NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Legal status and principal activities

Oman United Insurance Company SAOG ("the Company") is incorporated as a listed public joint stock company in the Sultanate of Oman. The Company is engaged in underwriting of general and life and medical insurance business and in repair and maintenance of motor vehicles within the Sultanate of Oman.

2 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

These financial statements have been prepared under the historical cost basis except available-for-sale investments and investments at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.29 to these financial statements.

(a) New and amended standards adopted by the Company

The Company has applied all the standards and amendments applicable for the first time for its annual reporting period commencing from 1 January 2022:

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions – Extension of the practical expedient – effective date for annual periods beginning on or after 1 April 2021;
- Number of narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 – effective date for application is 1 January 2022; and
- IFRIC Agenda decision – Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions, with the exception of the impact resulting from the adoption of IFRS 17 Insurance contracts and IFRS 9 Financial Instruments. The Company is currently assessing the impact of these standards and amendments on its financial statements.

- IFRS 17 Insurance Contracts – Originally effective date of 1 January 2021, but extended to 1 January 2023 by the IASB;
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities as current or non current liabilities with covenants – effective date for application is 1 January 2024;
- Amendment to IFRS 16 – Leases on sale and leaseback – effective date for application is 1 January 2024;
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction – effective date for application is 1 January 2023; and
- Narrow scope amendments to IAS 1, Practice statement and IAS 8 – effective date for application is 1 January 2023.

2.2 Applicability of new standards

(i) IFRS 9

The temporary exemption enables insurers to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 and continue to apply IAS 39 to financial assets and liabilities. The overlay approach allows the Company applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. (Refer note 2.2 (i) (a))

The Company plans to defer the application of IFRS 9 until the effective date of the new insurance contracts standard, IFRS 17, effective for annual periods beginning on or after 1 January 2023 by applying the temporary exemption from applying IFRS 9 as introduced by the amendments to IFRS 4 as detailed below:

Amendments to IFRS 4 'insurance Contracts' regarding the implementation of IFRS 9, ‘Financial Instruments’

In September 2016, the amendments to IFRS 4 ‘Insurance Contracts’ were issued regarding the implementation of IFRS 9, 'Financial Instruments'. The amendments introduced two alternative approaches for entities issuing Insurance contracts within the scope of IFRS 4, notably a ‘temporary exemption’ and an 'overlay approach' as defined above.

The ‘temporary exemption’ enables entities to continue to apply IAS 39 ‘Financial instruments: Recognition and Measurement’, instead of adopting IFRS 9 'Financial Instruments', if they meet the following criteria:

- the insurer has not previously applied any version of IFRS 9, and
- the insurer's activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2018. The following tests have to be satisfied:

- The carrying amount of liabilities arising from contract within the scope of IFRS 4 is significant compared to the total carrying amount of all its liabilities; and
- the total carrying amount of an insurer’s liabilities connected with insurance as compared to the total carrying amount of all its liabilities:

i. if the percentage is greater than 90%, the insurers activities are predominantly connected with insurance;
ii. if the percentage is less than or equal to 90%, but greater than 80% and the insurer does not engage in a significant activity unconnected with insurance, its activities are predominantly connected with insurance. Otherwise, the activities are not predominantly connected with insurance; and
iii. if the percentage is less than or equal to 80%. the insurers activities are not predominantly connected with insurance.

The management has performed an assessment of the above options available and concluded that:

- IFRS 9 has not been adopted by the Company previously; and
- Its activities are predominantly connected with insurance.

In view of above, the management has applied the temporary exemption in its reporting for the current year.

(a) Financial assets – Classification

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: (a) measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Profit or Loss (FVTPL). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on the Company’s assessment, the new IFRS 9 classification requirements are not expected to have a material impact on its accounting for investments in debt securities, investments in equity securities, trade receivables and deposits with banks as explained below as at 31 December 2022:

- The Company has equity investments classified as available-for-sale with a fair value of RO 0.8 million. Under IFRS 9, the Company will designate these investments as measured at FVOCI. Due to this reclassification, the impairment already provided of RO 2.37 million will be reversed from retained earnings along with a corresponding decrease in fair value reserve;

- The Company has debt and equity investments classified as FVPL with a fair value of RO 7.8 million. Under IFRS 9, the Company's will continue to designate these investments as FVPL with no changes to the fair values; and
- Trade receivables and deposits with banks will continue to be classified at amortised cost.

(a) Financial assets – Impairment

Financial assets will be categorized into the following three stages in accordance with the IFRS 9 methodology:

Stage 1 - Performing assets: Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on 12 months Probability of Default (PD).

Stage 2 - Underperforming assets: Financial assets that have significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on life time PD.

Stage 3 - Impaired assets: For Financial assets that are impaired, the Company will recognize the impairment allowance based on life time PD.

The Company has created an ECL model that comply with IFRS 9 and assessed the impact for 31 December 2022. The Company will apply a provisions matrix, which is a permitted practical expedient, and will result in the recognition of life time credit losses as below:

- for trade receivables and reinsurance receivables, based on the assessment, the Company estimates the transition impact will reduce retained earnings in the range of RO 0.400 million to RO 0.550 million; and
- for bank deposits based on the assessment, the Company estimates the transition impact will reduce retained earnings in the range of RO 0.275 million to RO 0.40 million.

The adjustments will be taken in shareholders' equity in Q1 2023 as the impact on first time adoption of the standard.

(b) Financial Liabilities

As per the requirements in IAS 39 for classification and measurement of financial liabilities, they will be carried forward unchanged under IFRS 9. There is no impact for the Company in regards to its financial liabilities.

(ii) IFRS 17

IFRS-17 is the new standard for (Re)Insurance contracts measurement and presentation that is now applicable to all reporting periods closing after 1st January 2023 starting from Q1-2023. The standard is applicable to all Insurance and Reinsurance contracts Issued by the company as well as reinsurance contracts held.

Overview of the Standard

The standard brings new directives that apply to recognition, defining contract boundaries, measurement and finally presentation of (Re)Insurance Contracts both issued and held. Key facets of the standard are discussed below:

Measurement

IFRS-17 introduces a generalized measurement model called the General Measurement Model (GMM) which shall be applicable to all kinds of insurance and reinsurance contracts, to the extent that they do not contain any direct participation features in any underlying invested assets.

The General Measurement Model has the following building blocks:

a) the Fulfilment Cash Flows (FCF), which comprise:
- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e., discounting) and the financial risks associated with those future cash flows; and
- a risk adjustment for non-financial risk.

b) the Contractual Service Margin (CSM) represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the Liability for remaining coverage (LFRC), which comprises the FCF related to future services and the CSM of the group at that date; and
- the Liability for incurred claims (LFIC), which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to adjustment under GMM, the CSM is also adjusted for:

- the entity's share of the changes in the fair value of underlying items; and
- the effect of changes in the time value of money and in financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA**)** is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the GMM for the group of contracts or if the coverage period for each contract in the group is one year or less. The PAA behaves in a very similar manner as the current unearned premium and acquisition expenses approach under IFRS-4 with some notables differences as the introduction of a financing component for contracts having premiums and services more than 1 year apart as well as the method to recognize loss components.

The GMM remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Transition

Appendix C of the standard describes three approaches for transition: full retrospective (hereinafter 'full' retrospective), modified retrospective and fair value. IFRS 17 is applied retrospectively unless this is impracticable. To the extent that this is impracticable, the entity applies the modified retrospective approach or the fair value approach. However, the entity can apply different transition approaches to different groups of insurance contracts, as appropriate.
The choice of transition approach has the largest impact for the company's long term individual life portfolio. For the purposes of transition, the Company has adopted to the use of the modified retrospective approach for all lines of business.

For the short-term business, all retrospective data is generally available at a policy level for premium, claims and commission related transactions, even for expired policies for a period of nearly up to 5 years. Only expense allocation is generally required for the latest four to five years to ensure that and group of contract that has a possible LFRC balance at the transition date gets covered appropriately. The discount rates have been determined using historical US treasury curves as proxy until underwriting year 2016.

However, for the long-term business, only active policy data is available for year end 2021 and 2022 and past transactional data is not available at a policy level for a reasonable number of years. The transition approach used for `this purpose assumes the modified retrospective approach, however, for past experience up until the transition dates, closest available proxies have been chosen for mortality/morbidity experience as well as past expenses. This however is being improved upon as the use of maximum available information is being investigated and therefore the numbers are expected to change before the company goes live with IFRS-17.

