AL AHLIA INSURANCE CO. SAOG

ANNUAL REPORTS AND FINANCIAL STATEMENTS 2022

AL AHLIA INSURANCE COMPANY SAOG

Chairman's Report
31st December 2022

الأهلية
Al Ahlia

Chairman's Report 2022

On behalf of the Board of Directors, it is my pleasure to present our Annual Report for the year ending 31st December 2022, my third as chairman of Al Ahlia Insurance Company (AAIC) SAOG.

At the outset, I welcome our new partners, Muscat-listed National Life and General Insurance Company (NLGIC) SAOG, who have completed the purchase of Royal & Sun Alliance (RSA) Middle East and also acquired 47.5% of our issued share capital. Both companies will undergo restructuring to embed and optimise the partnership.

NLGIC is the largest insurance company in Oman and also has branches in Dubai, Abu Dhabi and Kuwait. It has been in the insurance business for more than 25 years, offering a wide range of medical, life and general insurance policies. It is the market leader in Oman in the motor and health insurance segments and one of the major players in the UAE.

As a highly trusted, professional and expert insurance provider with a strong network of branches and intermediary brokers and agencies with around 190 combined touch points for policy sales and servicing in Oman., NLGIC will undoubtedly complement and enhance Al Ahlia's portfolio of goods and services.

Its existing tie-ups, not least with the world's leading reinsurers, will also enable us to continue our award-winning customer offer embracing property, casualty, motor, construction, marine, specialty lines and SME solutions.

Al Ahlia has proven its calibre since its establishment in 1985, thanks to its customer-first approach, and the new collaboration fully embodies our credo of: "Together, we go further."

I want to take this opportunity to thank Royal and Sun Alliance for its unwavering support since 2010 and wish the company the best in its future endeavours. At the same time, I wish to extend my congratulations to our first female Chief Executive Officer, Hanaa Al Hinai. Her appointment, following more than 20 years' experience in banking and finance, is a landmark for diversity and inclusion in Oman and can only help advance our growth ambitions into becoming the leading multi-line insurance player in the region.

2022 was a pivotal moment in our history as we transitioned to a new future despite a backdrop of global economic and geo-political uncertainty.

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

World Economy

2022 was a turbulent year for the global economy. The Russian invasion of Ukraine, rising inflation, food supply crises and the long tail of the COVID-19 pandemic all caused shockwaves across the world.

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هاتف ٢٤٧٦٦٨٠٠ ٩٦٨+
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According to the latest McKinsey Global Survey, business executives report rising interest rates as a growing concern domestically, surpassing unease over energy price volatility. Most respondents (63%) expect interest rates in their countries to increase over the next six months.

Gulf Co-operation Council (GCC) Economy

Despite the global economic uncertainty fuelled by inflation, geo-political crises and supply chain insecurity, the Middle East witnessed a second consecutive year of economic growth, with countries in the region investing in new technologies and projects that could herald greater integration in the years ahead. (Oxford Business Group).

Whereas global GDP expansion is projected to slow from 6% in 2021 to 3.2% in 2022, sustained high oil prices are set to push GDP growth in the Middle East from 4.1% in 2021 to 5% in 2022, according to an October forecast from the International Monetary Fund (IMF). Although regional economic expansion is slated to moderate somewhat to 3.6% in 2023, this nonetheless outpaces the projected global figure of 2.7%.

Oil-producing countries in the GCC were the region's top performers: Kuwait's GDP is expected to expand by 8.7% in 2022, followed by Saudi Arabia (7.6%), the UAE (5.1%) and Oman (4.4%).

The windfall from oil revenue has generated more fiscal flexibility and external balance surpluses, allowing GCC members to continue to fund their diversification efforts, while improving diplomatic relations have opened the possibility for enhanced regional and global integration.

According to a recent United Nations survey, GCC countries will develop at their fastest pace since 2014 and are expected to register 4.6% growth this year.

However, the IMF pointed out that while GCC countries have benefited from higher, albeit volatile hydrocarbon prices, numerous risks still cloud the outlook—notably a slowdown in the global economy.

GCC Insurance Sector

Consolidation and merger and acquisition deals among regional insurers are set to pick up on the back of new trends in the industry, according to a recent report by PricewaterhouseCoopers (PwC).

Several factors are driving the change, with regulators looking at increasing the minimum capital requirements for companies in the industry, while insurers are also under pressure to diversify and scale up.

The region is expected to see insurance firms introduce new products and features as industry players seek to stay competitive in a "fast-changing and uncertain" environment.

The report highlighted that since the start of the pandemic, insurers have undergone a "massive transformation" and faced more challenges, including increased life and health claims.

Insurers have changed the way they interact with customers via automation and artificial intelligence, while there has been a growing focus on sustainability and environmental, social and governance (ESG) themes.

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Oman Economy

Like most hydrocarbon-producing countries, Oman recorded a strong performance in 2022, with GDP growth above 4%, driven by high energy prices as well as increased oil and natural gas output. In the first nine months of 2022, the Sultanate's revenue jumped 43% and the country recorded a US$3 billion budget surplus, allowing the Government to post its first yearly surplus in a decade.

With higher revenue, the IMF expects Oman to lower government debt from 62.9% of GDP in 2021 to 44% in 2022. The authorities are also pumping part of that extra revenue into reforms and large projects to improve infrastructure such as water networks, recycling plants, grain storage facilities, farms, desalination units, refineries and oil facilities.

Public spending in the 2023 budget will go up 7% at OMR 12.95 billion with the deficit estimated to be about OMR 1.3 billion, constituting 11% of total revenues and 3% of GDP.

The Ministry of Finance said revenue and spending estimates for 2023 are based on an oil price assumption of US$55 per barrel, which takes into account uncertainty facing the global oil market, a slowdown in China's economy and the potential of a global economic recession.

Public debt is projected to stand at OMR 18.6 billion at the end of 2023.

Oman Insurance Sector

According to recent figures based on unaudited statements released by the Capital Market Authority (CMA), the total Omani insurance industry Gross Written Premium increased by 12.2% to OMR 545.5 million in 2022.

Group life insurance premiums rose 26.1 %, while those for liability insurance climbed by 21.1%, medical by 17.9%, property by 14.5% and third-party motoring by 8.4%.

Health products continued to account for the largest share of the total insurance portfolio rising to OMR 191.5 million from OMR 162.4 million in 2021, underlining the move towards compulsory health insurance and impact of COVID-19.

The CMA adopted a new approach to calculating the solvency margin of insurance companies, which reflects the ability of insurers to discharge their obligations to policyholders.

The risk-based method for the calculation of solvency margin (which measures the amount of an insurance company's capital to support its business in light of the risk exposure) replaced the calculation of the solvency margin measured according to the adequacy of assets compared to liabilities.

We concur with the CMA's assessment that risk-based calculations will boost investor confidence in Oman's insurance sector by bolstering sound management practices in its companies.

At the same time, the move will enhance the capital of insurance companies, the possibility of identifying the risks to which each company is exposed (according to the nature and size of its business) and protect the rights of policyholders, shareholders and related parties.

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The Omani market now consists of 21 insurance companies and one reinsurance firm. The size of the market is approximately OMR 500 million, with the sector's total assets amounting to OMR 1.197 billion.

With insurance company law amended by Royal Decree, insurance institutions in the Sultanate have now been classified into three categories: general insurance, life insurance and health and family insurance.

The most significant changes came in the health insurance sector, which has assumed ever greater significance after the CMA issued an order for compulsory health insurance for workers in the private sector. This includes basic coverage and additional benefits, and a special supplement for domestic workers, including housemaids, drivers and others.

Health insurance now accounts for more than a third of the total insurance portfolio with more than 610,000 people covered, compared to less than 400,000 in 2017.

Review of the 2022 Financial Performance

In a challenging landscape, we worked hard to retain our strong focus on profitability, operational efficiency and superior customer service.

Profit After Tax (PAT) fell 24% to OMR 2.92 million from OMR 3.83 million in 2021, due mainly to reduced contributions driven by an Increased excess of loss cost in 2022. This was impacted by Cyclone Shaheen in 2021 and an increased claims ratio as business returned to normality after the pandemic.

However, we still retained our run of consistent profits since 2011.

There was a 3% rise in Net Earned Premiums to just under OMR 16.3 million and a 20% increase in the Gross Written Premium to OMR 21 million. This was due to the market continuing to bounce back from COVID-19 and our ongoing improvement in market segmentation and pricing sophistication.

Our total operating costs rose by 9% to OMR 14.55 million as expenses rose by 9%, mainly driven by the 19.7% growth in our GWP, although the expense-to-GWP ratio was reduced by 4.9% compared to 2021. In absolute terms, one-off benefits in expenses available in the previous year due to COVID-19 were not available in 2022 as business returned to normal.

Underwriting Performance in 2022

The combination of strong local underwriting capability, working within an internationally tested underwriting framework, enables the Company to execute high-quality risk selection and pricing decisions. The outcome of that technical expertise is a positive risk/premium retention level, which delivered an underwriting profit (after management expenses) for the financial year of 2022 of OMR 1.72 million compared to OMR 2.45 million in 2021. The average premium retention rate was 51% for personal lines and 101% for commercial lines.

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Investment Performance in 2022

Our investment income fell to OMR 1.55 million, a 17% drop from 2021. This was driven by an investment base reduction and charges on the premature termination of fixed deposits. However investment yield at 4% was ahead of Plan and an overall good result given the volatile investment environment.

We continue to adopt a high-quality, low-risk and low-volatility investment policy with the majority of our investments held in fixed deposits.

Post-IPO Stock Performance

Our shares were oversubscribed by more than 2.4 million times after a successful listing in 2017.

The share price reached a high of 456 baizas in November 2022, the month of the NLGIC announcement to purchase a 47.5% minority shareholding in our business, against a low of 302 baizas in March-May.

This demonstrates a strong company performance backed by public confidence in our new ownership structure.

For the year 2022, the Board proposes to pay a final dividend of RO 2.9 million (subject to approval at the Annual General Meeting)

Corporate Governance

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

We develop, implement and embed a governance framework which:

- Covers all relevant risk types for our business, including insurance, financial, operational and regulatory risk
- Defines the policies that we will follow to manage risk
- Measures the amount of risk to which we are exposed
- Ensure that we take the right actions to manage risks.

Our Operational Risk Management team focuses on pro-actively assessing the Company's readiness for potential operational risk events, including extreme events.

In 2022, we undertook six risk control programmes for our clients, including the replacement of fire alarm control and detection systems.

We are also one of the few insurance companies that has a primary and secondary Site Control Management team, which takes pro-active measures to avoid any eventualities during emergency situations.

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We are directed and managed by a Board comprising of nine non-executive members of whom four 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 also ensures that the Company meets all legal and regulatory requirements and implements good corporate governance practices, in line with CMA requirements.

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

Internal Controls

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

Ten internal audits on various aspects of the business were initiated during 2022. The Audit Committee was satisfied that there were no material control weaknesses which could be considered as significant and which might result in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or conditions.

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

Corporate Social Responsibility (CSR)

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

In accordance with our aim of helping to meet society's challenges, our shareholders approved an OMR 5,000 donation to the Oman Cancer Association and one of OMR 2,000 to the Ministry of Social Development for their Child Care Centre.

Furthermore, we sponsored a wetland clean-up, contributing OMR 2,500 to the Environment Authority for work around Shanna Port. Other sponsorship payments of OMR 600 and OMR 500 were made for a beach clean-up at Al Askara and for the supply of food during Ramadan respectively. An allocation has been made for 20% of the funds for the benefit of the Oman Charitable Organization.

Future Outlook

Oman remains an attractive investment proposition and the economic outlook appears largely positive for 2023.

The accelerating economic recovery from COVID-19 spurred by higher hydrocarbon prices should provide us with a favourable operational environment, although inflation and rising interest rates are a concern.

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Al Ahlia must keep evolving in a competitive market if we are to continue to thrive and our new partnership with NLGIC will enable us to do that.

New technology and the digital transformation will help us to improve the customer experience by both streamlining processes with automation and artificial intelligence, as well as providing a more seamless and tailored service.

I firmly believe the robust systems underpinning our business, our strong customer-centric offering and the flexibility of our talented people in adapting to change will enable us to achieve even more success in 2023 and beyond.

Acknowledgements

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

I once again pay tribute to all those at the RSA for their support of Al Ahlia during our long-standing and lucrative partnership and welcome our new colleagues at National Life Insurance for what I am sure will be a rewarding and dynamic collaboration.

I want to reiterate my praise for Hanaa, who was also named "Woman of the Year" at the Al Mar'a Excellence Awards, a platform that was introduced 11 years ago to honour and celebrate Omani women in diverse fields, including insurance, banking and business.

This was one of a number of prestigious awards in 2022, again testifying to the fact that our people are our most important asset and they continue to strive for excellence at all times. I express my utmost gratitude to them for their commitment in ensuring we continue to meet and exceed customer expectations during times of change.

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

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

Sheikh Khalid Al Khalili

Chairman

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AL AHLIA INSURANCE COMPANY SAOG

Management Discussion and Analysis Report
31st December 2022

Management Discussion and Analysis Report

Introduction

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

I am delighted to lead the company during this exciting time , after our merger with National Life and General Insurance Company (NLGIC) SAOG, the market leader and largest insurance firm in Oman with branches in Abu Dhabi, Dubai and Kuwait.

