.

On 8 November 2018, an extraordinary meeting of the shareholders of Company was held and the shareholders of the Company passed a resolution to transfer the balance of RO 11.784 million from special reserve to retained earnings of the Company. Accordingly, the closing balance of special reserve as of 31 December 2019 is nil (2018: nil).

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 2019, the legal reserve has reached one third of the issued capital accordingly no transfer made in the current year (2018: 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 2019, 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 (2018: RO 10 million).

16. Revaluation reserve

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

17. Unearned premium reserve

	2019 RO	2018 RO
Unearned premiums:		
Gross	**10,774,725**	11,713,587
Reinsurers' share	**(280,765)**	(628,666)
	10,493,960	11,084,921
Movement during the year :		
At 1 January	**11,084,921**	10,333,520
Increase during the year	**10,493,960**	11,084,921
Release during the year	**(11,084,921)**	(10,333,520)
At 31 December	**10,493,960**	11,084,921

18. Other liabilities and accruals

	2019	2018
	RO	RO
Due to related parties (note 24)	**372,263**	310,804
Other payables	**2,249,739**	3,126,143
Accrued expenses	**769,847**	960,879
Provision for end of service benefits	**469,581**	467,404
Accounts payable	**264,162**	308,280
	4,125,592	5,173,510

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

	2019	2018
	RO	RO
At 1 January	**467,404**	391,473
Accrued during the year	**113,529**	87,619
Paid during the year	**(111,352)**	(11,688)
At 31 December	**469,581**	467,404

19. Net insurance premium revenue

	2019	2018
	RO	RO
Gross written premiums	**23,943,836**	26,030,193
Movement in unearned premiums	**937,842**	(226,290)
Insurance premium revenue	**24,881,678**	25,803,903
Reinsurance premiums ceded	**(1,519,135)**	(2,876,028)
Movement in unearned premiums	**(346,882)**	(525,111)
Insurance premium ceded to reinsurers	**(1,866,017)**	(3,401,139)
Net insurance premium revenue	**23,015,661**	22,402,764

20. Claims

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

		2019	
	Gross	Reinsurers' share	Net
	RO	RO	RO
At 1 January			
Outstanding claims	**16,242,054**	**(8,259,710)**	**7,982,344**
IBNR	**6,615,324**	**(195,145)**	**6,420,179**
	22,857,378	**(8,454,855)**	**14,402,523**
Add: claims provided during the year	**14,690,883**	**(3,114,572)**	**11,576,311**
	37,548,261	**(11,569,427)**	**25,978,834**
Less : insurance claims paid during the year	**(14,105,582)**	**4,875,848**	**(9,229,734)**
At 31 December	**23,442,679**	**(6,693,579)**	**16,749,100**
Analysis of outstanding clams at 31 December			
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**

		2018	
	Gross	Reinsurers' share	Net
	RO	RO	RO
At 1 January			
Outstanding claims	10,864,170	(1,532,602)	9,331,568
IBNR	6,099,913	(339,676)	5,760,237
	16,964,083	(1,872,278)	15,091,805
Add: claims provided during the year	19,445,296	(7,926,332)	11,518,964
	36,409,379	(9,798,610)	26,610,769
Less : insurance claims paid during the year	(13,552,001)	1,343,745	(12,208,256)
At 31 December	22,857,378	(8,454,865)	14,402,513
Analysis of outstanding clams at 31 December			
Outstanding claims	16,242,054	(8,259,710)	7,982,344
IBNR	6,615,324	(195,145)	6,420,179
	22,857,378	(8,454,855)	14,402,523

Claims include claims related to related parties amounting to RO nil (2018 – 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.

21. Investment income (net)

	2019	2018
	RO	RO
Interest income	**1,717,511**	1,720,562
Net income on investments	**3,972**	3,918
Dividend income	**4,761**	4,093
	1,726,244	1,728,573

22. General and administrative expenses

	2019	2018
	RO	RO
Staff costs	**3,764,340**	3,362,038
Depreciation of property and equipment (note 11)	**229,868**	149,346
Depreciation of right-of-use assets (note 33)	**371,409**	-
Technical service fees (note 24)	**246,279**	288,146
Rent	**-**	337,810
Telephone	**96,559**	102,464
IT expenses	**540,461**	590,458
Travel expenses	**40,120**	54,624
Other expenses	**999,192**	1,152,043
	6,308,228	6,036,929

23. Income tax

	2019	2018
	RO	RO
Statement of comprehensive income:		
Current tax	**757,019**	743,083
Prior year tax	**56,222**	(40,029)
Deferred tax	**(48,241)**	(3,054)
	765,000	700,000