Presentation & Disclosures

The standard has significantly modified how (Re)Insurance contracts are measured and subsequently presented in the balance sheet as well as how income and expenses are derived from these contracts. The standard reinforces the principle that services under (Re)Insurance contracts are provided over a period and thus income and expenses are also recognized and presented in a manner for the users of the financial statements to be able to distinguish properly the impact of past service on income as well as understand the deferment of income/expenses relating to future service and their impact to CSM.

The presentation mechanism also gives higher transparency and insight into the profitability of written contracts as well as the net gain/ loss position of the reinsurance contracts held.

However, management does recognize that such a paradigm change in insurance accounting will result in operational challenges for both company's management as well as all stakeholders and users of the financial statements and OUIC aims to carry out briefing sessions for its stakeholders after its successful implementation of the standard.

Operational impact assessment and implementation status

The company's IFRS-17 implementation project is underway and has enlisted IFRS-17 consultants to facilitate the implementation. An overview of the company's progress and potential impacts of various facets of implementation are as follows:

Impact Area	**Status and impact**
Measurement	The company, facilitated by its consultants, has carried out a PAA eligibility test for all its short-term business and has qualified for applying the PAA model for all its business except for the long-term life insurance business (as well as its underlying reinsurance contracts) which shall be measured under GMM. However, this is a very small segment of the company's overall business. Due to the application of PAA, the Company expects insignificant impact on its financial results as LFRC will be least impacted, however, LFIC shall still be impacted with the effect of discounting and risk adjustment. IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the PL or OCI option) is applied on a portfolio basis. The Company intends to include changes in discount rates and other financial changes within OCI.

Impact Area	**Status and impact**
System architecture and data flow	The data requirements under the new standard have increased substantially based on the calculation methodologies prescribed by the standard which are cash-flow driven. The Company is working to capture and streamline the data generation process to facilitate the calculations under IFRS-17. The IFRS-17 calculations require an IFRS-17 engine application as well as data transformation applications/systems that can transform and enrich data from the company's core administration and finance systems, actuarial systems of the appointed actuary and finally bring them in a form readable and processable by the IFRS-17 engine. Finally, an additional layer of transformation is needed to merge the IFRS-17 engine sub-ledger results into the Company's core general ledger. The Company has subscribed to an IFRS-17 engine, named E-frame by Second Floor and is currently in the process of building the Extract Transform Load (ETL) procedures and interfaces linking the admin and actuarial systems to the IFRS-17 engine solution.
Governance and control framework	The Company has a comprehensive IFRS 17 governance framework which includes establishing a steering committee to provide oversight, monitor the progress of implementation, approve decisions, and assign roles and responsibilities to various stakeholders. The Company is currently working out a target operating model and responsibility matrix that will assign various responsibilities to various stakeholders as well as allocate reconciliation and control procedures.
Technical and financial area	The Company has documented the technical policy papers, finalizing the policy decisions and choices required under the IFRS 17 Standard. The policy decisions and choices are taken after performing detailed assessments and due deliberations among various stakeholders and have been approved by the Company's IFRS 17 Steering Committee. The Company is currently devising the accounting policies encompassing microlevel details impacting calculations and presentation that take feedback from the high-level decisions taken with the technical papers.
IFRS 17 dry run	The Company is in the process of carrying out its first dry run that will require a transition on Q4 2021 and will produce complete financial statements (P&L and balance sheet) as at Q 1 2022.

The company expects full application of its IFRS-17 engine as well as its technical decisions in the current dry run as well as further dry runs encompassing all interim periods of 2022. The Company expects to complete this exercise before going live for Q1 2023 in April 2023.

Methodology followed for short term business

The impact on short term business has been modeled as the direct impact on claim reserves (IBNR and outstanding claim reserves) by way of the impact of discounting and risk adjustment.

Discount rates have been based on US treasury par yield curves added with the country risk premium of Oman to reflect the equivalent risk-free rates further loaded with a 0.4% illiquidity premium adjustment. In the absence of any Oman specific risk-free rate market statistics, the methodology adopted combines the guidance within the standard regarding the use of the bottom-up approach to determine discount rates along-with the economic principles surrounding interest rates in a risk neutral environment.

The risk adjustment has been calculated based on the mack approach that applies a systematic process to estimate process and parameter variance through claim triangles to fit a reserve distribution. The risk adjustment is meant to calculate the compensation for the non-financial risk borne by the insurer and as such has been calculated as an additional reserve over the best estimate liability which is equivalent to the IFRS-4 claim reserves with the impact of discounting. The risk adjustment is taken as the 70th percentile discounted claim reserve minus the best estimate liability and is reflective of prevailing market practice relating to the risk adjustment confidence interval.

Both discounting and risk adjustment assumptions have also been applied similarly to reinsurance contracts held.

No impact on LFRC has been modeled as the company has already qualified for the PAA which is similar to the current unearned premium approach under IFRS-4. There is no indication of onerousness in any line of business, therefore, it is assumed that technical provisions for LFRC when determined under IFRS-17 will be similar to that of IFRS-4.

Methodology followed for long term business

The long-term life portfolio of the company is largely in a run-off state with very insignificant amounts of new business being written occasionally. This book of business, due to its long term nature, has been valued under the GMM.

Risk adjustment has been determined as 5% of the best estimate liability which is reflective of a 65th to 70th percentile confidence interval and is reflective of prevailing market practice relating to the risk adjustment confidence interval.

All other assumptions regarding future cash-flows have been kept similar to that under IFRS-4.

The GMM approach introduces the contractual service margin which is reflective of the unearned profit margins. This approach has a significant impact on single premium long-term business as under the current IFRS-4 standard no mechanism to defer the realization of profit margin at the time of receiving the single premium exists. The GMM defers the realization of any net gain or loss from reinsurance contracts held.

Transition methodology

The transition methodologies allowed by the standard are the following three:

- Full Retrospective Approach
- Modified Retrospective Approach
- Fair Value Approach

For the full retrospective approach, to apply IFRS 17 retrospectively, an entity shall at the transition date:
(a) identify, recognise and measure each group of insurance contracts as if IFRS 17 had always applied;
(aa) identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always applied (except that an entity is not required to apply the recoverability assessment in paragraph 28E before the transition date);
(b) derecognise any existing balances that would not exist had IFRS 17 always applied; and
(c) recognise any resulting net difference in equity.

Items (a) and (aa) above are for the full retrospective approach to take effect, meaning that for each group of contract the entity should measure as if IFRS-17 had always applied, taking into account all policies written to date either active or inactive at the valuation date. Furthermore, the instructions require that the assets for any acquisition cashflows also be recognized retrospectively. The Company plans to capitalise insurance acquisition cash flows for all contracts. The Company plans to allocate the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.

The full retrospective approach suits the Company's short-term business as all retrospective data is available with at least data including and after 2019 being comparatively more credible than previous data due to a system change undertaken by the Company in late 2018.

However, for the long-term life (including credit life policies and small proportion of level term life) insurance policies, the data to be utilized for the impact assessment is only based on active policy data made at YE 2021 and YE 2022. The availability of retrospective data in the form of premium and claim registers is being investigated whether it can be obtained without undue cost and effort. For this reason, the Company feels that the full retrospective approach cannot be applied at this time to the long-term life portfolio.

Considering the long-term life portfolio GMM is applicable, the choice of transition methodology is instrumental in arriving at the CSM value at transition, meanwhile the best estimate liability (at current discount rate) and risk adjustment will be unaffected as they are prospective numbers.

The standard gives the following guidance for initial assessment/measurement using the modified retrospective approach in case the full retrospective approach is not easily applicable as below:

- C8) To achieve the objective of the modified retrospective approach, an entity is permitted to use each modification in paragraphs C9–C19A only to the extent that an entity does not have reasonable and supportable information to apply a retrospective approach.