This transaction should help both ourselves and NLGIC expand our customer reach in the region and bring together potential synergies between our businesses in terms of resources and technologies.

This mutually beneficial relationship will enable us to provide a wider range of insurance products and services to both individual and corporate customers, thus creating a well-diversified insurance force in the region.

I strongly believe the new partnership will strengthen Al Ahlia's hand against a challenging global backdrop so that we can maintain our robust market presence with best-in-class insurance solutions in motor, travel, personal accident, home, property, construction, specialty, casualty, marine, and SME lines.

As the market bounced back from COVID-19 in 2022, our focus areas were delivering topline growth, expanding our agency footprint and integrating the brand into everything we do – products and services, communications, environment and channels, and, of course, our people and culture.

We also invested in building new partnerships, including with a major telecoms provider and non-banking financial companies (NBFCs), which will be rolled out in 2023.

Our strategy of putting customers first has been well defined and executed. We are growing our market share in key segments, such as third-party motor, property and engineering. And at the same time, we are making tangible strides in increasing customer satisfaction though close monitoring of customer feedback and our net promoter scores.

With our 17 branches (including border offices), 39 agent offices and two affinity partners, a dedicated call centre, a convenient online platform and pro-active use of social media to attract and engage, we will continue to provide our customers with unmatched sales and service support.

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Financial Performance

As the economic recovery from the pandemic gained momentum, the Gross Written Premium (GWP) surged 20% to more than OMR 21 million with a Net Earned Premium (NEP) of OMR 16.26 million.

Profit After Tax (PAT) fell 24% to OMR 2.92 million from OMR 3.83 million in 2021, mainly due to reduced contributions driven by an Increased reinsurance excess of loss cost in 2022. This was driven by weather events across the GCC in 2021 and the cyclone Shaheen event in early October.

The loss also reflected an industry-wide trend caused by an increase in the spend on claims, distribution and administrative expenses, as well as lower investment income underpinned by higher inflation, increased mobility, aggressive competition, and volatile capital markets.

Our total operating cost rose 9% to OMR 14.55 million as expenses rose by 9%, mainly due to the 19.7% overall growth in our GWP, although the expense-to-GWP ratio was reduced by 4.9% compared to 2021. In absolute terms, one-off benefits in expenses available in the previous year due to COVID-19 were not available in 2022 as business returned to normal.

Throughout the year, our share price stayed above the initial public offering price of 300 baizas in 2017, reaching a high of 456 baizas in November, the same month our tie-up with NLGIC was confirmed.

Key Financial Performance Highlights (OMR)

Preliminary summarised unaudited results for the period ended 31st December 2022:

Particulars	2022	2021
Gross Written Premium (GWP)	21,025,673	17,571,025
Net Earned Premium	16,268,878	15,793,219
Total Operating Cost Including Expenses	(14,551,853)	(13,342,893)
Investment Income	1,556,040	1,881,659
Other Income/Expenses	112,432	169,674
Profit Before Tax	3,385,497	4,501, 659
Provision For Income Tax	(465,000)	(674,510)
Profit After Tax	2,920,497	3,827,149

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Investment Performance

Our investment yield was ahead of plan at 4% but lower in absolute terms at RO 1.55million due lower average investment base. We continue to adopt a high-quality, low-risk and low-volatility investment policy with the majority of our investments held in fixed deposits.

Proposed Dividend

For the year 2022, the Board proposes to pay a dividend of OMR 2.9 million (subject to approval in the Annual General Meeting)

Market Share

Due to a 57.5% surge in property insurance GWPs, our market share in that segment grew to 5.9% from 4.3% in 2021. Our share of third-party motor business also increased to 15.3% from 12.2%, boosted by a 35.8% GWP growth.

In-Country Value

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

We are exceeding our localisation targets at all levels of the business, with an overall Omanisation rate of 84.4% (against a regulatory requirement of 75%). For top management positions, we are currently standing at 61% (50%), 78% at middle management level (75%), and 100% for operational ranks (90%).

We devoted 2,320 hours to training our staff in 2022, a 74% increase on 2021. Our training and development plan achieved a 91.5% CMA approval rating, outperforming the industry.

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

Information Technology and Digital Leadership

Our information technology (IT) department continues to invest in our strategic objectives around customer service, efficiency, ease of doing business, product innovation and in enhancing our IT infrastructure.

We further boosted our digital platform to ease the online customer experience and secure a competitive advantage by launching a new online vehicle transfer service, a first-of-its-kind in the Sultanate.

This eliminates the need of the seller and buyer to visit our office, and the document retrieval, validation and payment are done through application programming interface integration with Royal Oman Police (ROP) systems so the process can be executed smoothly.

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While we have always offered online policy renewal for our customers, we have now introduced a new feature allowing customers to access their pre-filled renewal notice. The process is completed within a minute with customers receiving the new policy document via e-mail and WhatsApp.

Continuing our commitment to digital excellence, we are the first insurance company in Oman to implement paperless solutions in our branches, by automating all the steps in our policy lifecycle.

Furthermore, we are improving our WhatsApp channel by adding more options in the menu and claims agents, and enhancing the claims flow, to ensure faster responses to our customers and to provide better services overall.

Audits and Compliance

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

During 2022 ten internal audits were conducted and the results have been considered by our Audit Committee in reaching an opinion on the effectiveness of the Company's internal control systems.

We fully support the CMA's new risk-based approach to calculating the solvency margin of insurance companies, which replaces the old method based on the adequacy of assets compared to liabilities. We believe it will make the Sultanate's insurance sector more resilient, enhance investor confidence and protect the rights of customers, shareholders and other stakeholders.

Awards

Al Ahlia won the coveted "Oman Insurer" award at the annual Middle East and North Africa Insurance Awards in January 2022 for the sixth consecutive year and the ninth time since 2011.

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

We were also named the "Most Innovative Insurer - Oman" at the International Business Magazine Annual Awards, held in Dubai in October.

The accolade recognises our best-in-class business achievements and embrace of new technology to provide a seamless customer-focused experience, as well as our status as a pioneer within the Sultanate's insurance sector.

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ص.ب ١٤٦٣، الرمز البريدي ١١٢، روي، سلطنة عمان

هاتف ٦٨٠٠ ٢٤٧٦ ٩٦٨+
فاكس ٧١٥١ ٢٤٧٩ ٩٦٨+

س.ت ١٧٥٤٨٠٧

Breakthrough propositions and ground-breaking customer solutions include our WhatsApp contact centre, fast and easy online portal, claims registration by WhatsApp and our successful initiative to go paperless.

We also won the AIWA (Alam Al-Iktisaad Wal-A'mal) Award for Best Performing Companies (in the mid-cap category) for the fifth time. The judgement criteria include a company's market capitalisation and key financial performance parameters.

Future Outlook

Whilst the Company enjoys market-leading loss ratios and underwriting results the key challenge is to grow topline and maintain margins in a crowded and sometimes volatile market.

Our new relationship with NLGIC will undoubtedly help us in this direction, allowing us to achieve synergies and efficiencies, thereby enabling the business to effectively meet the evolving needs of the Oman domestic market with a wide and reliable product range.

We aim to further stimulate customer-centric business growth and competitiveness through:

- Leadership in personal lines with a 14% market share by 2024 with direct and digital-first distribution and pricing
- Strengthening commercial lines by becoming Oman's "Insurer of Choice" and exploring new opportunities
- Cost optimisation by improving our agility and speed to market through Lean to drive efficiency whilst enabling the business to grow
- Investing in our people with industry-leading training and development schemes
- Growth via partnerships and our Rewards loyalty programme to build affinity to the brand.

Our aspiration is to be a top three direct personal motor insurer in Oman by 2024 and maintain leadership in commercial lines with a 16% share of the NWP market in our chosen lines.

We believe this can be achieved through our strong business model, wide-reaching network, outstanding marketing initiatives, innovative product development and exceptional customer service.

aaic@om.rsagroup.com
alahliarsa.com

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F +968 2479 7151

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س.ت. ١٧٥٤٨٠٧

Al Ahlia

We hope to meet these ambitions through a variety of measures. These include:

- Driving more traffic online by offering a best-in-class digital journey
- Operating an agile, tactical and competitive pricing strategy focusing on growth and profitable segments
- Introducing new product add-ons for third party and comprehensive insurance.

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

Acknowledgements

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

Hanaa Al Hinai

Chief Executive Officer

aaic@om.rsagroup.com
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س.ت ١٧٥٤٨٠٧

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Agreed upon procedures on Code of Corporate Governance of Al Ahlia Insurance Company SAOG

To the Board of Directors of Al Ahlia Insurance Company SAOG

Purpose of this Agreed-Upon Procedures Report

We were engaged by the Board of Directors of Al Ahlia Insurance Company SAOG (the "Company") to perform agreed upon procedures on the Company's compliance with the Code of Corporate Governance of Capital Market Authority ("CMA"), as prescribed in the CMA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code"). Our report is solely for the purpose of assisting the Company in complying with the CMA requirements and may not be suitable for any other purpose.

Responsibilities of the Company

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

Management of the Company is responsible for accuracy and completeness of the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

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

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

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

Professional Ethics and Quality Control

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

Practitioners' Responsibilities (continued)

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

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the terms of our engagement dated 16 January 2022, on compliance with the requirements of the Governance Code:

S. No	Procedures	Findings
(a)	We compared the corporate governance report issued by the Board of Directors with Annexure 3 of the Governance Code to check if the Report includes as a minimum, all items suggested by CMA in the Annexure 3.	No exceptions found.

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

KPMG LLC
26 February 2023

KPMG
KPMG LLC
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Sultanate of Oman
CR.No: 1358131

AL AHLIA INSURANCE COMPANY SAOG

Report on Compliance with the Code of Corporate Governance

31st December 2022

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

1. Company's Corporate Governance Philosophy.

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

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

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

2. The Board

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

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

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

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

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

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

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

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

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

(h) Reviewing related parties' transactions.

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

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

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

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

(m) Approving quarterly and annual financial statements.

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

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

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

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

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

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

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

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

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

2.1 Directors

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

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Membership of board and committees at 31st Dec 2022 is as follows:

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

*Jonathan Cope, being an employee of RSA Group, resigned from the Board w.e.f 6th July 2022 on completion of the sale transaction of RSA Middle East B.S.C.(c) by National Life and General Insurance Company SAOG (NLGIC)

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

2.2 Attendance at General Assembly & Board Meeting

Board Meetings

Attendance at board meetings held during the year 2022 are as follows:

Name of the director	Patrick O' Flynn	Shahid Rasool	Christopher Dooley	Paul Holmes	Jonathan Cope	Khalid Al Khalili	Martin Rueegg	Shabib Al Busaidi	Yousuf Al Balushi
23-Feb-22	Y	Y	Y	Y	Y	Y	Y	Y	Y
10-Mar-22	Y	Y	Y	Y	Y	Y	Y	Y	Y
26-Apr-22	Y	P	Y	Y	Y	Y	Y	Y	Y
24-May-22	Y	Y	Y	Y	N	Y	Y	Y	Y
08-Jun-22	Y	Y	Y	Y	Y	Y	Y	Y	Y
20-Jul-22	Y	N	Y	Y	NA	Y	Y	Y	Y
25-Jul-22	Y	Y	Y	Y	NA	N	Y	Y	Y
23-Oct-22	Y	Y	Y	Y	NA	Y	Y	Y	Y
14-Dec-22	Y	Y	Y	Y	NA	Y	Y	Y	Y

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

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The company held the following General Assembly Meetings

Name of the director	Patrick O' Flynn	Shahid Rasool	Christopher Dooley	Jonathan Cope	Khalid Al Khalili	Martin Rueegg	Paul Homes	Shabib Al Busaidi	Yousuf Al Balushi
30-Mar-22 Annual General Meeting	Y	Y	Y	Y	Y	Y	Y	Y	Y

2.3 Directors holding Additional Directorship in Oman

Name of the director	Name of Company in which position is held	Capacity	Positions Held
Patrick O' Flynn	Nil	NA	NA
Shahid Rasool	Jabreen International Development Co SAOC Ubhar Capital SAOC	Ominvest	Board Member
Khalid Al Khalili	Bank Nizwa Ominvest Omantel	Aflag Financial Investments SAOC Self Self	Chairman of the Board Deputy Chairman and member of Executive Committee Board member and member of Strategy and Investment Committee
Shabib Abdullah Al Busaidi	Al Batinah Power Co. SAOG	PASI	Board Member
Yousuf Al Balushi	Oman Development Fund Company	Nominee	Board Member
Christopher Dooley	Nil	NA	NA

Martin Rueegg	Nil	NA	NA
Paul Holmes	Nil	NA	NA
Jonathan Cope	Nil	NA	NA

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

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

3. Board Committees

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

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

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

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

3.1 Audit Committee

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

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

Name	Designation	Role in Committee	23-Feb-22	10-Mar-22	08-Jun-22	23-Oct-22	06-Dec-22
Patrick O' Flynn	Independent Director	Chairman	Y	Y	Y	Y	Y
Yousuf Al Balushi	Independent Director	Member	Y	Y	Y	Y	Y
Martin Rueegg	Non-Executive Director	Member	Y	Y	Y	Y	Y
Paul Holmes	Independent Director	Member	Y	Y	Y	Y	Y
Shahid Rasool	Non- Executive Director	Member	Y	Y	Y	Y	Y

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

3.2 Nomination, Remuneration & Investment Committee

The Nomination, Remuneration & Investment Committee shall

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

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

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Name	Designation	Role in Committee	10-Mar-22	08-Jun-22	23-Oct-22	06-Dec-22
Christopher Dooley	Non-Executive Director	Chairman	Y	Y	Y	Y
Shahid Rasool	Non-Executive Director	Member	Y	Y	Y	Y
Jonathan Cope	Non-Executive Director	Member	Y	Y	NA	NA
Martin Rueegg	Non-Executive Director	Member	Y	Y	Y	Y
Shabib Abdullah Al Busaidi	Independent Director	Member	Y	Y	Y	Y

*Jonathan Cope, being an employee of RSA Group, resigned from the Board w.e.f 6th July 2022 on completion of the sale transaction of RSA Middle East B.S.C.(c) by National Life and General Insurance Company SAOG (NLGIC)

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

4. Process of Nomination of Directors

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

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

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

5. Appraisal of the Performance of the Board of Directors

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

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

6. Remuneration

6.1 Board Remuneration

Directors remuneration proposed for 2022 as per below

a) A Fixed remuneration of RO 20,000 per annum to the Chairman and RO 10,000 per annum to each of the directors
b) sitting fees of RO 400 per meeting for attendance at board meetings
c) sitting fees of RO 150 per meeting for attendance at board Committee Meetings.
d) Compensation of any travel, accommodation and out of pocket expenses incurred for attending the board and board committee meetings.