Current liability:		
Current year	**757,019**	743,083
Prior years	**1,360,997**	1,530,420
	2,118,016	2,273,503
Deferred tax asset		
At 1 January	**100,591**	97,537
Movement for the year	**48,241**	3,054
At 31 December	**148,832**	100,591

23. Income tax (continued)

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

	2019 RO	2018 RO
Taxable timing difference on premises and equipment qualifying for accelerated tax relief		
	26,016	34,780
Taxable timing differences on right-of-use assets	**31,505**	-
Deductible timing difference on provisions	**91,311**	65,811
At 31 December	**148,832**	100,591

The tax rate applicable to the Company is 15% (2018 - 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 15.68% (2018 – 16.04%).

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

	2019 RO	2018 RO
Profit before income tax	**4,876,455**	4,631,125
Less: statutory deduction	**-**	-
Tax calculated at the statutory income tax rate of 15%	**731,468**	694,669
Tax effect of:		
Income / gains not taxable	**(1,310)**	(1,294)
Prior year's tax	**56,522**	(40,029)
Deferred tax	**(48,241)**	(3,054)
Expenses not deductible in taxable profit	26,561	49,710
Income tax expense	**765,000**	700,000

Status of tax assessment

Assessments of the Company upto tax year 2016 are complete. Tax assessments of the former Al Ahlia Insurance Company SAOC prior to its merger with the Company are complete upto tax year 2010.

An objection against the assessments for tax years 2012 to 2016 has been submitted with the Chairman of Tax Authority on 31 January 2019. 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 2019.

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.

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

31 December 2019

	Deposits and other Receivables RO	**Premiums and insurance receivable RO**	**Re-insurance balances payable RO**	**Outstanding claims payable RO**	**Other payables RO**
Major shareholders	**9,156,843**	**-**	**-**	**-**	**288,202**
Other related parties	**210,020**	**40,796**	**24,880**	**-**	**84,061**
	9,366,863	**40,796**	**24,880**	**-**	**372,263**

31 December 2018

	Deposits and other Receivables RO	Premiums and insurance receivable RO	Re-insurance balances payable RO	Outstanding claims payable RO	Other payables RO
Major shareholders	8,156,483	-	-	-	310,804
Other related parties	122,358	443,962	24,379	-	-
	8,278,841	443,962	24,379	-	310,804

Transactions with related parties included in the statement of comprehensive income are as follows:
31 December 2019

	Deposits and other Receivables RO	**Premiums and insurance receivable RO**	**Re-insurance balances payable RO**	**Outstanding claims payable RO**	**Other payables RO**
Major shareholders	**-**	**--**	**-**	**246,279**	**1,000,000**
Other related parties	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**246,279**	**1,000,000**

31 December 2018

Major shareholders	-	-	-	288,146	2,000,000
Other related parties	-	-	-	-	-
	-	-	-	288,146	2,000,000

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

	2019	2018
	RO	RO
Short-term benefits	**517,063**	512,504
Employees' end of service benefits	**46,632**	20,443
	563,695	532,947

25. Contingent liabilities

Contingencies
The Company's bankers have provided financial guarantees to third parties on behalf of the Company amounting to RO 106,607 (2018 - RO 135,152).

The Company has provided a bank guarantee to the Capital Market Authority of RO 150,000 (2018 - 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 law suits. 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

	2019	2018
	RO	RO
Net assets (RO)	**39,497,050**	39,285,595
Number of shares at the reporting date	**100,000,000**	100,000,000
Net assets per share (RO)	**0.395**	0.393

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

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:

	2019	2018
	RO	RO
Profit for the year	**4,111,455**	3,931,125
Weighted average number of shares	**100,000,000**	100,000,000
Earnings per share	**0.041**	0.039

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.

	Motor		**Non - motor**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	RO	RO	**RO**	RO	**RO**	RO
Net premium earned	**19,425,276**	20,202,364	**3,590,385**	2,200,400	**23,015,661**	22,402,764
Underwriting results	**6,239,336**	8,081,894	**3,298,646**	857,887	**9,537,982**	8,939,781
Expenses					**(6,298,228)**	(6,036,929)
Investment income (net)					**1,726,244**	1,728,573
Other income – net					**1,203**	(300)
Interest on lease liabilities					**(80,746)**	-
Profit before tax					**4,886,455**	4,631,125
Taxation					**(765,000)**	700,000
Profit for the year					**4,121,455**	3,931,125
Segment assets	**1,198,836**	1,161,171	**6,998,721**	9,133,241	**8,197,557**	10,294,412
Unallocated assets					**74,094,153**	71,996,158
Total assets					**82,291,750**	82,290,570
Segment liabilities	**23,585,707**	24,752,356	**11,431,220**	10,923,219	**35,016,927**	35,675,575
Unallocated liabilities					**7,777,773**	7,329,400
Total liabilities					**42,794,700**	43,004,975

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.