Based on the above the following table discusses the compliance of the permitted modifications with our modeling approach:

S.No	Permitted Modification	Compliance
C9	To the extent permitted by paragraph C8, an entity shall determine the following matters using information available at the transition date: (a) how to identify groups of insurance contracts, applying paragraphs 14–24; (b) whether an insurance contract meets the definition of an insurance contract with direct participation features, applying paragraphs B101–B109; (c) how to identify discretionary cash flows for insurance contracts without direct participation features, applying paragraphs B98–B100; and (d) whether an investment contract meets the definition of an investment contract with discretionary participation features within the scope of IFRS 17, applying paragraph 71.	• Identification of group of contracts has been done at the active policy level only as past data is not available. • Furthermore, CSM calculation has been carried out at individual policy level to allow for easier trackability of coverage units and CSM by allowing for negative CSM as it is believed that these policies are generally profitable and as a total group there won't be any loss component buildup.
C10	To the extent permitted by paragraph C8, an entity shall not apply paragraph 22 to divide groups into those that do not include contracts issued more than one year apart.	
C12	To the extent permitted by paragraph C8, an entity shall estimate the future cash flows at the date of initial recognition of a group of insurance contracts as the amount of the future cash flows at the transition date (or earlier date, if the future cash flows at that earlier date can be determined retrospectively, applying paragraph C4(a)), adjusted by the cash flows that are known to have occurred between the date of initial recognition of a group of insurance contracts and the transition date (or earlier date). The cash flows that are known to have occurred include cash flows resulting from contracts that ceased to exist before the transition date.	Currently, managements assumption for retrospective experience before the transition date is the same as the mortality rates applied prospectively as no data for prior experience in the form of premium and claim registers is available or even a proxy estimate of past mortality/persistency experience is not available. The Company is trying to improve on this by checking for availability of past data at least to the extent of prior 5 years from the transition date.
C13	To the extent permitted by paragraph C8, an entity shall determine the discount rates that applied at the date of initial recognition of a group of insurance contracts (or subsequently): (a) using an observable yield curve that, for at least three years immediately before the transition date, approximates the yield curve	Locked in discount rates have been determined as far back as 2015 using USD treasury curves available at 1st January of each calendar year loaded with a flat country risk premium determined at July 2022 of nearly 4.31 and illiquidity premium of 0.4% benchmarking EIOPA volatility adjustment.

S.No	Permitted Modification	Compliance
C13	estimated applying paragraphs 36 and B72–B85, if such an observable yield curve exists; (b) if the observable yield curve in paragraph (a) does not exist, estimate the discount rates that applied at the date of initial recognition (or subsequently) by determining an average spread between an observable yield curve and the yield curve estimated applying paragraphs 36 and B72–B85 and applying that spread to that observable yield curve. That spread shall be an average over at least three years immediately before the transition date.	
C14	To the extent permitted by paragraph C8, an entity shall determine the risk adjustment for non-financial risk at the date of initial recognition of a group of insurance contracts (or subsequently) by adjusting the risk adjustment for non-financial risk at the transition date by the expected release of risk before the transition date. The expected release of risk shall be determined by reference to the release of risk for similar insurance contracts that the entity issues at the transition date.	Used as a flat 5% rate for retrospective as well as prospective periods. As mentioned above this 5% has been derived through experience on other clients whereby an implied normal distribution of results was derived from utilizing capital shocks to reserves versus best estimate reserves and then solving for the risk adjustment excess between the 65th to 70th percentile.
C14A	Applying paragraph B137, an entity may choose not to change the treatment of accounting estimates made in previous interim financial statements. To the extent permitted by paragraph C8, such an entity shall determine the contractual service margin or loss component at the transition date as if the entity had not prepared interim financial statements before the transition date.	A straight roll-forward to the transition date has been applied for the CSM assuming no experience adjustment due to different interim estimates.
C14B	To the extent permitted by paragraph C8, an entity shall use the same systematic and rational method the entity expects to use after the transition date when applying paragraph 28A to allocate any insurance acquisition cash flows paid (or for which a liability has been recognised applying another IFRS Standard) before the transition date (excluding any amount relating to insurance contracts that ceased to exist before the transition date) to: (a) groups of insurance contracts that are recognised at the transition date; and (b) groups of insurance contracts that are expected to be recognised after the transition date.	The Company records all commission-based expenses at a policy level as they are incurred. The Company plans to consider the time value of money when allocating the portion of the premiums that relates to the recovery of insurance acquisition cash flows.

S.No	Permitted Modification	Compliance
C15	If applying paragraphs C12–C14D results in a contractual service margin at the date of initial recognition, to determine the contractual service margin at the date of transition an entity shall: (a) if the entity applies C13 to estimate the discount rates that apply on initial recognition, use those rates to accrete interest on the contractual service margin; and (b) to the extent permitted by paragraph C8, determine the amount of the contractual service margin recognised in profit or loss because of the transfer of services before the transition date, by comparing the remaining coverage units at that date with the coverage units provided under the group of contracts before the transition date (IFRS 17 paragraph B119).	The CSM has been determined at the transition date. In line with the applicable requirements under IFRS 17 paragraphs C12–C14D. No acquisition cost has been assumed to have incurred for any contract before the recognition of that contract.

C16	If applying paragraphs C12–C14D results in a loss component of the liability for remaining coverage at the date of initial recognition, an entity shall determine any amounts allocated to the loss component before the transition date applying paragraphs C12–C14D and using a systematic basis of allocation.	The CSM calculation was modified to allow for any negative CSM as the CSM has generally been determined at a policy level and then aggregated at a group level. The portfolio is believed to have a CSM and be profitable.

Similar methodology as above has been applied to reinsurance contracts as well and in totality it appears that the reinsurance is producing a net gain.

For the final transition of the long term contracts, the Company is weighing the pros and cons of using a mixed approach i.e., use of modified retrospective approach for the latest few underwriting years given retrospective data for the same can be obtained and for the remaining policies use the fair value approach.

2.3 Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in Rial Omani (RO) which is the Company's functional and presentation currency. All amounts disclosed in the financial statements and notes have been rounded off to the nearest RO unless otherwise specified.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the reporting date. Differences on exchange are dealt with in the statement of comprehensive income as they arise. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.4 Revenue recognition

(a) Premiums earned

Premiums, after deducting policy acquisition costs, are recognised as revenue (earned premium) proportionally over the period of coverage. A proportion of net retained premiums is provided as 'unearned premium reserve' (UPR) to cover portions of risks which have not expired at the reporting date. The amount required by the Oman Insurance Companies Law of 1979, as amended, is calculated at 1/365 of the net retained premiums for the year for all classes of business in the general insurance business. The provision for unexpired risks for life business is created on the basis of actuarial valuation performed on an annual basis.

(b) Commissions earned and paid

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

(c) Interest income

Interest income and expense are recognised on a time proportion basis using the effective interest rate method.

(d) Dividend income

Dividend income is recognised when the right to receive dividend is established.

(e) Rental income

Rental income is recognised on a straight line basis in respect of investment property let out.

2.5 Income tax

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

2.6 Property and equipment

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

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

Buildings on freehold land	20 - 40 years
Leasehold improvements	5 years
Plant and equipment	15 - 25 years
Furniture and fixtures	5 - 10 years
Office equipment	5 years
Vehicles	5 years

Freehold land is not depreciated as it is deemed to have an indefinite useful life.

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

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

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

2.7 Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any, at the reporting date. The fair value, which reflects market conditions at the reporting date, is disclosed in the notes to the financial statements.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

The estimated useful lives of the categories within investment property are as follows

Building	40 years
Machinery and equipment	15 - 25 years
Furniture and fixtures	5 - 10 years

Land is not depreciated as it is deemed to have an indefinite useful life.

2.8 Financial instruments

2.8.1 Classification, recognition and measurement

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. The fair value of financial assets through profit or loss is based on their quoted market prices as at the reporting date. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss category are included in the statement of comprehensive income in the period in which they arise.

Realised gains on sale of investments are determined as the difference between the sale proceeds and the carrying value and are included in the statement of profit or loss in the period in which they arise.

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

(b) Available-for-sale investments

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

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

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition. These are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment, if any. The Company's loans and receivables comprise insurance and other receivables, deposits, reinsurance contracts and cash and cash equivalents in the statement of financial position.

2.8.2 Derecognition

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

2.8.3 Trade and settlement date accounting

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

Financial liabilities are measured at amortised cost using the effective interest rate method.

2.9 Impairment and uncollectability of financial assets

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

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

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

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets, including adverse changes in the payment status of borrowers, or national or local economic conditions that correlate with defaults on the assets.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

2.10 Offsetting

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

2.11 Impairment of non-financial assets

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

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

2 Summary of significant accounting policies (continued)

2.12 Insurance and other receivables

Insurance and other receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses, if any. A provision for impairment of trade 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.13 Insurance and reinsurance contracts

The Company issues contracts that transfer insurance risk. Long term insurance contracts issued by the Company do not contain any discretionary participation features which will entitle the contract holder to receive additional benefits or bonuses.