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RSA INSURANCE

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 544,174 /- (2021 - RO 508,467/-).

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

7. Confirmation of Compliance

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

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

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

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

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

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

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.

During the year, the Capital Market Authority imposed a fine of RO 575 for delayed disclosure of the AGM resolutions. The disclosure should have been made before the beginning of the trading session on the Muscat Stock Exchange
No other fines or strictures were imposed on the Company by the MSX, CMA or any other regulatory authority during the year.

8. Communication with Shareholders

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

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

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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 2022 and its performance compared to the MSM index movement is as follows:

	AAIC's Market Price (RO)		MSM 30 Index	
Month – 2022	**High**	**Low**	**High**	**Low**
January	0.326	0.326	4,156.179	4,116.004
February	0.304	0.304	4,056.528	4,035.956
March	0.332	0.332	4,213.990	4,196.432
April	0.302	0.302	4,168.447	4,158.141
May	0.310	0.310	4,138.571	4,114.318
June	0.310	0.310	4,135.850	4,110.734
July	0.364	0.364	4,553.796	4,508.931
August	0.410	0.410	4,585.303	4,562.433
September	0.450	0.450	4,528.647	4,482.345
October	0.450	0.450	4,379.336	4,338.378
November	0.450	0.456	4,622.133	4,606.783
December	0.456	0.456	4,880.538	4,853.730

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Al Ahlia

Distribution of shareholding

The statement below details the distribution of company's shares as at 31st December 2022.

Distribution of shareholding as on 31/12/2022

Category	Distribution of shares		Number of shares	Number of share holders	Percentage of shares (%)
	Minimum	**Maximum**			
1	1	1000	-	-	-
2	1001	5000	-	-	-
3	5001	10000	-	-	-
4	10001	20000	-	-	-
5	20001	50000	-	-	-
6	50,001	100000	-	-	-
7	100001	200000	-	-	-
8	200001	500000	-	-	-
9	500001	1000000	-	-	-
10	1000001	2000000	-	-	-
11	2000001	5000000	-	-	-
12	5000001	10000000 and above	100,000,000.00	2	100%
Total			**100,000,000.00**		**100%**

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10. Other Matters

10.1 Change in Ownership structure

As a result of a Sale and Purchase Agreement entered in April 2022, RSA Group completed the sale of its 50.00002% shareholding in RSA Middle East B.S.C.(c) ('RSA Middle East') from Sun Alliance Insurance Overseas Ltd (SAIO) to National Life & General Insurance Company SAOG (NLGIC), majority owned by Oman International Development and Investment Co. SAOG (OMINVEST) on 6th July, 2022. The remaining shares, owned by the other RSA Middle East shareholders ('the Saudi Shareholders'), were exchanged into NLGIC shares under a Share Swap Agreement entered into between NLGIC and the Saudi Shareholders. As a result, RSA Middle East is now a wholly owned subsidiary of NLGIC.

On 20 November 2022, and pursuant to a public notice dated 7 July 2022, of the intention by NLGIC to purchase the Minority Shares of AAIC, AAIC received an offer notice for the acquisition of 47.5% of the issued share capital of AAIC by NLGIC pursuant to the Takeover and Acquisition Regulation E/2/2019.

On 15th December, National Life and General Insurance Company SAOG ("NLGIC") received acceptance on the Offer to purchase shares from 95.6% of the Minority shareholders of Al Ahlia and a request for "Compulsory Acquisition" by NLGIC as per the Takeover and Acquisition Regulation E/2/2019 was approved by the Capital Market Authority on 24th Dec 2022.

The acquisition has been completed with all necessary approvals on 2nd January, 2023. Al Ahlia is now 100% under the effective ownership of NLGIC.

10.2 Directors' responsibilities with respect to financial statements

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

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

- Select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment,
- State whether applicable accounting standards have been followed and explain any material

departures,

- Use the going concern basis of accounting unless it is inappropriate to do so.

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

10.3 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 2022 and the results have been considered by the Audit Committee in building an opinion on the effectiveness of the internal control systems of the company.

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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 01-01-2022 to 31-12-2022 the Audit Committee held five 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 2022 and up to the date of approval of the Annual Report & Accounts and that it is regularly reviewed by the board.

10.4 Risk management

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

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

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) (until the completion of the acquisition by NLGIC) and NLGIC's Group Internal Audit function (post completion of acquisition by NLGIC) 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 2022 were as follows:

- Accumulation and Exposure Management
- Actuarial Reserving
- Motor Claims Supply Chain Management
- Threat and Vulnerability Management
- Balance Sheet Reconciliations
- Data Management
- Credit Management
- PL Motor – Direct Quote and Buy

10.5 Related Party Transactions

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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 2022 are included within the notes of financial statements. All these transactions have been concluded in accordance with the governing regulations applicable at the time when they were entered and disclosed in the financial statements in accordance with applicable international financial accounting standards. All the transactions are at 'arms-length' and do not involve any preferential terms.

10.6 External auditors

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

The shareholders of the Company appointed KPMG as the Company's auditors for the year 2022.

The shareholders of the Company appointed KPMG as its auditors for 2022. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 150 people, amongst whom are five partners and six directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 265,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms.

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

During the year, RO 19,500 was charged by external auditors against the audit services rendered by them to the Company

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11. Corporate social responsibility

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

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

Our CSR strategy is underpinned by three core ambitions.

01- Safe, Secure World

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

02- Thriving Communities

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

03 - Responsible Business

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

The contributions made in the year are as follows:

- Oman Cancer Association – RO 5,000 / -
- Sponsorship for Wetland Cleanup in Port & Shanna to Environment Authority Oman RO 2,500/-

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- Child Care Centre, Al Khoudh under the Ministry of Social Development – RO 2,000 /-
- Sponsorship for beach cleaning Al Askara R.O.600/-
- Supply of food items during Ramadan RO 500/-

Looking forward to 2023 we are committed to working with local communities and charities to increase awareness and provide support to the neediest in our society

Chairman,

Audit & Risk Committee

Date:

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ANNEXURES

1. Profiles of Board members

Khalid Bin Abdullah Al Khalili – Chairman

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

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

Christopher Dooley – Non-Executive Director

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

Patrick O' Flynn – Independent Director

Patrick O' Flynn has had a long and distinguished career in general insurance spanning over 40 years. Having served in several leadership positions across developed as well as emerging markets such as UK, Western Europe, Latin America, Middle East, Africa and Asia within the RSA Group. He is now retired and currently holds positions as Independent Non-Executive Director on the boards of different entities of the Now Health International Group. During his career he has held several board memberships of entities in the geographies that he has worked in including the Middle East.

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Yousuf Al Balushi – Independent Director

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

Martin Rueegg – Non-Executive Director

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

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.

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Paul William Holmes - Independent Director

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

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

Shabib Abdullah Ali Al Busaidi – Independent Director

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

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.

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2. Profiles of Executive Management

Hanaa Al Hinai – Chief Executive Officer

Hanaa Al Hinai joined RSA Middle East in March 2021 as the Deputy CEO for UAE and Bahrain. She has joined Al Ahlia as the CEO from October 2022. She holds a Masters in Business – Finance from VUT University, Melbourne. She is a graduate of the National CEO Program by Royal Court of Diwan, also completed the Executive Leadership Program by London Business School, has a Certificate in Insurance from the Chartered Insurance Institute, UK amongst several other internationally recognized certifications. Prior to joining RSA Middle East, Hanaa has had a successful 16 year career in the banking industry and held senior leadership roles with several major banks in Oman

Miron Shahabuddin Kibria – Chief Financial Officer

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

Richard Byford – Claims Director

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

Arif Dawood Al Zadjali - IT Director

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

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Fathiya Hajri – Sr. Manager HR Operations

Fathiya joined AAIC in 1998, she has reliable, committed, and result-oriented professional with more than 24 years of work experience in multi-cultural environment in insurance national and international / private sector with career defined by progressively, responsible, and diversified experience in competitive business environment. She holds a Bachelor of Science (in Business Administration, Human Resource Management, Majan University, Oman

Kapil Garg – Senior Internal Auditor

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

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Al Ahlia Insurance Company SAOG

Financial statements

For the year ended 31 December 2022

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Al Ahlia Insurance Company SAOG

Financial statements
for the year ended 31 December 2022

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Independent auditors' report

To the Shareholders of Al Ahlia Insurance Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Ahlia Insurance Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

Valuation of insurance contract liabilities

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

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

Key Audit Matters (continued)

Recoverability of insurance and reinsurance receivables

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

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

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Further, we report that financial statements of the Company as at and for the year ended 31 December 2022, comply, in all material respects, with the:

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

Kenneth Macfarlane
23 February 2023

KPMG LLC

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

Al Ahlia Insurance Company SAOG

Statement of financial position
at 31 December 2022

	Notes	**2022 RO**	2021 RO
Assets			
Cash and cash equivalents	*5*	**2,746,644**	1,646,960
Bank deposits	*6*	**34,728,097**	36,528,097
Insurance and reinsurance receivables	*7*	**5,060,304**	5,025,697
Reinsurance share of outstanding claims and IBNR reserve	*20*	**4,485,462**	6,133,561
Reinsurance share of unearned premium reserve	*17*	**1,788,908**	139,471
Other receivables and prepayments	*8*	**6,396,920**	6,130,658
Investments at fair value through profit or loss	*9.1*	**570,018**	94,741
Available-for-sale investments	*9.2*	**71,429**	71,429
Held-to-maturity investments	*9.3*	**2,318,421**	2,407,429
Property and equipment	*11*	**869,565**	1,072,756
Right-of-use-assets	*33*	**874,947**	800,744
Deferred tax asset	*23*	**215,754**	208,243
Goodwill	*12*	**15,448,529**	15,448,529
Total assets		**75,574,998**	75,708,315
Equity and liabilities			
Equity			
Share capital	*13*	**10,000,000**	10,000,000
Legal reserve	*14*	**3,909,423**	3,909,423
Contingency reserve	*15*	**10,000,000**	10,000,000
Revaluation reserve	*16*	**112,498**	113,158
Retained earnings		**16,712,615**	16,291,458
Total equity		**40,734,536**	40,314,039
Liabilities			
Liabilities arising from insurance contracts			
Gross unearned premium reserve	*17*	**8,391,717**	7,190,554
Gross outstanding claims and IBNR reserve	*20*	**15,229,499**	17,952,171
		23,621,216	25,142,725
Reinsurance payable		**1,053,556**	858,351
Other liabilities and accruals	*18*	**8,459,151**	7,321,369
Lease liabilities	*33*	**979,045**	901,923
Income tax payable	*23*	**727,494**	1,169,908
Total liabilities		**34,840,462**	35,394,276
Total equity and liabilities		**75,574,998**	75,708,315
Net assets per share	*26*	**0.407**	0.403

These financial statements were approved and authorized for issue by the Board of Directors on 23rd February 2023 and were signed on their behalf by:

Chairman

Director

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

Al Ahlia Insurance Company SAOG

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2022

	Notes	**2022 RO**	2021 RO
Gross premium earned	*19*	**19,824,510**	18,969,174
Reinsurance share of ceded premium earned	*19*	**(3,555,632)**	(3,175,955)
Net premium earned	*19*	**16,268,878**	15,793,219
Commissions income		**220,663**	184,435
Gross claims expense	*20*	**(6,482,011)**	(5,950,830)
Reinsurance share of gross claims expense	*20*	**(487,698)**	(65,247)
Deferred acquisition cost	*8*	**316,367**	194,719
Commission expense		**(1,677,301)**	(1,473,733)
Net underwriting income		**8,158,898**	8,682,563
General and administrative expenses	*22*	**(6,441,873)**	(6,232,237)
Investment income – net	*21*	**1,556,040**	1,881,659
Finance cost on lease liabilities	*33*	**(49,579)**	(61,341)
Other income – net		**162,011**	231,015
Profit before taxation		**3,385,497**	4,501,659
Income tax expense	*23*	**(465,000)**	(674,510)
Profit and other comprehensive income for the year		**2,920,497**	3,827,149
Basic and diluted earnings per share	*27*	**0.029**	0.038