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 6,693,579 (2018 - RO 8,454,865).

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.

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.

Medical
Medical insurance is sold as a group policy primarily to employers to cover the risk of employees' medical expenses in house or outpatient as per the terms of their respective agreements.

Group life
For group life, the insurance risks are group protection primarily sold to the employers covering the lives of the employees.

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.

Net incurred claims

31 December 2019

Accident year	***2013***	***2014***	***2015***	***2016***	***2017***	***2018***	***2019***	***Total***
	RO	***RO***	***RO***	***RO***	***RO***	***RO***	***RO***	***RO***
One year later	10,831,027	8,997,593	9,592,661	9,760,101	9,063,077	7,726,147	9,887,758	
Two years later	7,610,189	7,634,330	8,428,209	8,261,326	7,493,007	5,830,181	-	
Three years later	7,935,646	7,218,870	8,027,131	7,111,145	6,638,096	-	-	
Four years later	8,045,086	6,887,655	7,845,937	7,000,722	-	-	-	
Five years later	7,740,662	6,241,082	7,317,357	-	-	-	-	
Six years later	7,910,017	6,169,903	-	-	-	-	-	
Seven years later	7,848,206	-	-	-	-	-	-	
Estimate of incurred claims	7,848,206	6,169,903	7,317,357	7,000,722	6,638,096	5,830,181	9,887,758	50,692,222
Cumulative payments to date	(7,731,539)	(6,044,987)	(7,088,532)	(5,928,804)	(5,208,567)	(2,140,481)	-	(34,142,910)
Liability recognized	116,668	124,916	228,825	1,071,918	1,429,528	3,689,700	9,887,758	16,549,312
Liability in respect of prior years								199,788
Liability recognised in the statement of financial position (net outstanding claims and IBNR) (note 20)								**16,749,100**

Net incurred claims

31 December 2019

Accident year	***2012***	***2013***	***2014***	***2015***	***2016***	***2017***	***2018***	***Total***
RO	***RO***	***RO***	***RO***	***RO***	***RO***	***RO***	***RO***	
One year later	9,729,941	10,831,027	8,997,593	9,592,661	9,760,101	9,063,077	7,726,147	
Two years later	7,468,564	7,610,189	7,634,330	8,428,209	8,261,326	7,493,007	-	
Three years later	8,575,100	7,935,646	7,218,870	8,027,131	7,111,145	-	-	
Four years later	8,618,145	8,045,086	6,887,655	7,845,937	-	-	-	
Five years later	8,483,522	7,740,662	6,241,082	-	-	-	-	
Six years later	8,494,679	7,910,017	-	-	-	-	-	
Seven years later	8,749,361	-	-	-	-	-	-	
Estimate of incurred claims	8,749,361	7,910,017	6,241,082	7,845,937	7,111,145	7,493,007	7,726,147	53,076,696
Cumulative payments to date	(8,520,443)	(7,694,589)	(6,014,619)	(6,960,998)	(5,580,984)	(3,856,214)	-	(38,627,847)
Liability recognized	228,918	215,428	226,463	884,939	1,530,161	3,636,793	7,726,147	14,448,849
Liability in respect of prior years								(46,336)
Liability recognised in the statement of financial position (net outstanding claims and IBNR) (note 20								14,402,513

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 % (2018: 100%) 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 6,828 (2018: RO 3,944)

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.

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 performance.

The following tables explain the credit position of the Company.

31 December 2019

	Neither past due nor impaired RO	***Past due but not impaired RO***	***Impaired RO***	***Total RO***
Premium and insurance balance Receivable	**3,047,951**	**3,134,756**	**916,692**	**7,099,399**
Reinsurers' share of outstanding Claims	**6,693,579**	**-**	**-**	**6,693,579**
Investments in local bonds	**2,408,351**	**-**	**-**	**2,408,351**
Bank balances	**3,033,653**	**-**	**-**	**3,033,653**
Bank deposits	**40,712,876**	**-**	**-**	**40,712,876**
Other receivables	**4,604,468**	**-**	**-**	**4,604,468**
Total	**60,500,878**	**3,134,756**	**916,692**	**64,552,326**