2.13.1 Insurance contracts

(a) Recognition and measurement

Insurance contracts are classified into two main categories, short term and long term insurance contracts.

(i) Short term insurance contracts
Short term insurance contracts are principally divided into motor and non-motor general insurance and short duration life insurance by the Company.

Motor insurance in the Sultanate of Oman is governed by law and it is compulsory for all vehicles to have a minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies issued by the Company cover damages to vehicle due to storm, tempest, flood, fire, theft and personal accident. Specific motor policies are also issued to include coverage outside the Sultanate of Oman.

The non-motor insurance category comprises fire, marine, engineering, workmen compensation, aviation cover and miscellaneous accident.

Short duration life insurance contracts protect the Company's customers from the consequences of events such as death or disability that would affect the ability of the customer or his / her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

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

(i) Long term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or disability) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the premiums are recognised based on actuarial valuation. The liabilities are recalculated at each reporting date using the assumptions established at inception based on the actuarial valuation.

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

(b) Policy acquisition costs

All commissions and other acquisition costs related to securing new contracts and renewing existing contracts are recognised as expenses when incurred.

(c) 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 immediately recognised in the statement of comprehensive income and an unexpired risk provision is created.

(d) Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of comprehensive income as incurred. Claims incurred cost in underwriting results comprise settlement and the internal and external handling costs paid. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the reporting date.

Provisions for reported claims not paid at the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

The Company does not discount its liability for unpaid claims.

(e) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell a (usually damaged) vehicle or a property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognised in other assets when the liability is settled unless disposed off. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

In the case of other short term insurance policies, a provision is also calculated for the unearned premium reserve (UPR) in accordance with the Insurance Companies Law of Oman (as amended) at 1/365 of the net retained premiums for the year for all classes of insurance business. Added to this provision is an amount (mathematical reserve) determined by an independent actuary on an annual basis reflecting the unexpired risk for life business underwritten. A contingency reserve is also established in accordance with the Insurance Companies Law of Oman, 1979.

2.13.2 Reinsurers contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurers contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurers) are included within insurance contracts.

The benefits to which the Company is entitled under its reinsurers contracts held are recognised as reinsurers assets. These assets consist of short-term balances due from reinsurers (classified within insurance and other receivables), as well as the reinsurers portion of gross claims outstanding including IBNR and unexpired risk reserve that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurers contract. Reinsurers liabilities are primarily premiums payable for reinsurers contracts and are recognised as an expense when due, net of commission income which represents income earned from reinsurers.

The Company assesses its reinsurers assets for impairment on a quarterly basis. If there is objective evidence that the reinsurers asset is impaired, the Company reduces the carrying amount of the reinsurers' asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are disclosed within current liabilities.

2.15 Legal reserve

In accordance with the Commercial Companies Law of 2019, annual appropriations of 10% of the profit for the year are made to the legal reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid up share capital. This reserve is not available for distribution.

2.16 General reserve

The general reserve is an optional reserve accumulated in accordance with the provisions of the Commercial Companies Law of 2019. The annual appropriation should not exceed 20% of the net profits for the year after the deduction of taxes and legal reserve. The reserve can be released to retained earnings on a Shareholders' resolution.

2.17 Contingency reserve

In accordance with the Insurance Companies Law of Oman, the following contingency reserves have been established in respect of general and life insurance business:

- General Insurance - transfer equivalent to 10% of the net outstanding claims at the year end.
- Life insurance - transfer equivalent to 1% of life assurance premiums for the year.

Transfers to these reserves are made until the total of both is equal to the paid up capital of the Company.

2.18 Employees' end of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003, as amended and in accordance with IAS-19: 'Employee benefits. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognised as an expense in the statement of profit or loss or other comprehensive income as incurred.

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.

The estimates included in the calculation of Employee benefits' liability as at 31 December 2022 includes the discount rate assumed which is 4.75% which is assumed on the basis of the expected rate of return on the 30 years government bond and future salary growth rate of 3.5% which is assumed based on the past pattern (note 23).

2.19 Trade and other payables

Trade and other payables are initially measured at fair value and subsequently carried at amortised cost using the effective interest rate method.

Liabilities are recognised for amounts to be paid for goods or services received, whether or not billed to the Company.

2.20 Directors' remuneration and sitting fees

The Directors' remuneration and fees is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority.
The Annual General Meeting shall approve the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed RO 150,000 in one year. The sitting fees for each Director shall not exceed RO 10,000 in one year.

2.21 Share capital

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

2.22 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.

2.23 Provisions

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

2.24 Dividend distribution

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

2.25 Operating segment

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

2.26 Lease liability

The Company's lease liability contains rentals agreements pertaining to Branches and vehicles obtained on operating lease. Rental agreements are for fixed period. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments, less any incentive receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Significant judgement is involved in assessing the lease term of the contract.

2.27 Right-of-use asset

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.28 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the resultant provisions and change in fair value for the year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

(a) Outstanding claims and mathematical Reserves

In particular, 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 management uses the initial value of the claim provided by the loss reports from the independent loss adjusters and management's best estimate for the expected ultimate cost of claims reported 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 are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Liabilities pertaining to the long-term insurance contracts are determined based on standard actuarial principles. The liability is determined based on the actuarial present value of future cashflows. These cashflows are based on factors, including but not limited to; policy benefits, expected future mortality and the structure of the product. Additional liabilities are determined for supplementary benefits attached to the base policy.

(b) Impairment of available-for-sale investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Impairment of receivables

An estimate of the collectible amount of premium and insurance receivables and reinsurance contract 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 a provision applied on the basis of length of time past due and/or qualitative factors, based on historical recovery rates.

3 Net underwriting result

	2022			2021		
	General busines	**Life**	**Total**	General busines	Life	Total
	RO	**RO**	**RO**	RO	RO	RO
Revenue						
Gross written premiums	**28,643,794**	**3,543,019**	**32,186,813**	27,059,121	3,399,241	30,458,362
Reinsurance premium ceded	**(15,929,128)**	**(2,185,687)**	**(18,114,815)**	(14,021,618)	(2,104,975)	(16,126,593)
Net retained premium	**12,714,666**	**1,357,332**	**14,071,998**	13,037,503	1,294,266	14,331,769
Movement in unearned premium reserve (gross)	**(1,661,086)**	**1,401,000**	**(260,086)**	225,197	2,040,000	2,265,197
Movement in unearned premium reserve (reinsurance)	**1,415,717**	**(1,151,000)**	**264,717**	816,160	(1,527,000)	(710,840)
Commission income	**2,803,065**	**182,525**	**2,985,590**	2,248,852	191,759	2,440,611
Total insurance revenue	**15,272,362**	**1,789,857**	**17,062,219**	16,327,712	1,999,025	18,326,737
Costs						
Gross claims paid	**17,715,466**	**3,499,465**	**21,214,931**	12,558,595	4,488,711	17,047,306
Reinsurance share of claims	**(6,982,105)**	**(2,358,611)**	**(9,340,716)**	(4,425,704)	(3,202,590)	(7,628,294)
Net claims paid	**10,733,361**	**1,140,854**	**11,874,215**	8,132,891	1,286,121	9,419,012
Movement in outstanding claims reserve (gross)	**1,547,316**	**-692,687**	**854,629**	5,151,033	-372,073	4,778,960
Movement in outstanding claims reserve (reinsurance)	**-2,901,866**	**617,890**	**-2,283,976**	-4,818,640	296,456	-4,522,184
Net claims incurred	**9,380,811**	**1,066,057**	**10,446,868**	8,465,284	1,210,504	9,675,788
Commission expenses	**2,255,252**	**363,954**	**2,619,206**	2,033,013	387,010	2,420,023
Total insurance cost	**11,636,063**	**1,430,011**	**13,066,074**	10,498,297	1,597,514	12,095,811
Net underwriting result	**3,636,299**	**359,846**	**3,996,145**	5,829,415	401,511	6,230,926

The underwriting result before reinsurance recoveries are analysed as follows:

	2022		2021	
	Net retained premium RO	**Underwriting result before reinsurance recoveries RO**	Net retained premium RO	Underwriting result before reinsurance recoveries RO
Motor	**11,537,372**	**2,796,484**	11,910,575	2,395,877
Fire	**139,079**	**118,998**	158,088	1,450,243
Marine	**65,582**	**2,104,202**	102,331	1,018,191
Household and others	**972,633**	**442,990**	866,509	2,386,926
Life and medical	**1,357,332**	**1,773,287**	1,294,266	935,593
Total	**14,071,998**	**7,235,961**	14,331,769	8,186,830

The net claims ratios are as follows:

	2022 %	2021 %
Motor	**79**	61
Fire	**32**	54
Marine	**38**	72
Household and others	**58**	61
Life and medical	**66**	67

The net claims ratio is calculated by dividing the net claims incurred (gross claims less reinsurance and other recoveries) by the net earned premiums (gross premiums less premiums ceded).