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of identification only

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

Al Ahlia Insurance Company SAOG

Statement of changes in equity
for the year ended 31 December 2022

	Notes	Share capital RO	Legal reserve RO	Contingency reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
Balance at 1 January 2021		10,000,000	3,909,423	10,000,000	113,876	15,763,591	39,786,890
Dividend paid	*32*	-	-	-	-	(3,300,000)	(3,300,000)
Release of revaluation reserve	*16*	-	-	-	(718)	718	-
Profit for the year		-	-	-	-	3,827,149	3,827,149
Balance at 31 December 2021		10,000,000	3,909,423	10,000,000	113,158	16,291,458	40,314,039
Balance at 1 January 2022		**10,000,000**	**3,909,423**	**10,000,000**	**113,158**	**16,291,458**	**40,314,039**
Dividend paid	*32*	**-**	**-**	**-**	**-**	**(2,500,000)**	**(2,500,000)**
Release of revaluation reserve	*16*	**-**	**-**	**-**	**(660)**	**660**	**-**
Profit for the year		**-**	**-**	**-**	**-**	**2,920,497**	**2,920,497**
Balance at 31 December 2022		**10,000,000**	**3,909,423**	**10,000,000**	**112,498**	**16,712,615**	**40,734,536**

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

Statement of cash flows
for the year ended 31 December 2022

	Notes	**2022 RO**	2021 RO
Cash flows from operating activities			
Profit before taxation		**3,385,497**	4,501,659
Adjustments for:			
Investment income – net	*21*	**(1,556,040)**	(1,881,659)
Movement in unearned premium reserve - net	*17*	**(448,274)**	(1,097,059)
Allowance for impaired debts	*7*	**100,000**	267,485
Depreciation on property and equipment	*11*	**280,767**	301,395
Finance cost on lease liabilities	*33*	**49,579**	61,341
Depreciation relating to right-of-use assets	*33*	**445,394**	385,890
Provision for end of service benefits	*18*	**72,114**	73,866
		2,329,037	2,612,918
Cash flows before changes in operating assets and liabilities:			
Insurance and reinsurance receivables		**(134,607)**	590,171
Reinsurance share of outstanding claims and IBNR reserve		**1,648,099**	831,805
Other receivables and prepayments		**(513,653)**	(50,275)
Gross outstanding claims and IBNR reserve		**(2,722,672)**	(5,031,868)
Reinsurance payable		**195,205**	(233,836)
Other liabilities and accruals		**1,135,628**	1,393,254
Cash generated from operations		**1,937,037**	112,169
Income tax paid		**(914,925)**	(706,256)
End of service benefits paid	*18*	**(69,960)**	(42,131)
Net cash generated from / (used in) operating activities		**952,152**	(636,218)
Investing activities			
Purchase of property and equipment	*11*	**(77,575)**	(189,155)
Additional bank deposits during the year		**1,800,000**	-
Redemption of bank deposits during the year		**-**	1,884,779
Proceeds form held to maturity investments		**88,500**	-
Purchase of investments at fair value through profit or loss		**(496,215)**	-
Interest and dividend received		**1,824,876**	1,836,571
Net cash generated from investing activities		**3,139,586**	3,532,195
Financing activities			
Payment of lease liabilities	*33*	**(492,054)**	(281,750)
Dividend paid	*32*	**(2,500,000)**	(3,300,000)
Net cash used in financing activities		**(2,992,054)**	(3,581,750)
Net increase / (decrease) in cash and cash equivalents		**1,099,684**	(685,773)
Cash and cash equivalents at the beginning of the year	*5*	**1,646,960**	2,332,733
Cash and cash equivalents at the end of the year	*5*	**2,746,644**	1,646,960

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

KPMG Stamped for the Purpose of identification only

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 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.

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 Sale and Purchase Agreement and Share Swap agreement through which National Life and General Insurance Co. SAOG ("NLGIC") acquired all of the shares of the Company's parent Royal & Sun Alliance Insurance (Middle East) BSc (c) ("RSAME") were completed in July 2022. RSAME is now a fully owned subsidiary of (NLGIC).

NLGIC acquired the minority shareholding under the Takeover and Acquisition Regulation E/2/2019 resulting in 100% effective ownership of the Company.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods affected.

2. Basis of preparation (continued)

2.4 Use of estimates and judgments (continued)

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

Impact of COVID-19

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

This note outlines the steps taken by the Company to estimate the impact of COVID-19 and the judgements applied by management in assessing the values of assets and liabilities as at 31 December 2022.

Insurance risk

In its underwriting segment, the Company is primarily exposed to business interruption policies. The Company has in place pandemic and infectious disease policy exclusions as well. The Company has evaluated all business interruption policies in force for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company has determined that these will not have a material impact in relation to the net claims paid due to specific policy exclusions and the support from its reinsurers. Furthermore, the Company has been able to retain major customers during the year ended 31 December 2022 and has generally witnessed renewals and new business across major lines of businesses.

Reinsurance risk

The Company's reinsurance is placed with reinsurance companies approved by the management, which are generally international reputed companies with high credit ratings. As of 31 December 2022, no reinsurance companies have expressly disassociated with the Company nor have any reinsurance companies communicated their non-willingness to accept COVID-19 related claims.

Credit risk

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

For year ended 31 December 2022, the Company has used specific measures to assess probability of impairment and possible defaults or delay in collection or payment of outstanding debts.

Liquidity risk management

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

2. Basis of preparation (continued)

2.5 Standards, amendments, and interpretations effective in 2022 and relevant for the entity's operations

For the year ended 31 December 2022, the Company has adopted all of new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2022. The following amendments to existing standards and framework have been applied by the Company in preparation of these financial statements.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvement to IFRS Standards 2018-2020

The above standards did not have any impact on the Company's financial statements.

3. Summary of significant accounting policies

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

3.1 Business combination

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

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

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

3.2 Goodwill

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

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

3.3 Intangible assets

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

3. Summary of significant accounting policies (continued)

3.3 Intangible assets (continued)

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

3.4 Cash and cash equivalents

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

3.5 Insurance and reinsurance receivables

Insurance and reinsurance receivable are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest method less impairment losses, if any. A provision for impairment of insurance and reinsurance receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3.6 Investment securities

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

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

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

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

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

Held-to-maturity investments:

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

3. Summary of significant accounting policies (continued)

3.6 Investment securities (continued)

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. Quoted shares held by the Company that are traded in an active market are stated at fair value at the end of each reporting period.

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

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

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

Trade and settlement date accounting:

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

3.7 Derecognition of financial instruments

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

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

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

3.8 Property and equipment

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

3. Summary of significant accounting policies (continued)

3.8 Property and equipment (continued)

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

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

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

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

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

3.9 Impairment and uncollectibility

Financial assets

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

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

Non-financial assets

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

3. Summary of significant accounting policies (continued)

3.9 Impairment and uncollectibility (continued)

Non-financial assets (continued)

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

3.10 Claims

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

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

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

3.11 Liability adequacy test

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

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

3.12 Reinsurance

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

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

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

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

3. Summary of significant accounting policies (continued)

3.13 End of service benefits

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

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

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

3.14 Other liabilities

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

3.15 Provisions

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

3.16 Fair values

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

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

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

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

3.17 Premiums earned

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

3. Summary of significant accounting policies (continued)

3.17 Premiums earned (continued)

Unearned premiums 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 deferred as a provision for unearned premium. An additional provision is created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Companies Law.

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

3.18 Commissions income and expense

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

3.19 Interest revenue

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

3.20 Dividend income

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

3.21 Income tax

Taxation is provided for in accordance with Omani tax regulations.

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

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

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

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

3.22 Leases

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

3. Summary of significant accounting policies (continued)

3.22 Leases (continued)

i. As a lessee

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

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

3. Summary of significant accounting policies (continued)

3.23 Foreign currency transactions

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

3.24 Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance.

3.25 Earnings per share

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

3.26 Dividend on ordinary shares

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

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

3.27 Directors' remuneration

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

3.28 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company's financial statements in the period of initial application.

i) IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

1) Structure and status of the Implementation project

A. Timeline

The International Accounting Standards Board (IASB) issued the final draft for IFRS 17 *"Insurance Contracts"* in May 2017. In order to ensure its adoption in an orderly and seamless manner the Company has followed the following 'four phases' approach for IFRS 17 adoption.

- Phase I : Gap Analysis
- Phase II : Financial & Operational Impact Assessment
- Phase III : Implementation Plan
- Phase IV : Implementation & Dry Run

B. Governance structure

The IFRS 17 Project Governance and Control Structure of the Company has been developed to ensure robust project management and governance practices.

The IFRS 17 Project Governance Structure of the Company comprises of the following:

- **Board of Directors** is responsible for the oversight of IFRS 17 implementation and review and approval of implementation budget.
- **Board Audit Committee** is responsible for overall governance of the implementation.
- **Project Steering Committee**, is responsible for:
  - Monitoring Project milestones;
  - Resolution of key issues and challenges;
  - Adherence to implementation plan;
  - Ratification of key design decisions and;
  - Review of dry run results
- **Project Working Group** consists of pool of resources from various functions of the Company to support and provide input to the Project Management Team and Steering Committee during IFRS 17 implementation.

Internal Auditor - The Company's Internal Audit function has carried out an audit on IFRS 17 Implementation, it primarily focused on the design and operating effectiveness of governance controls and processes. The report was rated "Sufficient" thus establishing that there were adequate governance controls around the planning of IFRS 17 implementation.

C. Key areas remaining to be completed

- **System integration**

  The Company intend to integrate the IFRS 17 Calculation Engine into its system landscape, following completion of several successful iterations of live reporting to ensure all issues are remediated before investing into automation.

- **Resourcing**

  The IFRS 17 Project Team will continue to support the business team post "Go Live" until the point the process is fully embedded, knowledge has been adequately transferred and all the relevant functions are ready to take it forward for business as usual.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this standard i.e. 1st January 2023:

A. Contracts within/outside the scope of IFRS 17

A contract is an insurance contract that falls under the scope of IFRS 17 if it transfers significant insurance risk or it is an investment contract with Discretionary Participation Features ("DPF"). IFRS 17 identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder in case a specified uncertain future event (the insured event), adversely affects the policyholder.

A reinsurance contract held is defined as an insurance contract issued by one entity (the reinsurer), to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts). Even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts to the reinsurer.

Approach for assessment of significant insurance risk
IFRS 17 paragraph B18-B19 and B23 outlines the requirements to determine the significance of insurance risk.

Insurance risk is significant if, and only if, there is a scenario with commercial substance which exposes the insurer to the possibility of:

- suffering a loss on a present value basis caused by the insured event; and
- paying significant additional amounts determined on a present value basis beyond what would be paid if the insured event had not occurred.

The significance of insurance risk will be assessed on a contract-by-contract basis. Insurance risk can be significant even if the insured event is extremely unlikely to occur, or if the expected probability-weighted present value of the contingent cash flows is a small proportion of the expected probability-weighted present value of all of the remaining contractual cash flows.

For the Company, significant insurance risk exists if there is a scenario with commercial substance in which the Company has a possibility of making a loss on a present value basis that is greater than 1% of the value of the total premium charged to the policyholder.

The amounts in the above test include claims handling and assessment costs, but exclude:

- a payment conditional on an event that does not cause a significant loss to the policyholder
- possible reinsurance recoveries (i.e. the test should not be performed net of reinsurance)

Contracts acquired in a transfer of insurance contracts or a business combination should be treated as if they had been entered into on the date of the transaction.

A contract that meets the definition of an insurance contract at initial recognition is not reassessed over its lifetime but remains an insurance contract until all rights and obligations are extinguished (discharged, cancelled or expired), unless the contract is derecognized because of a contract modification.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

A. Contracts within/outside the scope of IFRS 17 (continued)

Analysis of in-force portfolio

All contracts issued by the Company, meet the definition of significant insurance risk, as there is always a scenario with commercial substance in which the Company has a possibility of making a loss on a present value basis that is greater than 1% of the value of the total premium charged to the policyholder.

IFRS 17 also applies to investment contracts with discretionary participation features, provided the entity also issues insurance contracts, but this is not applicable for the Company as it does not issue such contracts.

B. Combination/Unbundling of Contracts

An insurance contract may contain one or more components that would be within the scope of another Standard if they were separate contracts. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct.

The Company carried out an assessment in order to identify whether it underwrites insurance contracts that may contain one or more components that would be within the scope of another standard if they were separate contracts.

The separation of embedded derivatives, investment components and service components were assessed separately as illustrated below.

Separation of Embedded Derivatives

The Company does not underwrite any insurance contracts that contain embedded derivatives.

Separation of Investment Component

The Company offers a no-claims discount ("NCD") which is offered as a discount on next year's premium due to favorable claim experience. This arrangement does not require unbundling because:

- The investment and insurance components are highly interrelated due to the fact that the policyholder cannot benefit from one component unless the other is also present.
- It would be very unlikely to find a contract sold separately in the same market with identical terms including uncertainty in the timing of the cash flows.

Separation of non-insurance service components

The Company offers roadside assistance as an optional cover on its motor policies. This service relates to insurance services because it would only be required by the policyholders upon the occurrence of insured events. As a result, it is not considered distinct and hence no unbundling is required.