31 December 2018

	Neither past due nor impaired RO	*Past due but not impaired RO*	*Impaired RO*	*Total RO*
Premium and insurance balance Receivable	4,150,597	3,636,195	859,445	8,646,237
Reinsurers' share of outstanding Claims	8,454,865	-	-	8,454,865
Investments in local bonds	2,408,812	-	-	2,408,812
Bank balances	2,455,279	-	-	2,455,279
Bank deposits	39,657,876	-	-	39,657,876
Other receivables	3,124,616	-	-	3,124,626
Total	60,252,045	3,636,195	859,445	64,747,695

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

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***
2019	***1,228,511***	***1,194,510***	***711,735***	***-***	***-***	***3,134,756***	***916,692***
2018	2,339,105	450,878	581,019	265,193	-	3,636,195	859,445

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 majority of time deposits held by the Company at the reporting dates had original maturity periods not exceeding twelve months. 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.

	2019			2018		
	Less than one year	**More than one year**	**Total**	*Less than one year*	*More than one year*	*Total*
	RO	**RO**	**RO**	*RO*	*RO*	*RO*
ASSETS						
Bank deposits*	**4,650,000**	**36,062,876**	**40,712,876**	10,694,815	28,963,061	39,657,876
Premiums and insurance balances receivable	**6,179,378**	**-**	**6,179,378**	7,786,216	-	7,786,216
Reinsurers' share of outstanding claims	**6,693,579**	**-**	**6,693,579**	8,454,865	-	8,454,865
Investments at fair value through profit or loss	**68,278**	**-**	**68,278**	39,440	-	39,440
Available-for-sale investments	**71,429**		**71,429**	71,429	-	71,429
Held-to-maturity investments	**2,408,351**		**2,408,351**	2,408,812	-	2,408,812
Other receivables	**4,604,468**	**-**	**4,604,468**	4,477,012	-	4,477,012
Cash and cash equivalents	**3,039,788**	**-**	**3,039,788**	2,460,164	-	2,460,164
TOTAL ASSETS	**27,715,271**	**36,062,876**	**63,778,147**	36,392,753	28,963,061	65,355,814
LIABILITIES						
Liabilities arising from insurance contracts						
Gross outstanding claims	**23,442,679**	**-**	23,442,679	22,857,378	-	22,857,378
Reinsurance balances payable	**926,646**	**-**	926,646	986,997	-	986,997
Other liabilities and accruals	**4,125,592**	**-**	4,125,592	5,173,510	-	5,173,51
TOTAL LIABILITIES	**28,494,917**	**-**	28,494,917	29,017,885	-	29,017,885

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

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).

2019

	Level 1 RO	*Total* RO
Financial assets at FVTPL		
Quoted local	**43,413**	**43,413**
Quoted abroad	**24,865**	**24,865**

2018

Financial assets at FVTPL		
Quoted local	39,440	39,440

The Company has investments amounting to RO 2.41 million as at reporting date (31 December 2018: RO 2.41 million) which are classified as 'held to maturity' investments and carried at the amortised cost (note 8(iii)). 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 2018: 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 8(ii)).

In accordance with the Company's policy, the land and buildings was re-valued at their open market value on 31 December 2019 for existing use by a professional valuer who is an industry specialist in valuing these types of properties. The fair market value as at 31 December 2019 amounted to RO 220,000 and the land and building is valued using a level 3 approach.

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 2019 of 5% of the share capital i.e., 5 baizas per share amounting to RO 500,000 (2018 - 5 baizas per share amounting to RO 500,000), was paid during the year.

For the year 2019 the Board of Directors have proposed a cash dividend of 36 % of the share capital i.e. 36 baizas per share amounting to RO 3,600,000 (2018 - cash dividend of 34% of the share capital i.e., 34 baizas per share amounting to RO 3,400,000). The proposed dividend is subject to formal approval of the shareholders at the Annual General Meeting.

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.

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

	Total RO
At 1 January 2019 (transition adjustment) (note 2.1)	**1,136,883**
Additions	**720,160**
Depreciation expense	**(371,409)**
At 31 December 2019	**1,485,634**

Approximately 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:

	2019 RO	2018 RO
As at 1 January (transition adjustment)	**1,136,883**	-
Additions	**720,160**	-
Accretion of interest	**80,746**	-
Prepaid rent adjustment	**(288,628)**	
Payments	**(242,119)**	-
At 31 December	**1,407,042**	-

The following are the amounts recognised in the statement of comprehensive income:

	2019 RO	2018 RO
Depreciation expense of right of use assets	**371,409**	-
Interest expense on lease liabilities	**80,746**	-
Total amount recognised in statement of comprehensive income	**452,155**	-

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

	2019 RO	2018 RO
Less than one year	**184,148**	313,390
Between one and five years	**1,705,068**	25,441
	1,889,216	338,831

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