4 Investment income – net

	2022 RO	2021 RO
Profit on sale of financial assets at fair value through profit or loss	**157,392**	171,025
Fair value gain/(loss) on financial assets at fair value through profit or loss [note 13(a)]	**379,837**	(100,422)
Interest income	**2,637,205**	2,860,563
Dividend income	**245,382**	125,374
Profit on sale of available-for-sale investments	**246,159**	3,720
Brokerage on purchase and sale of shares	**(9,766)**	(1,648)
Impairment loss on available-for-sale investments [note 11(a)]	**(49,083)**	(109,686)
	3,607,126	2,948,926

5 Other operating income

	2022 RO	2021 RO
Rental income from investment property	**166,784**	200,457
Other income	**421,257**	656,396
	588,041	856,853

6 General and administration expenses

	2022 RO	2021 RO
Salaries and employee related costs [note 6(a)]	**3,493,574**	3,647,408
Office related expenses	**398,216**	369,829
Depreciation (note 9)	**218,393**	249,497
Directors' remuneration and sitting fees [note 25(a)]	**200,000**	192,500
Repairs and maintenance	**213,647**	188,562
Provision for doubtful insurance and other receivables [note 15(a)]	**150,000**	200,000
Business promotion	**105,012**	80,015
Depreciation on right-of-use assets (IFRS16) [note 9]	**85,185**	88,997
Corporate social responsibility	**58,073**	142,372
Depreciation on investment property (note 10)	**55,706**	65,988
Rent	**36,795**	38,889
Board secretary fees	**-**	7,700
Miscellaneous	**93,917**	94,289
	5,108,518	5,366,046

(a) Salaries and employee related costs

Salaries and employee related costs included in underwriting results and general and administration expenses are as follows:

	2022 RO	2021 RO
Salaries and allowances	**3,178,563**	3,300,723
Social security costs	**245,401**	234,649
End of service benefits (note 23)	**69,610**	112,036
	3,493,574	3,647,408

7 Taxation

	2022 RO	2021 RO
Current tax		
- For the year	**393,686**	707,638
Deferred tax		
- For the year (note 14)	**(68,752)**	3,211
Tax expense	**324,934**	710,849

(a) The Company's assessments up to 2017 has been completed by the Oman Taxation Authorities at the Ministry of Finance. The Board of Directors believes that additional taxes, if any, in respect of open tax assessments would not be significant to the Company's financial position as at 31 December 2022.

(b) The Company is liable to income tax, in accordance with the income tax laws of the Sultanate of Oman, at the rate of 15% on profits. (2021-15%)

Reconciliation of income tax expense

	2022 RO	2021 RO
Accounting profit for the year	**3,082,794**	4,670,659
Tax liability at the rate of 15% (2021 - 15%)	**462,419**	700,599
Non-deductible expenses	**(13,578)**	76,763
Tax exempt income	**(97,340)**	(45,018)
Others	**(26,567)**	(21,495)
Tax expense	**324,934**	710,849

(c) The movement in the current tax liability during the year is as follows:

	2022 RO	2021 RO
At 1 January	**753,007**	975,658
Charge for the year	**393,685**	707,638
Paid during the year	**(698,514)**	(930,289)
At 31 December	**448,178**	753,007

8 Earnings per share

The earnings per share have been derived by dividing the profit for the year attributable to shareholders by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share are identical to the basic earnings per share.

	2022	2021
Profit for the year (RO)	**2,757,860**	3,959,810
Average number of shares outstanding during the year (number of shares)	**100,000,000**	100,000,000
Earnings per share (RO)	**0.028**	0.040

9 Property and equipment

(a) Details of movements in property and equipment are set out on pages 56 and 57.

(b) Land and buildings with a carrying value of RO 309,000 (2021- RO 312,455) have been mortgaged to a commercial bank for the bank facilities provided.

(c) In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, the head office building of the Company with a carrying value of RO 359,165 (market value of RO 860,000) is under lien with the Capital Market Authority (Insurance Division) [2021 - RO 379,067 (market value of RO 860,000)].

10 Investment property

	2022 RO	2021 RO
Cost		
At 1 January and 31 December	**3,229,916**	3,229,916
Accumulated depreciation		
At 1 January	**1,153,552**	1,087,564
Charge for the year (note 6)	**55,706**	65,988
At 31 December	**1,209,258**	1,153,552
Net book value at 31 December	**2,020,658**	2,076,364

(a) The fair value of investment property on 31 December 2022, was estimated at RO 4,300,000 based on an open market value assessed by Al Habib, an independent professionally qualified third-party valuer.

(b) In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, the above investment property of the Company with a carrying value of RO 2,020,658 is under lien with the Capital Market Authority (Insurance Division) (2021 - RO 2,076,364).

(c) Investment property related expenses for the year ended 31 December 2022 amounts to RO 120,692 (2021 - RO 135,088).

11 Available-for-sale investments

(a) The movements in the year are analysed as below:

	2022 RO	2021 RO
At 1 January	**734,800**	976,624
Unrealised gain/(loss)	**73,858**	(89,313)
Impairment losses (note 4)	**(49,083)**	(109,686)
Purchases	**2,026,533**	-
Disposals	**(2,026,533)**	(42,825)
At 31 December	**759,575**	734,800

(b) Available-for-sale investments can be analysed as follows:

	Fair value 2022 RO	Cost after impairment charge 2022 RO	Fair value 2021 RO	Cost after impairment charge 2021 RO
Local – unquoted	**258,573**	**71,429**	221,359	71,429
Local – quoted	**501,002**	**448,361**	513,441	497,444
	759,575	**519,790**	734,800	568,873

(c) Details of the Company's available-for-sale investments for which the Company's holding exceeds 10% of the fair value of the total available-for-sale investments are:

31 December 2022	**% of Portfolio**	**Number of securities**	**Fair value RO**	**Impaired cost RO**
Local quoted securities:				
Sembcorp Salalah	**32**	**2,400,000**	**158,400**	**158,400**
SMN Power SAOG	**33**	**3,587,000**	**165,002**	**121,958**
Shell Oman	**35**	**200,000**	**177,600**	**168,000**

11 Available-for-sale investments (continued)

31 December 2021	% of Portfolio	Number of securities	Fair value RO	Impaired cost RO
Local quoted securities:				
Sembcorp Salalah	34	2,400,000	175,200	175,200
SMN Power SAOG	30	3,587,000	154,241	154,241
Shell Oman	36	200,000	184,000	168,000

(d) *The geographical distribution of investments is as follows:*

	2022 RO	2021 RO
Sultanate of Oman	**759,575**	734,800
Total	**759,575**	734,800

(e) *Available-for-sale financial assets are denominated in the following currencies:*

	2022 RO	2021 RO
Rial Omani	**759,575**	734,800
	759,575	734,800

(f) The maximum exposure to credit risk at the reporting date is the fair value of the unquoted investments classified as available-for-sale.

(g) An impairment charge of RO 49,083 (2021 - RO 109,686) was recognised in the profit or loss during the year based on notification received from the investment manager on identified non-performing private equity investments and also based on significant or prolonged decline in the quoted market price for quoted investments.

(h) In accordance with the law governing the operations of insurance companies in the Sultanate of Oman, quoted securities included above at a market value of RO 86,021 (2021- RO 89,120) are under lien with the Capital Market Authority (Insurance Division). Under the terms of the legislation, the Company can only utilise these assets with the prior approval of the Capital Market Authority (Insurance Division).

12 Deposits

(a) Deposits in the amount of RO 52,480,000 (2021 - RO 56,100,000) are placed with commercial banks in the Sultanate of Oman, carrying interest ranging from 3% % to 5.4% (2021 –3% to 5.5%) per annum. Accrued interest recognised, as at 31 December 2022, amounts to RO 451,890 (2021 – RO 488,822). The carrying amount of Deposits with accrued interest, as at 31 December 2022, amounts to RO 52,931,890 (2021 – RO 56,588,822).