The Company does not offer any distinct goods or non-insurance services that require unbundling under IFRS 17.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

C. Level of Aggregation

- **Level of aggregation framework - Gross business**

The Company has used the following stepped approach to define the level of aggregation of its insurance contracts:

1. Defining portfolios
2. Dividing groups into annual cohorts
3. Identifying profitability groups

1. Defining portfolios

IFRS 17 requires contracts to be grouped into portfolios based on:

a. the similarity of risks, and
b. contracts being managed together.

Judgement and interpretation are required in the application of these two concepts as IFRS 17 does not clearly define them:

a. Similarity of risks

The risks to be considered when defining portfolios should be insurance risks that the Company accepts from the policyholder (or risks ceded to the reinsurer) and not financial risks. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if managed together.

In determining whether the Company's contracts exemplify broadly similar risks, the following elements should be considered:

- type of claims and insured events;
- frequency of claims;
- average size of claims;
- legislation governing the product; and
- any other relevant cash flow characteristics in relation to the insured risks.

In determining the different product lines based on the similar risk characteristics pointed above, the Company considers that there is a clear distinction between **personal** and **commercial** lines mainly due to the size and frequency of underlying claims and to a lesser extent due to different legislation governing the related products (where applicable).

b. Managed together

Information is managed together when it is analyzed and used in aggregate for decision-making, reporting and assessment of business performance. Information is managed together when discrete financial information is available and is regularly reviewed.

The Company's structure for internal management reporting, decision-making, assessment of business performance and communication to investors is currently aligned to product lines i.e. personal and commercial lines.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

C. Level of Aggregation (continued)

- **Level of aggregation framework - Gross business (continued)**

2. Dividing profitability groups into annual cohorts

The Company shall not include contracts issued more than a year apart in the same group. The Company's annual cohorts are aligned with the financial/ underwriting years. Where certain data is not available by underwriting year an appropriate allocation approach is used.

3. Identifying profitability Groups

Portfolios will be subdivided into groups of insurance contracts based on their profitability. The minimum requirement of profitability groupings under a portfolio is the following:

a. Contracts onerous at initial recognition.
b. Contracts with no significant possibility of becoming onerous subsequently; and
c. Contracts not included in (a) or (b) above.

In practice, it is possible for any of the three categories above to comprise no contracts depending on the expected level of profitability. Consequently, the three groups above could be reduced to two or one group per portfolio depending on facts and circumstances and underlying profitability characteristics.

The Company's profitability assessment should be performed at lowest level which is the analyst class. The Company shall establish the groups at initial recognition and shall not reassess the composition of the groups subsequently. Under Premium Allocation Approach (PAA), it is assumed that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise.

An onerous loss provision is required for groups of contracts that are onerous at initial recognition as well as for profitable groups that subsequently become onerous. This is calculated as the difference between the value under PAA and under the General Measurement Model (GMM).

The basis on which profitability is monitored in order to assess the performance of the business at the defined level of aggregation:

- Changes in the latest view of current year claims loss ratios
- Current year Combined Operating Ratios (CORs) in excess of 100% for the past 3 years excluding Prior Year Development (PYD).
- Changes in market conditions such as the entry of a competitor with an aggressive pricing or marketing strategy.
- Detrimental changes in Terms & Conditions.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

C. Level of Aggregation (continued)

- **Level of aggregation framework - Gross business (continued)**

3. Identifying profitability Groups (continued)

<table>
<tr><th>Insurance Portfolios</th><th>Line of Business</th><th>Analyst Class</th><th>Group</th></tr>
<tr><td rowspan="7">Commercial</td><td>Engineering</td><td>Engineering</td><td rowspan="11">Onerous OR Remaining based on Onerosity assessment</td></tr>
<tr><td>Liability</td><td>General Accident</td></tr>
<tr><td>Marine</td><td>Marine</td></tr>
<tr><td>Property</td><td>Fire</td></tr>
<tr><td>Commercial Motor</td><td>Commercial Motor (Third Party)</td></tr>
<tr><td>Commercial Motor</td><td>Commercial Motor (Comprehensive)</td></tr>
<tr><td>Group Life</td><td>Group Life</td></tr>
<tr><td rowspan="4">Personal</td><td>Personal Motor</td><td>Personal Motor (Third Party)</td></tr>
<tr><td>Personal Motor</td><td>Personal Motor (Comprehensive)</td></tr>
<tr><td>Others</td><td>General Accident</td></tr>
<tr><td>Personal Household</td><td>Fire</td></tr>
</table>

- **Level of aggregation framework – Reinsurance business**

Reinsurance contracts held should be measured separately from the underlying insurance contracts issued and, hence, should follow a separate level of aggregation. Portfolios of reinsurance contracts held should reflect the different risk characteristics of reinsurance contracts and how outwards reinsurance is managed.

For the split of reinsurance contracts held into the different levels of aggregation, the Company should apply the same requirements as for insurance contracts issued. As reinsurance contracts held cannot be onerous, profitability groupings for reinsurance contracts held should be determined based on whether there is a net gain or net cost from purchasing reinsurance at initial recognition.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

C. Level of Aggregation (continued)

▪ **Level of aggregation framework - Reinsurance business (continued)**

The level of aggregation of reinsurance contracts held is described below:

1. Defining portfolios

The Company shall distinguish between different types of reinsurance arrangements when defining the terms 'similar risks' and 'managed together':

- Treaty reinsurance
  By the nature and definition of a reinsurance programme similar risks are often already grouped in reinsurance contracts. Where reinsurance treaties cover different type of risks arising from multiple underlying contracts, the lowest level of aggregation for a portfolio aligns to the reinsurance structure at a treaty level. For the definition of 'portfolio' the reinsurance programme has been split to be aligned with corresponding gross insurance contract, to establish one to one mapping between gross group of contracts.

- Non treaty reinsurance covers a single underlying insurance contract or related insurance contracts and mirrors its coverage period and contract boundary. As with the underlying individual insurance contracts they cover, such reinsurance contracts can be grouped together with other reinsurance contracts (that are managed together and cover broadly similar risks) to form groups and portfolios. These reinsurance portfolios and groups would naturally align with the portfolios and groups of the underlying gross contracts.

2. Dividing groups into annual Cohorts

Groups of reinsurance contracts held should not contain reinsurance contracts issued more than one year apart.

3. Identifying profitability Groups

As for gross business, the Standard requires the reinsurance contracts held within a portfolio to be allocated into a minimum of three groups of contracts:

a. a group of contracts on which there is a net gain at initial recognition, if any;
b. a group of contracts on which at initial recognition there is no significant possibility of a net gain arising subsequently, if any; and
c. a group of remaining contracts in the portfolio, if any.

This will need to be assessed on a case-by-case basis, but additional consideration should be given to groups where there is a net gain on initial recognition as to whether there has been a true transfer of risk to the reinsurer.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

D. Measurement – Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (CSM). The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Company will apply the PAA approach as the eligibility criteria of para 53(a) & (b) has been fulfilled for all its portfolios; however, in case of any changes in the term and conditions of the contracts or introduction of new contract with coverage period of more than one year, the Company will re-perform the PAA eligibility test.

E. Significant Judgements and Estimates

The critical and significant judgements and changes in judgements made in applying IFRS 17 are given below:

- **PAA eligibility assessment approach**

According to the IFRS 17 Standard, an entity may simplify the measurement of a group of insurance contracts using the PAA if and only if, certain criteria are met at the inception of the group:

- the entity reasonably expects that such simplification would produce a measurement of the LFRC for the group that would not differ materially from the one that would be produced applying the requirements in paragraphs 32–52; or
- the coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date applying paragraph 34) is one year or less.

The majority of the business written by the Company relates to contracts with coverage period of one year or less. Portfolios, which contain only contracts of this length, immediately qualify for the PAA method as they satisfy the second criterion described in paragraph.

In cases where a group contains contracts which exceed the coverage period of one year, a PAA eligibility test is required to investigate whether the first criterion is satisfied as described in paragraph.

It shall be noted that the criterion in paragraph 53(a) is not met if at the inception of the group an entity expects significant variability in the fulfilment cashflows that would affect the measurement of the LFRC during the period before a claim is incurred. Variability in the fulfilment cashflows increases with, for example:

- the extent of future cashflows relating to any derivatives embedded in the contracts; and
- the length of the coverage period of the group of contracts.

The Company has a procedure in place to assess PAA Eligibility. Following this methodology, only groups with GWP over 1% of the Company's GWP and with 5% or more premiums related to contracts with coverage periods over 12 months need to be tested for PAA Eligibility.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

E. Significant Judgements and Estimates (continued)

- **PAA eligibility assessment approach (continued)**

An assessment was performed separately for the underlying insurance and reinsurance contracts held, which have coverage periods exceeding one year. The assessment was specifically performed on the following groups held:

- Commercial Property
- Proportional Property, Engineering and Marine

The PAA eligibility test was performed on the groups above as a whole, because they include contracts with coverage period of more than 1 year, and hence require a PAA eligibility assessment in line with the IFRS 17 Standard.

- **Fulfilment cash flows**

Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment for non-financial risk.

Liability for Remaining Coverage (LFRC)

The Company has adopted the PAA for all insurance contracts issued and reinsurance contracts held. Therefore, the fulfilment cashflows related to future service are to be only required when company recognized an onerous group, whereby the Liability for Remaining Coverage ("LFRC") under the General Measurement Model ("GMM") was established to derive the onerous loss.

The expected future cash flows relating to future service were estimated as follows:

- Expected future claims: Estimated by applying actuarial assumptions of future loss ratios on an IFRS 17 basis to the premiums earned. These were then transformed into cash flows by applying the appropriate claim payment patterns.
- Expected future expenses: Based on expense ratios. Expense ratios captured only the directly attributable expenses. These were then transformed into cash flows by applying an appropriate payment pattern for the expenses.
- Expected future premium payments: which was based on the premium inputs with a receipt pattern derived for the future premiums. The premium receipt pattern was derived based on historical data.

All cashflows were projected and reported on a quarterly basis within the Company's calculation engine, discounted to present terms. The present value of expected inflows was subtracted from the present value of expected outflows and the total present value of expected cashflows was derived.

The sum of the present value of expected cashflows and the Risk Adjustment (RA) related to future service comprised the fulfilment cashflows for LFRC.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

E. Significant Judgements and Estimates (continued)

- **Fulfilment cash flows**

Liability for Incurred Claims (LFIC)

The Fulfilment Cashflows for LFIC comprise the following:

- Best estimate of Reported but Not Settled ("RBNS") claims, Incurred but Not Reported ("IBNR") and Incurred but Not Enough Reported ("IBNER").
- Expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at that date.
- RA for past coverage
- Adjustment for Discounting

The Company's reserves are currently calculated using actuarial reserving models and standard reserving techniques. Non-invasive changes are anticipated to claims reserving under IFRS 17 therefore the current methodology is considered as fit for purpose to assess ultimate loss development and IBNR / IBNER provisions. If changes are required, it is anticipated that these will be minimal.

The calculation process for the best estimate for incurred claims is in place and is currently used for statutory reporting. One key change to current practice is discounting which was developed and applied to LFIC within the calculation engine. Using actuarial projection techniques, the Company derived the expected actuarial indication of reserves and payment patterns for all claims (incurred and incurred but not reported). The cashflows arising from past coverage were calculated by taking the multiplication of the reserves and the appropriate pattern.

- **Discount Rates**

The Company has measured all its insurance and reinsurance portfolios using the PAA. The Company has not discounted the LFRC as the time between providing each part of the coverage and the related premium due date is expected, at initial recognition, to be less than a year. For some contracts that have a coverage period of more than a year (e.g., Engineering), the premiums are paid in advance and therefore discounting might be applicable however, the impact has been assessed and on the grounds of materiality, discounting will not be applied.

The Company has applied discounting to LFIC as there are a set of claims to be settled beyond 12 months from the date they are incurred. The Company also applied discounting to the fulfilment cash flows related to future coverage used in the determination of the onerous loss for the onerous group of contracts.

The Company used the top-down approach to determine the required discount rates. This approach is likely to reduce profit or loss volatility compared to determining yield curves using generic indices.

The calculation engine adopted by the Company has the capability to adjust LFRC and LFIC for the time value of money, if required, and accommodates the required yield curves. The yield curves that were used to discount the estimates of future cash flows were EIOPA yield curves for USD.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2) Significant judgements and accounting policy choices (continued)

E. Significant Judgements and Estimates (continued)

- **Risk Adjustment (RA)**

The purpose of the Risk Adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk. The total RA is composed of the RA for LFIC plus the RA for LFRC. The Company adopted the PAA simplification for the calculation of LFRC, therefore a RA for remaining coverage was only established for onerous group.

For the development of a Risk Adjustment framework in line with Company's risk appetite that allows for the compensation that the company requires to bear uncertainty, the Company has decided to follow the Value at Risk (VaR) Method in line with Solvency II.

- **Reinsurer Default Provision**

As per the Standard, the Company should incorporate in the estimates of future cashflows all reasonable and supportable information available without undue cost or effort, about amount, timing, and uncertainty of those cashflows. This includes the effect of non-performance by the issuer of the reinsurance contracts held. The Company has applied a rate of 0.4% on Closing Reinsurance Incurred Claims towards Reinsurer Default Provision.

- **VAT treatment**

The data loaded into the IFRS 17 calculation engine is Net of VAT and therefore, there is no impact on application of IFRS 17 towards VAT treatment.