(b) In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority (Insurance division) certain specific bank deposits included in the statement of financial position amounting to RO 36,980,000 (2021 - RO 40,050,000). Under the terms of the legislation, the Company can only utilise these deposits with the prior approval of the Capital Market Authority (Insurance division).

(c) The Company has kept a deposit of RO 50,000 (2021 - RO 50,000) which is under lien with Omani Unified Bureau for Orange Card Company SAOC in the Sultanate of Oman, against settlement of claims.

(d) The maturity profile of the deposits is as follows:

	2022 RO	2021 RO
Within one year – included in current assets	**24,650,000**	20,950,000
Accrued interest – included in current assets	**451,890**	488,822
Between two to three years	**11,100,000**	25,550,000
Three years and above	**16,730,000**	9,600,000
	52,931,890	56,588,822

13 Financial assets at fair value through profit or loss

(a) The movements during the year is analyzed as below:

	2022 RO	2021 RO
At 1 January	**3,640,082**	4,304,329
Purchases	**5,724,397**	-
Unrealised gain/ (losses) (note 4)	**379,837**	(100,422)
Disposals	**(1,962,333)**	(563,825)
At 31 December	**7,781,983**	3,640,082

(b) Financial assets at fair value through profit or loss can be analysed as follows:

	Market value 2022 RO	Cost 2022 RO	Market value 2021 RO	Cost 2021 RO
Local quoted				
Banking	**3,765,825**	**3,708,397**	17,318	-
Investment	**2,472,317**	**2,036,000**	44,338	20,000
Services	**1,495,465**	**2,985,625**	1,586,640	2,985,627
Industrial	**48,376**	**64,117**	105,201	229,021
	7,781,983	**8,794,139**	1,753,497	3,234,648
Overseas quoted				
Investment	-	-	1,886,585	1,998,304
	-	-	1,886,585	1,998,304
	7,781,983	**8,794,139**	3,640,082	5,232,952

At 31 December 2022, financial assets at fair value through profit or loss, amounting to RO 7,781,983 (2021 – RO 3,640,082) are measured using level 1 of fair value hierarchy.

(c) Details of the Company's financial assets at fair value through profit or loss for which the Company's holding exceeds 10% of the market value of investments held at fair value through profit or loss at 31 December are:

MSX quoted securities 2022	**% of Portfolio**	**Number of securities**	**Market Value RO**	**Cost RO**
Bank Muscat	**35**	**10,000,000**	**2,750,000**	**2,709,499**
Bank Muscat Perpetual Bonds1	**31**	**3,300,000**	**2,428,800**	**2,016,000**
Bank Nizwa	**13**	**10,000,000**	**1,000,000**	**898,998**
Overseas quoted securities 2022				
Bank Dhofar perpetual bonds		-	-	-

MSX quoted securities 2021	% of Portfolio	Number of securities	Market Value RO	Cost RO
Sembcorp Salalah Power and Water Company SAOG	20	10,000,000	730,000	1,877,010
Shell Oman Marketing SAOG	21	813,130	748,080	823,369
Overseas quoted securities 2021				
Bank Dhofar perpetual bonds	52	52,000	1,886,585	1,998,304

13 Financial assets at fair value through profit or loss (continued)

(d) The geographical distribution of investments is as follows:

	2022 RO	2021 RO
Sultanate of Oman	**7,781,983**	1,753,497
United Kingdom	**-**	1,886,585
	7,781,983	3,640,082

(e) Financial assets at fair value through profit or loss are denominated in the following currencies:

	2022 RO	2021 RO
Rial Omani	**7,781,983**	1,753,497
US Dollar	**-**	1,886,585
	7,781,983	3,640,082

(f) In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, quoted securities included above at a market value of RO 1,402,059 (2021 - RO 1,498,080) are under lien with the Capital Market Authority (Insurance Division). Under the terms of the legislation, the Company can only utilise these assets with the prior approval of the Capital Market Authority (Insurance Division).

14 Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2021 - 15%). Deferred tax in the statement of financial position and deferred tax charge in the statement of comprehensive income are as follows:

	1 January 2022 RO	**Charge to statement of comprehensive income RO**	**31 December 2022 RO**
Deferred tax			
Fair value movements in overseas investments	**97**	**(97)**	**-**
Property and equipment	**(128,789)**	**68,849**	**(59,940)**
Deferred tax liability - net	**(128,692)**	**68,752**	**(59,940)**

	1 January 2021 RO	Charge to statement of comprehensive income RO	31 December 2021 RO
Deferred tax			
Fair value movements in overseas investments	3,711	(3,614)	97
Property and equipment	(129,192)	403	(128,789)
Deferred tax liability – net	(125,481)	(3,211)	(128,692)

15 Insurance and other receivables

	2022 RO	2021 RO
Insurance and other receivables [note (b) below]	**6,022,815**	6,523,382
Due from reinsurers [note (c) below]	**878,326**	2,894,141
Deposits retained on ceded reinsurers business	**432,288**	422,447
Prepayments	**405,895**	395,495
VAT recoverable	**129,903**	340,085
Other receivables	**200,563**	154,947
Accrued interest	**16,138**	9,989
	8,085,928	10,740,486
Less: provision for doubtful insurance and other receivables [note (a) below]	**(1,813,554)**	(1,663,554)
	6,272,374	9,076,932

(a) The movements in provision for doubtful insurance and other receivables are as follows:

	Insurance receivables RO	Due from reinsurers RO	Total RO
At 1 January 2022	**1,236,054**	**427,500**	**1,663,554**
Provision during the year	**100,000**	**50,000**	**150,000**
At 31 December 2022	**1,336,054**	**477,500**	**1,813,554**

	Insurance receivables RO	Due from reinsurers RO	Total RO
At 1 January 2021	1,151,397	427,500	1,578,897
Provision during the year	200,000	-	200,000
Write off during the year	(115,343)	-	(115,343)
At 31 December 2021	1,236,054	427,500	1,663,554

(b) Insurance receivables

	2022 RO	2021 RO
Gross insurance and other receivables [note (i) below]	**6,022,815**	6,523,382
Less: provision for doubtful insurance and other receivables [note (i) below]	**(1,336,054)**	(1,236,054)
	4,686,761	5,287,328

(i) Break-up of gross insurance and other receivables are set out below:

	2022 RO	2021 RO
Neither past due nor impaired [note (ii) below]	**2,993,208**	3,154,550
Past due and not impaired [note (iii) below]	**1,693,553**	2,132,778
Past due and impaired [note (iv) below]	**1,336,054**	1,236,054
	6,022,815	6,523,382

(ii) Category of performing customer balances that are neither past due nor impaired can be analysed as below:

	2022 RO	2021 RO
Companies	**1,047,554**	1,056,187
Brokers	**1,721,509**	1,451,736
Banks and Ministries	**71,041**	532,954
Agents	**100,342**	56,912
Individuals	**52,762**	56,761
	2,993,208	3,154,550

(iii) The ageing analysis of customers whose insurance receivables are past due but not impaired is as follows:

	2022 RO	2021 RO
181 – 365 days	**1,238,093**	1,576,767
Above 365 days	**455,460**	556,011
	1,693,553	2,132,778

(iv) As at 31 December 2022 insurance receivables past due and impaired relate to debtors specifically identified by the Company considering the past history of repayment and their current repayment capabilities.

(c) Due from reinsurers

Receivable from reinsurers:

	2022 RO	2021 RO
Gross receivable (note (i))	**878,326**	2,894,141
Less: provision for impairment	**(477,500)**	(427,500)
	400,826	2,466,641

(i) Break-up of gross exposures of receivable from reinsurers are set out below:

	2022 RO	2021 RO
Neither past due nor impaired	**345,033**	2,333,647
Past due and not impaired	**55,793**	132,994
Past due and impaired	**477,500**	427,500
	878,326	2,894,141

Credit quality of reinsurers can be assessed by reference to the analysis by ratings of reinsurers [note 31.2 (b)].