F. Accounting Policy Choices

- **Length of cohorts**

Considering the operational complexities involved with respect to data and system and the limited benefit of having shorter period, the Company, decided to select the cohort duration of one year for which the Company will use an underwriting year as an approximation for issue year to determine these cohorts on the basis that these two dates would not be materially different.

- **Use of OCI for Insurance Finance Income / Expense (IFIE)**

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a. the effect of the time value of money and changes in the time value of money;
b. the effect of financial risk and changes in financial risk.

The Company has opted to include all insurance finance income or expenses for the period in profit or loss and therefore the impact of changes in discount rates and other financial variables will be included in profit or loss and not under OCI.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2. <u>Significant judgements and accounting policy choices (continued)</u>

F. <u>Accounting Policy Choices (continued)</u>

- **Disaggregation of Risk Adjustment**

  In compliance with the Company's decision to apply discounting on LFIC, the Company has chosen to disaggregate RA into insurance service result and IFIE considering the calculation engine already has the functionality to perform the calculation.

- **Expenses**

  The majority of costs incurred by the Company are directly attributable to fulfilling insurance contracts and are either identified at an individual contract level or allocated to a group of insurance contracts in a systematic and rational manner using reasonable and supportable information.

  There are four main categories of expenses that are considered under IFRS 17:

  <u>Insurance acquisition costs:</u> These include costs of selling, underwriting, and starting a group of insurance contracts and should be directly attributable to the portfolio of insurance contracts to which the groups belong. The deferred part of these costs relating to contracts issued forms part of the Liability for remaining coverage (LFRC) and the amortization for each reporting period is included within Insurance service expenses.

  <u>Incurred claims and claims handing expenses</u>: These include known and expected (IBNR) claims, legal and loss adjusters' fees, internal costs of investigating claims and processing claims payments as well as salvage and subrogation (to the extent these are not recognized as a separate asset). The presumption is that these costs can easily be identified and allocated to portfolios and groups of insurance contracts to which they are directly attributable. These costs are included within the calculation of the Liability for Incurred Claims (LFIC) and included within Insurance service expenses.

  <u>Administrative costs</u>: These include general administrative expenses directly attributable to the insurance servicing activity such as costs of billing premiums, handling policy changes and all fixed and variable overheads (e.g., accounting, HR, IT, building depreciation, rentals). These costs will be allocated to portfolios and groups of contracts using methods that are systematic, rational, and consistently applied to all costs that have similar characteristics. Under the PAA model, these costs are recognized as incurred on an accrual basis and expensed directly to the Statement of Profit or Loss as a component of Insurance service expense.

  <u>Specifically excluded costs</u>: IFRS 17 sets out specific cash flows that should be excluded from the insurance contract measurement. These costs include:

  - Abnormal amounts of wasted labour or other resources
  - Costs that are not directly attributable to the portfolio of insurance contracts
  - Investment expenses

  The Company will allocate all the expenses either direct or indirect because the Company believes that these costs are incurred to support its insurance business. The Company uses cost drivers to allocate the expenses whether direct or indirect in nature into the following categories:

  - Directly classified attributable non-acquisition expenses
  - Allocated attributable non-acquisition expenses with systematic and rationale allocation (S&RA)
  - Directly classified insurance acquisition cost
  - Allocated Acquisition costs with S&RA

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2. Significant judgements and accounting policy choices (continued)

F. Accounting Policy Choices (continued)

- **Deferral of Acquisition Cost**

  In order to avoid variability in the profit and loss on year-by-year basis due to upfront expense out of the policy acquisition cost and the modification, which will be required in the system for immediate expense out of the policy acquisition cost, the Company as per the current assessment has decided to follow the practice of capitalization of acquisition cost under PAA.

G. Presentation and Disclosure

- **Presentation**

  IFRS 17 introduces a new way of presenting income and expenses relating to insurance contracts that moves away from a premium-based presentation approach for the Statement of Comprehensive Income. It also introduces changes in the way insurance contract-related account balances are presented in the Statement of Financial Position.

  For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

  • Groups of insurance and reinsurance contracts issued that are assets
  • Groups of insurance and reinsurance contracts issued that are liabilities
  • Groups of reinsurance contracts held that are assets
  • Groups of reinsurance contracts held that are liabilities

  The line-item descriptions in the statement of profit or loss and other comprehensive income will be change significantly compared with current year. Currently, the Company reported the following line items:

  • Gross written premiums
  • Net written premiums
  • Changes in premium reserves
  • Gross insurance claims
  • Net insurance claims

  Instead, IFRS 17 requires separate presentation of:

  • Insurance revenue
  • Insurance service expenses
  • Insurance finance income or expenses
  • Income or expenses from reinsurance contracts held

- **Disclosures**

  - *Reconciliations for changes in Liability for Remaining Coverage, Liability for Incurred Claims, and Loss Components for Insurance Contracts and for Reinsurance Held:*

    The Company will be presenting a disclosure for the reconciliation of LFRC, LFIC and Loss component in the financial reporting for the period 1 January 2023 to 31 March 2023. The reconciliation of LFRC will be disclosed on a breakup basis between loss component and the remaining non-loss component.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

i) IFRS 17 Insurance Contracts (continued)

2. <u>Significant judgements and accounting policy choices (continued)</u>

G. <u>Presentation and Disclosure (continued)</u>

- **Disclosures (continued)**

  - *<u>Risk Framework:</u>*

    The IFRS 17 standard requires the risk adjustment to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. IFRS 17 standard does not specify a specific calculation method. Industry papers and forums have indicated three main techniques which could be used to determine the risk adjustment:

    - Confidence Interval
    - Cost of Capital
    - Scenario-based

    However, following the recent merger of the two entities, the Company is working towards standardizing their approach towards risk framework.

  - *<u>Sensitivity analysis:</u>*

    The Company awaits guidance from Regulators on the subject and therefore does not hold any opinion.

H. <u>Transition</u>

- **Choice of Method**

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a Modified Retrospective Approach (MRA). The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort.

The Company has opted to adopt Modified Retrospective Approach to achieve a transition result that is as close to the retrospective application as possible where only some information is missing. The simplification considered compared to the full retrospective approach:

a. If information is not available to be able to separate contracts issued more than one year apart into annual cohorts, these can be aggregated together.
b. Annual cohorts are bucketed from at least two years immediately before the transition date.

- **Comparatives**

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied retrospectively. The period will be restated to present comparative information as if the requirements of IFRS 17 had always been applied.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

ii) IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

1. Financial assets – Classification

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The classification of financial assets are:

a. Financial assets carried at amortized cost;
b. Financial assets carried at fair value through other comprehensive income (FVOCI); and
c. Financial assets carried at fair value through profit or loss (FVTPL)

a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

(i) The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;
(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

(i) Business model assessment: The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

(ii) SPPI test: As a second step of its classification process the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

b) Financial assets at fair value through other comprehensive income (FVOCI):

(i) Debt instruments at FVOCI: At initial recognition, the Company can apply the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

ii) IFRS 9 Financial Instruments (continued)

1. Financial assets – Classification (continued)

b) Financial assets at fair value through other comprehensive income (FVOCI):

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

(ii) Equity instruments at FVOCI: Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

c) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Impact assessment

IFRS 9 will affect the classification and measurement of financial assets held at 1 January 2023 as follows.

- Debt investments that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortized cost, FVOCI or FVTPL, depending on the particular circumstances.
- The majority of equity investments that are classified as available-for-sale under IAS 39 will be measured at FVTPL under IFRS 9. However, some of these equity investments are held for long term strategic purposes and will be designated as at FVOCI on 1 January 2023; consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognized in profit or loss, and no gains or losses will be reclassified to profit or loss on disposal of these investments.
- Held-to-maturity investments and loans and receivables measured at amortized cost under IAS 39 will generally also be measured at amortized cost under IFRS 9.

2. Financial assets – Impairment

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and debt investments measured at FVOCI.
The Company measures loss allowances at an amount equal to lifetime expected credit losses, except in the following cases, for which the amount recognized is 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

ii) IFRS 9 Financial Instruments (continued)

2. Financial assets – Impairment (continued)

Impairment of financial assets (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses and are measured as follows:

- For financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls i.e. The difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive; and
- For financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

For Trade Receivables, the Company will apply a provisions matrix, which is a permitted practical expedient, and will result in the recognition of lifetime credit losses.

The Company has created ECL models that comply with IFRS 9 during 2022 and currently in progress of assessing the impact for 31 December 2022. The adjustments will be taken in shareholders' equity in Q1 2023 and will not affect the income statement.

Presentation of loss allowances in the statement of financial position:

Loss allowances for expected credit losses are presented as follows:

- financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets.
- debt investments measured at FVOCI: the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

3. Financial liabilities

Financial liabilities will be measured at amortized cost unless either the financial liability is held for trading and is therefore required to be measured at FVTPL (e.g., derivatives not designated in a hedging relationship), or the company elects to measure the financial liability at FVTPL (using the fair value option). Such options are irrevocable and can only be classified upon prior approval.

3. Summary of significant accounting policies (continued)

3.28 Standards issued but not yet effective (continued)

ii) IFRS 9 Financial Instruments (continued)

4. Transition

- In accordance with the transition provisions and choices provided by the standard, comparative figures for 2022 will not be restated.
- In accordance with transition provisions and choices provided by the standard, where entity does not restate prior period, it will recognize any difference between the previous carrying amount and the carrying amount at the beginning of the annual period that includes the date of initial application (DIA) in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the DIA.

iii) Other standards

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new and amended standards in preparing these financial statements.

- Classification of liabilities as current or non-current – Amendments to IAS 1
- Disclosure of Accounting policies – Amendments to IAS 1 and IFRS practice statement 2.
- Definition of accounting estimates – Amendments to IAS 8.
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

The Company is currently assessing the impact of the above on the financial statements.

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4. Critical accounting judgments and key sources of estimation uncertainty

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

4.1 Key sources of estimation uncertainty

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

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

(a) Insurance claims

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

Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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

(b) Liability adequacy test

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

(c) Impairment of insurance and reinsurance receivables

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

5. Cash and cash equivalents

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

	2022 RO	2021 RO
Cash in hand	**6,035**	6,135
Cash and bank	**2,740,609**	1,640,825
	2,746,644	1,646,960

Bank balances amounting to RO 35,866 (2021 – RO 39,748), RO 93,514 (2021 – RO 1,214) and RO 392,575 (2021 – RO 3,480) are denominated in UAE Dirhams, Pound Sterling and US Dollars respectively.

6. Bank deposits

	2022 RO	2021 RO
Bank deposits with a maturity of greater than three months from the value date of deposits	**34,728,097**	36,528,097

The deposits are held with commercial banks in Oman and carry annual interest rates ranging from 3% to 5% (2021 – ranging from 3% to 5%).

At the reporting date, the Company does not hold any bank deposits denominated in foreign currency nil (2021 – nil).

Bank deposits include balances with related party amounting to RO 22,592,335 (2021 – RO 8,306,843) (note 24).

7. Insurance and reinsurance receivables

	2022 RO	2021 RO
Due from policyholders	**1,573,381**	1,415,859
Due from agents and brokers	**4,080,748**	4,767,020
Due from reinsurance companies	**831,248**	206,348
	6,485,377	6,389,227
Less: allowance for impaired debts	**(1,425,073)**	(1,363,530)
	5,060,304	5,025,697

Insurance and reinsurance receivables include balances from the related parties amounting to RO 48,918 (2021 – RO 33,696) (note 24). Allowance for impairment towards these receivables amounted to nil as of 31 December 2022 (2021 – nil).

Movements in allowance for impaired debts were as follows:

	2022 RO	2021 RO
At 1 January	**1,363,530**	1,182,385
Charge during the year	**100,000**	267,485
Written off during the year	**(38,457)**	(86,340)
At 31 December	**1,425,073**	1,363,530

8. Other receivables and prepayments

	2022 RO	2021 RO
Accrued interest income	**3,592,215**	3,861,051
Receivable from related parties (note 24)	**193,272**	3,857
Prepaid expenses	**257,019**	57,244
Deferred acquisition costs	**1,600,139**	1,283,772
Sundry receivables	**754,275**	924,734
	6,396,920	6,130,658

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:

	2022 RO	2021 RO
At 1 January	**1,283,772**	1,089,053
Acquisition cost deferred during the year	**1,600,139**	1,283,772
Acquisition cost amortised during the year	**(1,283,772)**	(1,089,053)
At 31 December	**1,600,139**	1,283,772

9. Investment securities

	2022 RO	2021 RO
Investments at fair value through profit or loss (note 9.1)	**570,018**	94,741
Available-for-sale investments (note 9.2)	**71,429**	71,429
Held to maturity investments (note 9.3)	**2,318,421**	2,407,429
	2,959,868	2,573,599

Movement in investment securities during the year are as follows:

	2022 RO	2021 RO
At 1 January	**2,573,599**	2,550,060
Purchases during the year	**496,215**	-
Redeemed during the year	**(88,500)**	-
Fair value change and amortisation	**(21,446)**	23,539
	2,959,868	2,573,599

9.1 Investments at fair value through profit or loss

	2022		2021	
	Fair value RO	**Cost RO**	Fair value RO	Cost RO
Quoted – banking	**76,812**	**35,864**	57,073	35,864
Quoted – industrial	**493,206**	**511,851**	37,668	25,000
	570,018	**547,715**	94,741	60,864

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9. Investment securities (continued)

9.2 Available-for-sale investments

	2022		2021	
	Fair value RO	**Cost RO**	Fair value RO	Cost RO
Unquoted – services	**71,429**	**71,429**	71,429	71,429

9.3 Held-to-maturity investments

	Effective interest rate %	**2022 RO**	2021 RO
Government Development Bonds – Issue 50	**5.21**	**-**	88,171
Government Development Bonds – Issue 52	**5.12**	**543,107**	541,919
Government Development Bonds – Issue 53	**5.17**	**1,425,314**	1,427,339
Government Development Bonds – Issue 59	**5.00**	**350,000**	350,000
		2,318,421	2,407,429

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 29,296,573 (2021 – RO 35,135,527). 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 (2021 – 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 2021	198,713	64,281	3,362,439	159,387	3,784,820
Additions	-	-	45,474	143,681	189,155
At 1 January 2022	198,713	64,281	3,407,913	303,068	3,973,975
Additions	-	-	77,576	-	77,576
Disposal / Transfer			238,224	(238,224)	-
At 31 December 2022	**198,713**	**64,281**	**3,723,713**	**64,844**	**4,051,551**
Depreciation					
At 1 January 2021	7,834	64,281	2,527,709	-	2,599,824
Charge for the year	718	-	300,677	-	301,395
At 1 January 2022	8,552	64,281	2,828,386	-	2,901,219
Charge for the year	660	-	280,107	-	280,767
At 31 December 2022	**9,212**	**64,281**	**3,108,493**	**-**	**3,181,986**
Carrying value					
At 31 December 2022	**189,501**	**-**	**615,220**	**64,844**	**869,565**
At 31 December 2021	190,161	-	579,528	303,069	1,072,756

On 31 December 2022, in accordance with the Company's policy, land and buildings were re-valued at their fair value for existing use by a professional valuer. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount and the net amount restated to the revalued amount of the asset. If land and building had been carried at cost less depreciation, the carrying amount would have been RO 74,185 (2021 – RO 74,845).

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12. Goodwill

Goodwill arising on acquisition

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

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

Impairment testing

At the end of the reporting period, the Company assessed the recoverable amount of goodwill, using key assumptions including 1.9% (2021 – 2.5%) terminal growth rate, weighted average cost of capital in the range of 13.7% (2021 – 12.6%) and determined that goodwill was not impaired. The impairment test, amongst others, is dependent on the weighted average cost of capital and achievement of projected results for a five year period. Cost of capital reflects the market's assessment of the entities future cash flows and is modelled taking into account risk free rate of return and adjusted for currency/country risk. Currency risk is determined by taking the spread of 2 and 3 year Oman government bond yield with the yield on US government treasury bills of same tenure. The spread will capture any additional market risk and additional inflation/ currency depreciation risk specific as required by IAS 36.

A rise in the pre – tax discount rate beyond 14% (i.e., +1%) would result in impairment assuming all other assumptions remained unchanged.

13. Share capital

	2022 **RO**	2021 RO
Authorised – ordinary shares of 100 baizas each (2021 – 100 baizas each)	**10,000,000**	10,000,000
Issued and paid up – ordinary shares of 100 baizas each (2021 – 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:

	2022		2021	
	No of shares	**%**	No of shares	%
Royal & Sun Alliance Insurance (Middle East) BSc (c)	**52,500,000**	**52.50%**	52,500,000	52.50%
Oman International Development and Investment Company SAOG	**-**	**-**	24,299,993	24.30%
National Life and General Insurance Company SAOG	**47,500,000**	**47.50%**	-	-
	100,000,000	**100%**	76,799,993	76.80%

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14. Legal reserve

As required by the Commercial Companies Law of Oman, 10% of the profit for the year is required to be transferred to legal reserve until such time as the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution. At 31 December 2022, the legal reserve has reached one third of the issued capital accordingly no transfer made in the current year (2021 – 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 2022, 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 (2021: RO 10 million).

16. Revaluation reserve

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

17. Unearned premium reserve

	2022	2021
	RO	RO
Gross unearned premium reserve	**8,391,717**	7,190,554
Reinsurance share of unearned premium reserve	**(1,788,908)**	(139,471)
	6,602,809	7,051,083
Movement during the year :		
At 1 January	**7,051,083**	8,148,142
Premiums written during the year	**15,819,884**	14,696,160
Premiums earned during the year	**(16,268,878)**	(15,793,219)
At 31 December	**6,602,809**	7,051,083

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18. Other liabilities and accruals

	2022 RO	2021 RO
Due to related parties (note 24)	**1,765,717**	886,446
Other payables	**4,896,073**	4,561,883
Accrued expenses	**557,374**	816,677
Provision for end of service benefits	**458,670**	456,516
Accounts payable	**781,317**	599,847
	8,459,151	7,321,369

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

	2022 RO	2021 RO
At 1 January	**456,516**	424,781
Accrued during the year	**72,114**	73,866
Paid during the year	**(69,960)**	(42,131)
At 31 December	**458,670**	456,516

19. Net premium earned

	2022 RO	2021 RO
Gross written premiums	**21,025,673**	17,571,025
Movement in unearned premium reserve	**(1,201,163)**	1,398,149
Gross premium earned	**19,824,510**	18,969,174
Reinsurance share of ceded premiums	**(5,205,069)**	(2,874,865)
Movement in reinsurance share of unearned premium reserve	**1,649,437**	(301,090)
Reinsurance share of ceded premium earned	**(3,555,632)**	(3,175,955)
Net premium earned	**16,268,878**	15,793,219

20. Claims

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

	2022		
	Gross RO	**Reinsurance share RO**	**Net RO**
At 1 January			
Outstanding claims	**14,165,142**	**(6,087,444)**	**8,077,698**
IBNR	**3,787,029**	**(46,117)**	**3,740,912**
	17,952,171	**(6,133,561)**	**11,818,610**
Add: claims provided during the year	**6,482,011**	**487,698**	**6,969,709**
	24,434,182	**(5,645,863)**	**18,788,319**
Less: insurance claims paid during the year	**(9,204,683)**	**1,160,401**	**(8,044,282)**
At 31 December	**15,229,499**	**(4,485,462)**	**10,744,037**
Analysis of outstanding clams at 31 December			
Outstanding claims	**12,226,105**	**(4,327,417)**	**7,898,688**
IBNR	**3,003,394**	**(158,045)**	**2,845,349**
	15,229,499	**(4,485,462)**	**10,744,037**

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

Claims include claims related to related parties amounting to nil (2021 – 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)

	2022 RO	2021 RO
Interest income on bank deposits	**1,541,933**	1,829,087
Net income on investments	**(20,937)**	24,000
Dividend income	**35,044**	28,572
	1,556,040	1,881,659

22. General and administrative expenses

	2022 RO	2021 RO
Staff costs	**3,311,390**	3,250,090
Depreciation (Note 11)	**280,767**	301,395
Central support expense	**586,898**	385,890
Rent / Depreciation (RoU)	**445,394**	463,569
Telephone	**89,612**	75,101
IT expense	**713,376**	652,201
Travel expenses	**15,732**	2,797
Other expenses	**998,704**	1,101,195
	6,441,873	6,232,238

23. Income tax

	2022 RO	2021 RO
Statement of profit or loss and other comprehensive income:		
Current tax	**572,006**	721,060
Prior year tax	**(99,495)**	(4,083)
Deferred tax	**(7,511)**	(42,467)
	465,000	674,510
Current liability:		
Current year	**572,006**	721,060
Prior years	**155,488**	448,848
	727,494	1,169,908
Deferred tax asset:		
At 1 January	**208,243**	165,776
Movement for the year	**7,511**	42,467
At 31 December	**215,754**	208,243

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23. Income tax *(continued)*

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

	2022 RO	2021 RO
Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**26,548**	27,236
Taxable timing differences on right-of-use assets	**19,550**	23,170
Deductible timing difference on provisions	**169,656**	157,837
At 31 December	**215,754**	208,243

The tax rate applicable to the Company is 15% (2021 – 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 13.74% (2021 – 14.92%).

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

	2022 RO	2021 RO
Profit before income tax	**3,385,497**	4,501,659
Tax calculated at the statutory income tax rate of 15%	**507,825**	675,249
Tax effect of:		
Income / gains not taxable	**(118,057)**	(129,858)
Prior year's tax	**(99,495)**	(27,261)
Deferred tax	**(7,511)**	(42,467)
Expenses not deductible in taxable profit	**182,238**	198,847
Income tax expense	**465,000**	674,510

Status of tax assessments

Assessments of the Company up to tax year 2018 are complete. Tax assessments of the former Al Ahlia Insurance Company SAOC prior to its merger with the Company are complete up to tax year 2010.

The management is of the opinion that any additional taxes assessed for the open tax years, if any, would not be material to the Company's financial position as at 31 December 2022.

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.

24. Related party transactions *(continued)*

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

	31 December 2022			
	Deposits and other receivables RO	**Insurance and reinsurance receivables RO**	**Reinsurance payable RO**	**Other payables RO**
Major shareholders	**-**	**-**	**-**	**951,862**
Other related parties	**22,736,689**	**48,918**	**144,799**	**669,056**
	22,736,689	**48,918**	**144,799**	**1,620,918**

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

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

	For the year ended 31 December 2022				
	Reinsurance share of ceded premiums RO	**Commission income RO**	**Reinsurance share of claims recovered RO**	**Technical service fees and (net interest income) RO**	**Deposits placed RO**
Major shareholders	**-**	**-**	**-**	**586,898**	**-**
Other related parties	**291,106**	**64,418**	**536,744**	**(353,083)**	**3,200,000**
	291,106	**64,418**	**536,744**	**233,815**	**3,200,000**

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

24. Related party transactions *(continued)*

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

	For the year ended 31 December	
	2022	2021
	RO	RO
Short-term benefits	**512,700**	480,871
Employees' end of service benefits	**31,475**	27,596
	544,175	508,467

Terms and conditions of transactions with related parties
Outstanding balances at year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2021 – Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

25. Contingent liabilities

Contingencies
The Company's bankers have provided financial guarantees to third parties on behalf of the Company amounting to RO 78,387 (2021 – RO 52,875).

The Company has provided a bank guarantee to the Capital Market Authority of RO 150,000 (2021 – RO 150,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 10).

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

26. Net assets per share

	2022	2021
	RO	RO
Net assets (RO)	**40,734,536**	40,314,039
Number of shares at the reporting date	**100,000,000**	100,000,000
Net assets per share (RO)	**0.407**	0.403

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:

	2022	2021
	RO	RO
Profit for the year	**2,920,497**	3,827,149
Weighted average number of shares	**100,000,000**	100,000,000
Earnings per share	**0.029**	0.038

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.

28. Segmental information (continued)

	Motor		Non - motor		Total	
	2022 RO	2021 RO	**2022 RO**	2021 RO	**2022 RO**	2021 RO
Net premium earned	**13,241,106**	12,232,762	**3,027,772**	3,560,457	**16,268,878**	15,793,219
Net underwriting income	**4,420,955**	5,695,244	**3,737,943**	2,987,319	**8,158,898**	8,682,563
General and administrative \ expenses					**(6,441,873)**	(6,232,237)
Investment income – net					**1,556,040**	1,881,659
Other income – net					**162,011**	231,015
Finance cost on lease liabilities					**(49,579)**	(61,341)
Profit before tax					**3,385,497**	4,501,659
Income tax expense					**(465,000)**	(674,510)
Profit for the year					**2,920,497**	3,827,149
Segment assets	**1,750,317**	1,478,763	**6,124,192**	6,078,041	**7,874,509**	7,556,804
Unallocated assets					**67,700,489**	68,151,511
Total assets					**75,574,998**	75,708,315
Segment liabilities	**13,396,962**	12,371,903	**10,985,844**	13,326,044	**24,382,806**	25,697,947
Unallocated liabilities					**10,457,656**	9,696,329
Total liabilities					**34,840,462**	35,394,276

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.

29. Risk management *(continued)*

Reinsurance risk

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

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

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The Company's maximum theoretical credit risk exposure at the reporting date in this connection is RO 4,485,462 (2021 – RO 6,133,561).

The five largest reinsurance premiums account for 70% as of 31 December 2022 (2021: 82%).

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

	2022	2021
	RO	RO
Oman	**168,726**	595,869
Middle east	**133,975**	596,976
Others	**4,182,761**	4,940,716
	4,485,462	6,133,561

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.