(iii) The ageing analysis of reinsurers insurance receivables are past due but not impaired is as follows:

	2022 RO	2021 RO
181 – 365 days	**55,393**	117,417
Above 365 days	**-**	15,577
	55,393	132,994

16 Cash and cash equivalents

	2022 RO	2021 RO
Bank balances	**501,677**	756,010
Cash in hand	**17,400**	17,400
Cash and cash equivalents	**519,077**	773,410
Bank overdraft balance	**(181,071)**	-
Cash and cash equivalents for the purpose of statement of cashflows	**338,006**	773,410

17 Share capital

	2022 RO	2021 RO
Authorised (150,000,000 shares)	**15,000,000**	15,000,000
Issued and fully paid (100,000,000 shares)	**10,000,000**	10,000,000

Shareholders of the Company who own 10% or more of the shares, whether in their name, or through family members and companies, are as follows:

	Percentage of holding		**Number of shares**	
	2022	2021	**2022**	2021
Sayyed Salim Bin Nassir Al-Busaidi and family	**34,800,096**	35%	**35%**	34,800,096
Oman Investment Authority	**15,050,236**	12%	**15%**	12,188,588

18 Legal reserve

In accordance with the Commercial Companies Law of 2019, annual appropriations of 10% of the profit for the year are made to the legal reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid up share capital. This reserve is not available for distribution.

19 General reserve

The general reserve is an optional reserve accumulated in accordance with the Commercial Companies Law of 2019. The annual appropriation should not exceed 20% of the net profits for the year after the deduction of taxes and legal reserve. The reserve can be released to retained earnings on a shareholders' resolution.

20 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 and 1% of the life assurance premiums for the year in case of life insurance business has to be transferred to Contingency Reserve. However, the Company has not made additional transfer during the year as the amount reach to the maximum amount required under the Insurance law, being equivalent to the paid up capital of RO 10,000,000 was reserved in prior years. The reserves shall not be used except by prior approval of the Capital Market Authority.

21 Proposed dividend

(a) The Board of Directors have proposed a cash dividend in respect of the year 2022 which is 0.035 baizas per share (2021 -0.035 baizas per share) totaling to RO 3,500,000 (2021 - RO 3,500,000).

(b) The Company transferred RO 3,500,000 to Muscat Depository bank account towards dividend payable for 2021. The unclaimed dividend payable in respect of the dividend for the year 2021 of RO 12,472 has been transferred to the Investors' Trust Fund during the year.

22 Insurance liabilities and reinsurers assets

	2022 RO	2021 RO
Gross		
Non-current		
Actuarial reserve (for long term insurance contracts) [note (b) below]	**4,991,000**	6,594,000
Current		
Short term insurance contracts:		
- Outstanding claims reported and loss adjustment expenses [note (a) below]	**29,674,589**	29,185,720
- Claims incurred but not reported (IBNR) [note (a) below]	**11,710,505**	11,342,745
- Provision for unearned premium reserve (UPR) [note (b) below]	**13,917,729**	12,054,643
	55,302,823	52,583,108
Total insurance liabilities	**60,293,823**	59,177,108
Recoverable from reinsurers		
Non-current		
Actuarial reserve (for long term insurance contracts) [note (b) below]	**(4,389,000)**	(5,684,000)
Current		
Short term insurance contracts:		
- Outstanding claims reported and loss adjustment expenses [note (a) below]	**(16,650,645)**	(15,657,429)
- Claims incurred but not reported (IBNR) [note (a) below]	**(8,345,505)**	(7,054,745)
- Provision for unearned premium reserve (UPR) [note (b) below]	**(7,562,869)**	(6,003,152)
	(32,559,019)	(28,715,326)
Total reinsurers share of insurance liabilities	**(36,948,019)**	(34,399,326)
Net		
Non-current		
Actuarial reserve (for long term insurance contracts) [note (b) below]	**602,000**	910,000
Current		
Short term insurance contracts:		
- Outstanding claims reported and loss adjustment expenses [note (a) below]	**13,023,944**	13,528,291
- Claims incurred but not reported (IBNR) [note (a) below]	**3,365,000**	4,288,000
- Provision for unearned premium reserve (UPR) [note (b) below]	**6,354,860**	6,051,491
	22,743,804	23,867,782
Total insurance liabilities – net	**23,345,804**	24,777,782

(a) Insurance claims and loss adjustment expenses: (continued)

	Gross RO	**Reinsurer's share RO**	**Net RO**
31 December 2022			
Opening outstanding claims	**29,185,720**	**(15,657,429)**	**13,528,291**
Opening IBNR	**11,342,745**	**(7,054,745)**	**4,288,000**
Total at the beginning of the year	**40,528,465**	**(22,712,174)**	**17,816,291**
Insurance claims paid during the year (note 3)	**(21,214,931)**	**9,340,716**	**(11,874,215)**
Increase in liabilities from current and prior period claims	**22,071,560**	**(11,624,692)**	**10,446,868**
Total at the end of the year	**41,385,094**	**(24,996,150)**	**16,388,944**
Claims outstanding	**29,674,589**	**(16,650,645)**	**13,023,944**
IBNR	**11,710,505**	**(8,345,505)**	**3,365,000**
Total at the end of the year	**41,385,094**	**(24,996,150)**	**16,388,944**

	Gross (RO)	Reinsurer's share (RO)	Net (RO)
31 December 2021			
Opening outstanding claims	25,193,763	(12,609,017)	12,584,746
Opening IBNR	10,555,742	(5,580,973)	4,974,769
Total at the beginning of the year	35,749,505	(18,189,990)	17,559,515
Insurance claims paid during the year (note 3)	(17,047,306)	7,628,294	(9,419,012)
Increase in liabilities from current and prior period claims	21,826,266	(12,150,478)	9,675,788
Total at the end of the year	40,528,465	(22,712,174)	17,816,291
Claims outstanding	29,185,720	(15,657,429)	13,528,291
IBNR	11,342,745	(7,054,745)	4,288,000
Total at the end of the year	40,528,465	(22,712,174)	17,816,291

Substantially all the claims are expected to be paid within twelve months of the reporting date. The amounts due from reinsurers are contractually due within three months from the date of submission of accounts to the reinsurer.

The Company estimate their insurance liabilities and reinsurance assets principally based on previous experience. Estimates relating to life business claims are reviewed by an independent actuary. Claims requiring court or arbitration decisions are estimated individually.

(b) Provisions for unearned premium reserve and expired insurance risks:

31 December 2022	**Gross RO**	**Reinsurer's share RO**	**Net RO**
Opening unearned premium reserve	**12,054,643**	**(6,003,152)**	**6,051,491**
Mathematical reserve	**6,594,000**	**(5,684,000)**	**910,000**
Total at the beginning of the year	**18,648,643**	**(11,687,152)**	**6,961,491**
Gross written premium during the year (note 3)	**32,186,813**	**(18,114,815)**	**14,071,998**
Net release during the year	**(31,926,727)**	**17,850,098**	**(14,076,629)**
Total at the end of the year	**18,908,729**	**(11,951,869)**	**6,956,860**
Unearned premium reserve	**13,917,729**	**(7,562,869)**	**6,354,860**
Mathematical reserve	**4,991,000**	**(4,389,000)**	**602,000**
Total at the end of the year	**18,908,729**	**(11,951,869)**	**6,956,860**

31 December 2021	Gross RO	Reinsurer's share RO	Net RO
Opening unearned premium reserve	12,772,840	(5,536,992)	7,235,848
Mathematical reserve	8,141,000	(6,861,000)	1,280,000
Total at the beginning of the year	20,913,840	(12,397,992)	8,515,848
Gross written premium during the year (note 3)	30,458,362	(16,126,593)	14,331,769
Net release during the year	(32,723,559)	16,837,433	(15,886,126)
Total at the end of the year	18,648,643	(11,687,152)	6,961,491
Unearned premium reserve	12,054,643	(6,003,152)	6,051,491
Mathematical reserve	6,594,000	(5,684,000)	910,000
Total at the end of the year	18,648,643	(11,687,152)	6,961,491

(i) In accordance with the Insurance Companies Law of Oman, the actuarial / unexpired risk reserve (mathematical reserve) is determined by an independent actuary on an annual basis reflecting the unexpired risk for long term life business underwritten.

(ii) The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at the end of 2022 and 2021 are not material.

(iii) The Company bases the mortality & morbidity estimates on standard tables that best reflect historical experience, adjusted where appropriate to reflect the Group's own experience. 120% A67 – 70 Ultimate Mortality Table of Assured Lives and a discount rate of 3.5% is used for the purpose of discounting the term liabilities (31 December 2021: 3.5%).