29. Risk management *(continued)*

Insurance risk *(continued)*

Fire-property:

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

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

Motor:

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

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

Marine:

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

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

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

Key assumptions:

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

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

Claims development

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

29. Risk management *(continued)*

Insurance risk *(continued)*

Claims development (continued)

Gross incurred claims

31 December 2022

Accident year	**2016 RO**	**2017 RO**	**2018 RO**	**2019 RO**	**2020 RO**	**2021 RO**	**2022 RO**	**Total RO**
One year later	**10,579,336**	**8,622,277**	**12,445,079**	**8,184,731**	**12,418,703**	**8,304,664**	**7,605,486**	
Two years later	**8,948,367**	**8,584,571**	**15,987,797**	**7,363,031**	**10,711,484**	**5,012,180**		
Three years later	**7,829,404**	**7,829,404**	**15,543,275**	**7,161,526**	**9,695,777**			
Four years later	**7,785,934**	**7,785,934**	**15,096,721**	**6,454,909**				
Five years later	**7,003,463**	**7,001,185**	**14,438,001**					
Six years later	**7,001,185**	**6,290,403**						
Seven years later	**6,008,540**							
Estimate of incurred claims	**6,008,540**	**6,290,403**	**14,438,001**	**6,454,909**	**9,695,777**	**5,012,180**	**7,605,486**	**55,505,296**
Cumulative payments to date	**(5,998,851)**	**(6,322,971)**	**(14,145,644)**	**(5,625,996)**	**(4,986,118)**	**(3,132,786)**	**-**	**(40,212,366)**
Liability recognized	**9,689**	**(32,568)**	**292,357**	**828,913**	**4,709,659**	**1,879,394**	**7,605,486**	**15,292,930**
Liability in respect of prior years								**(63,431)**
Liability recognised in the statement of financial position (gross outstanding claims and IBNR) as at 31 December 2022 (note 20)								**15,229,499**

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29. Risk management *(continued)*

Insurance risk *(continued)*

Claims development (continued)

Net incurred claims

31 December 2022

Accident year	2016 RO	2017 RO	2018 RO	2019 RO	2020 RO	2021 RO	2022 RO	Total RO
One year later	8,860,101	7,263,077	5,574,994	7,377,758	7,345,858	6,775,704	3,224,160	
Two years later	8,261,326	7,493,007	5,830,191	6,248,299	6,812,407	4,589,109		
Three years later	7,111,145	6,638,096	4,455,580	6,057,413	9,534,278			
Four years later	7,000,722	6,451,686	4,135,229	5,406,847				
Five years later	6,300,268	5,809,124	13,815,826					
Six years later	6,297,992	5,092,801						
Seven years later	5,314,238							
Estimate of incurred claims	5,314,238	5,092,801	13,815,826	5,406,847	9,534,278	4,589,109	3,224,160	46,997,259
Cumulative payments to date	(5,304,527)	(5,127,932)	(13,522,842)	(4,615,032)	(4,854,844)	(2,775,392)		(36,200,569)
Liability recognized	9,711	(35,131)	292,984	791,815	4,679,434	1,813,717	3,224,160	10,776,690
Liability in respect of prior years								(32,653)
Liability recognised in the statement of financial position (net outstanding claims and IBNR) as at 31 December 2022 (note 20)								**10,744,037**

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29. Risk management *(continued)*

Insurance risk *(continued)*

Claims development (continued)

Gross incurred claims

31 December 2021

Accident year	2015 RO	2016 RO	2017 RO	2018 RO	2019 RO	2020 RO	2021 RO	Total RO
One year later	8,230,268	10,579,336	8,622,277	12,445,079	8,184,731	12,418,703	7,975,216	
Two years later	10,440,427	8,948,367	8,584,571	15,987,797	7,363,031	10,711,484		
Three years later	9,957,960	7,829,404	7,829,404	15,543,275	7,161,526			
Four years later	9,747,987	7,785,934	7,785,934	15,096,721				
Five years later	9,207,375	7,003,463	7,001,185					
Six years later	9,092,061	7,001,185						
Seven years later	8,992,510							
Estimate of incurred claims	8,992,510	7,001,185	7,001,185	15,096,721	7,161,526	10,711,484	7,975,216	63,939,827
Cumulative payments to date	(8,978,654)	(6,571,026)	(6,571,026)	(14,143,638)	(5,474,581)	(4,225,712)	-	(45,964,637)
Liability recognized	13,856	430,159	430,159	953,083	1,686,945	6,485,772	7,975,216	17,975,190
Liability in respect of prior years								(23,019)
Liability recognised in the statement of financial position (gross outstanding claims and IBNR) as at 31 December 2021 (note 20)								17,952,171

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29. Risk management *(continued)*

Insurance risk *(continued)*

Claims development (continued)

Net incurred claims

31 December 2021

Accident year	2015 RO	2016 RO	2017 RO	2018 RO	2019 RO	2020 RO	2021 RO	Total RO
One year later	7,792,661	8,860,101	7,263,077	5,574,994	7,377,758	7,345,858	6,775,704	
Two years later	8,428,209	8,261,326	7,493,007	5,830,191	6,248,299	6,812,407		
Three years later	8,027,131	7,111,145	6,638,096	4,455,580	6,057,413			
Four years later	7,845,937	7,000,722	6,451,686	4,135,229				
Five years later	7,317,357	6,300,268	5,809,124					
Six years later	7,202,416	6,297,992						
Seven years later	7,102,865							
Estimate of incurred claims	7,102,865	6,297,992	5,809,124	4,135,229	6,057,413	6,812,407	6,775,704	42,990,734
Cumulative payments to date	(7,089,009)	(6,107,833)	(5,734,786)	(3,610,049)	(4,772,108)	(3,836,527)		(31,150,312)
Liability recognized	13,856	190,159	74,338	525,180	1,285,305	2,975,880	6,775,404	11,840,422
Liability in respect of prior years								(21,812)
Liability recognised in the statement of financial position (net outstanding claims and IBNR) as at 31 December 2021 (note 20)								11,818,610

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29. Risk management *(continued)*

Insurance risk *(continued)*

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

	31 December 2022			31 December 2021		
Line of Business	**Gross liabilities RO**	**Reinsurance liabilities RO**	**Net liabilities RO**	Gross liabilities RO	Reinsurance liabilities RO	Net liabilities RO
Motor	**6,720,389**	**253,247**	**6,467,142**	6,442,834	321,162	6,121,672
Property	**7,704,610**	**3,992,641**	**3,711,969**	10,284,116	4,675,947	5,608,169
Marine	**204,100**	**137,909**	**66,191**	346,072	186,395	159,677
General Accidents	**208,149**	**2,613**	**205,536**	150,253	3,434	146,819
Engineering	**391,251**	**99,052**	**292,199**	728,896	946,623	(217,727)
Group Life	**1,000**	**-**	**1,000**	-	-	-
	15,229,499	**4,485,462**	**10,744,037**	17,952,171	6,133,561	11,818,610

Sensitivity of underwriting profit and losses

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

Currency risk

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

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

Equity and bond price risk

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

83.34% (2021 – 98.54%) 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 57,001 (2021 – RO 9,474)

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.

29. Risk management *(continued)*

Credit risk *(continued)*

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

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

The following tables explain the credit position of the Company.

	31 December 2022			
	Neither past due nor impaired RO	**Past due but not impaired RO**	**Impaired RO**	**Total RO**
Insurance and reinsurance receivables	**2,743,992**	**2,316,312**	**1,425,073**	**6,485,377**
Reinsurance share of outstanding claims and IBNR reserve	**4,485,462**	**-**	**-**	**4,485,462**
Investments in local bonds	**2,318,421**	**-**	**-**	**2,318,421**
Bank balances	**2,740,609**	**-**	**-**	**2,740,609**
Bank deposits	**34,728,097**	**-**	**-**	**34,728,097**
Other receivables	**6,139,901**	**-**	**-**	**6,139,901**
Total	**53,156,482**	**2,316,312**	**1,425,073**	**56,897,867**

	31 December 2021			
	Neither past due nor impaired RO	Past due but not impaired RO	Impaired RO	Total RO
Insurance and reinsurance receivables	2,739,489	2,286,208	1,363,530	6,389,227
Reinsurance share of outstanding claims and IBNR reserve	6,133,561	-	-	6,133,561
Investments in local bonds	2,407,429	-	-	2,407,429
Bank balances	1,640,825	-	-	1,640,825
Bank deposits	36,528,097	-	-	36,528,097
Other receivables	6,073,414	-	-	6,073,414
Total	55,522,815	2,286,208	1,363,530	59,172,553

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

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

29. Risk management *(continued)*

Credit risk *(continued)*

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

	Past due but not impaired						
	Less than 3 months RO	3 to 6 months RO	6 to 9 months RO	9 to 12 months RO	> 12 months RO	Total RO	Past due and impaired RO
2022	**906,829**	**602,058**	**650,671**	**-**	**156,754**	**2,316,312**	**1,425,073**
2021	929,366	470,363	774,170	112,309	-	2,286,208	1,363,530

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

	2022 RO	2021 RO
Oman	**6,308,457**	6,335,731
Middle east	**142,301**	40,509
Others	**34,619**	12,987
	6,485,377	6,389,227

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

	2022 RO	2021 RO
Brokers and agents	**4,080,748**	4,767,020
Individuals and corporate clients	**1,573,381**	1,415,859
Insurance and reinsurance companies	**831,248**	206,348
	6,485,377	6,389,227

Liquidity risk

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

29. Risk management *(continued)*

Liquidity risk *(continued)*

	2022			2021		
	Less than one year RO	**More than one year RO**	**Total RO**	Less than one year RO	More than one year RO	Total RO
ASSETS						
Bank deposits*	**13,828,117**	**20,899,980**	**34,728,097**	13,150,000	23,378,097	36,528,097
Insurance and reinsurance receivables	**5,060,304**	**-**	**5,060,304**	5,025,697	-	5,025,697
Reinsurance share of outstanding claims and IBNR reserve	**4,485,462**	**-**	**4,485,462**	6,133,561	-	6,133,561
Investments at fair value through profit or loss	**570,018**	**-**	**570,018**	94,741	-	94.741
Available-for-sale investments	**71,429**	**-**	**71,429**	71,429	-	71,429
Held-to-maturity investments	**2,318,421**	**-**	**2,318,421**	2,407,429	-	2,407,429
Other receivables	**6,396,920**	**-**	**6,396,920**	6,073,414	-	6,073,414
Cash and cash equivalents	**2,746,644**	**-**	**2,746,644**	1,646,960	-	1,646,960
TOTAL ASSETS	**35,477,315**	**20,899,980**	**56,377,295**	34,603,231	23,378,097	57,981,328
LIABILITIES						
Gross outstanding claims and IBNR reserve	**15,229,499**	**-**	**15,229,499**	17,952,171	-	17,952,171
Reinsurance payable	**1,053,556**	**-**	**1,053,556**	858,351	-	858,351
Other liabilities and accruals	**8,459,151**	**-**	**8,459,151**	7,321,369	-	7,321,369
Lease liabilities	**473,306**	**505,739**	**979,045**	441,507	471,507	913,987
Income tax payable	**727,494**	**-**	**727,494**	1,169,908	-	1,169,908
TOTAL LIABILITIES	**25,943,006**	**505,739**	**26,448,745**	27,743,306	471,507	28,214,813

* 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).

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

	31 December 2022		
	Level 1	**Level 3**	**Total**
	RO	**RO**	**RO**
Financial assets at FVTPL	**76,812**	**71,429**	**148,241**
- Local securities	**493,206**	**-**	**493,206**
- Foreign securities			

	31 December 2021		
	Level 1	Level 3	Total
	RO	RO	RO
Financial assets at FVTPL			
- Local securities	57,073	71,429	128,502
- Foreign securities	37,668	-	37,668

The Company has investments amounting to RO 2.32 million as at reporting date (31 December 2021 – RO 2.41 million) which are classified as 'held to maturity' investments and carried at the amortised cost (note 9.3). The carrying value of the held-to-maturity investments is equal to the fair value.

Available for sale investments amounting to RO 0.1 million at reporting date (31 December 2021 – RO 0.1 million) represents the Company's investment in Orange Card Company SAOC, which is recorded at cost. The shares of Orange Card Company SAOC are not traded and management considers the carrying value of the investment to approximate its fair value (note 9.2).

In accordance with the Company's policy, the land and buildings were re-valued at their fair value on 31 December 2022 for existing use by an accredited independent valuer who is an industry specialist in valuing these types of properties. The fair market value as at 31 December 2022 amounted to RO 0.2 million. The valuation is based on acceptable methods of valuation such as sales comparison, income capitalization and market comparable methods. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. In estimating the fair value of the land and buildings, the highest and best use of the properties is their current use.

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

32. Dividend

For the year 2022 the Board of Directors have proposed a cash dividend of 29 % of the share capital i.e. 29 baizas per share amounting to RO 2,900,000 (2021 - cash dividend of 25% of the share capital i.e., 25 baizas per share amounting to RO 2,500,000).

33. Leases

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

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

33. Leases (continued)

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

	Office premises	Printers	Motor vehicles	Total
	RO	RO	RO	RO
2022				
At 1 January	**769,256**	**8,418**	**23,070**	**800,744**
Additions	**519,597**	**-**	**-**	**519,597**
Depreciation expenses	**(426,476)**	**(8418)**	**(10,500)**	**(445,394)**
At 31 December	**862,377**	**-**	**12,570**	**874,947**
2021				
At 1 January	1,123,658	16,836	46,140	1,186,634
Additions	(354,402)	(8,418)	(23,070)	(385,890)
Depreciation expenses				
At 31 December	769,256	8,418	23,070	800,744

Approximately 99% (2021 – 96%) 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:

	2022	2021
	RO	RO
As at 1 January	**901,923**	1,122,332
Additions	**519,597**	-
Finance cost on lease liabilities	**49,579**	61,341
Payments	**(492,054)**	(281,750)
At 31 December	**979,045**	901,923

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

	2022	2021
	RO	RO
Depreciation expense of right of use assets	**445,394**	385,890
Finance cost on lease liabilities	**49,579**	61,341
	494,973	447,231

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

	2022	2021
	RO	RO
Less than one year	**473,306**	441,507
Between one and five years	**505,739**	471,987
	979,045	913,494