The following table presents the sensitivity of the value of insurance contract liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance contract liabilities. For liabilities under long-term insurance contracts, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. No losses arose in either 2022 or 2021, based on the results of the liability adequacy test. The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

Scenario	**Change in assumptions**	**Increase/ (decrease) on net life assurance fund**	
		2022 RO	**2021 RO**
Mortality/ morbidity	+20%	**106,000**	**160,000**
Discount rate	+50 bps	**(8,000)**	**(12,000)**
Mortality/ morbidity	-20%	**(107,000)**	**(162,000)**
Discount rate	-50 bps	**8,000**	**12,000**

23 Employees' end of service benefits

The Company pays an end of service benefit to its employees upon the termination of their services as per the Omani labour law. It is an unfunded defined benefit plan, where no specific assets are set aside to back the liabilities. The benefit payable equals the salary of 15 days for each year the first 3 years of service and the salary of a month for each year of service following the first 3 years.

The movement in end of service benefit as at 31 December 2022 and 31 December 2021 is stated below:

	2022 RO	2021 RO
At 1 January	**764,632**	846,912
Charge for the year [note 6(a)]	**69,610**	112,036
Paid during the year	**(36,942)**	(194,316)
At 31 December	**797,300**	764,632

Valuation methodology and assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2022	2021
Discount rate	**4.75%**	6.5%
Future salary growth rate	**3.5%**	5.25%
Number of employees	**54**	59
Average age	**52**	52
Average number of years of service	**17.28**	16.32
Method of valuation	**Projected unit credit (PUC)**	Projected unit credit (PUC)

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The valuation discount rate was set based on the expected rate of return on the 10 years government bond, The Omani government issues bonds with terms up to 7-10 years, the relationship between the US government bonds yields and the Omani government bonds yield was used to extrapolate the Omani government bonds yield curve and obtain the expected yield on the 30 years bonds.

Mortality and disability rates: 80% of the English life table A49/52 Ultimate.

As per the actuarial valuation report, the provision for end of service benefit, as at 31 December 2022, is RO 732,247 (2021 - RO 706,064). The Company had 8 employees above 60 years of age as at 31 December 2022. If they continue to remain in service during the year ended 31 December 2023, the provision for the year ended 31 December 2022 increases by RO 5,000 (2021 – RO 5,800). The Company has not adjusted the provision for employees end of service benefits computed as per local labor laws as the actuarial valuation was not materially different.

Sensitivity analysis

The following table shows the results of the valuation of the provision for end of service benefit liability post change of the actuarial assumptions as below:

	Percentage change %	Actuarial provision as at 31 December 2022 RO	Percentage of change %
Discount rate	+0.5%	719,441	-1.75%
Discount rate	-0.5%	745,701	1.84%
Salary increase	+0.5%	745,800	1.85%
Salary decrease	-0.5%	719,229	-1.78%
Mortality	+20%	732,392	0.02%
Mortality	-20%	732,100	-0.02%
Early retirement	+20%	734,022	0.24%
Early retirement	-20%	730,287	-0.27%

24 Trade and other payables

	2022 RO	2021 RO
Due to reinsurers	**5,749,970**	5,822,308
Deposits retained on ceded reinsurers business	**3,890,290**	4,625,737
Accounts payable	**3,952,711**	3,371,389
Accrued expenses	**1,075,883**	1,212,674
Government tax and emergency fund payable	**510,270**	482,188
VAT payable	**362,246**	356,390
Directors' remuneration	**150,000**	150,000
Income received in advance	**133,034**	109,575
Other payables	**491,510**	678,041
	16,315,914	16,808,302

(a) Lease liabilities:

	2022 RO	2021 RO
At 1 January	**322,687**	362,288
Additions made during the year	**80,626**	39,773
Payment made during the year	**(80,999)**	(79,374)
As at 31 December	**322,314**	322,687
Of which are:		
Current liabilities		
At 1 January	**46,077**	68,206
Additions	**49,525**	-
Payments made during the year	**(17,248)**	(22,129)
As at 31 December	**78,354**	46,077

24 Trade and other payables

(a) Lease liabilities: (continued)

	2022 RO	2021 RO
Non-current liabilities		
At 1 January	**276,610**	294,082
Transferred to current liabilities	**(49,525)**	-
Additions made during the year	**80,626**	39,773
Payments made during the year	**(63,751)**	(57,245)
As at 31 December	**243,960**	276,610

25 Related parties

(a) Transactions

The Company has entered into transactions with entities and shareholders who have significant influence over the Company having holdings of 10% or more interest in the Company's capital ("significant shareholders") and with entities related to these significant shareholders ("entity related to a significant shareholder") or directors. The Company also entered into transactions in the normal course of business with customers, agents and suppliers in which directors and significant shareholders of the Company are interested ("other related parties"). In the ordinary course of business, such related parties provide goods and render services to the Company. The Company also underwrites insurance risks for such related parties. The related party transactions are entered into on mutually agreed terms. During the year, the following transactions were carried out with related parties:

Revenue from insurance policies underwritten

	2022 RO	2021 RO
Premiums written		
- entity related to a significant shareholder	**70,031**	27,578
- other related parties	**79,600**	68,443
	149,631	96,021

Claims paid in respect of insurance policies underwritten

	2022 RO	2021 RO
Claims paid		
- entity related to a significant shareholder	**33,617**	35,317
- other related parties	**363,063**	684,188
	396,680	719,505

Purchase of goods and services

	2022 RO	2021 RO
Rent and related expenses included in general administration expenses		
- entity related to a significant shareholder	**24,630**	25,590
Purchases of services - insurance commission		
- entity related to a significant shareholder	**18,129**	13,912
- other related parties	**2,772**	-
	20,901	13,912
Commission on purchase and sale of investments		
- other related parties	**7,517**	1,637

Remuneration to directors (note 6)

	2022 RO	2021 RO
Proposed directors' remuneration	**150,000**	150,000
Directors' sitting fees	**50,000**	42,500
	200,000	192,500

(b) Key management compensation

	2022 RO	2021 RO
Short term employment benefits	**616,184**	706,865
Social security costs	**7,920**	7,920
Employees' end of service benefits	**27,619**	40,526
	651,723	755,311

(c) Year end balances

	2022 RO	2021 RO
Receivable from related parties		
- entity related to a significant shareholder	**5,238**	5,049
- entity related to directors	**37,792**	46,167
	43,030	51,216

No provision for impairment is established in 2022 and 2021 in respect of amounts due from related entities.

(d) Payables to related parties:

	2022 RO	2021 RO
Other related party	-	3,222
	-	3,222

26 Net assets per share

Net assets per share is calculated by dividing the net assets at the year end by the number of shares outstanding at 31 December as follows:

	2022	2021
Net assets (RO)	30,161,503	30,829,785
Number of shares outstanding at 31 December – number of shares	100,000,000	100,000,000
Net assets per share (RO)	0.302	0.308

27 Contingent liabilities

At 31 December 2022, there were contingent liabilities in respect of guarantees amounting to RO 125,450 (2021 - RO 93,683) given in the normal course of business from which it is anticipated that no material liabilities will arise.

Legal claims

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

28 Capital commitments

At 31 December 2022, there were contracted authorised capital commitments amounting to RO 148,225 (2021 - RO 75,075) towards computer system upgradation.

29 Operating segments

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

The Company has the following operating segments:

a) General insurance: General business includes insurance and re-insurance of motor, fire, general accident, marine cargo, hull, workmen compensation, engineering and aviation.

b) Life insurance: Life business relates to the insuring of the life of an individual, group life and group medical.

2022	General Insurance RO	Life insurance RO	Total RO
Insurance revenue (net of reinsurance)	15,272,362	1,789,857	17,062,219
Insurance cost (net of reinsurance)	(11,636,063)	(1,430,011)	(13,066,074)
Segment results	3,636,299	359,846	3,996,145
Allocated investment and other income	1,562,658	141,687	1,704,345
Segment expenses	(3,144,181)	(311,225)	(3,455,406)
Segment profit	2,054,776	190,308	2,245,084
Unallocated expenses			(1,653,112)
Unallocated investment and other income			2,490,822
Profit before taxation			3,082,794
Taxation			(324,934)
Profit for the year			2,757,860
Segment assets	70,588,052	20,511,999	91,100,051
Unallocated assets			17,479,992
Total assets			108,580,043
Segment liabilities	66,538,614	11,133,773	77,672,387
Unallocated liabilities			746,153
Total liabilities			78,418,540

b) Life insurance: Life business relates to the insuring of the life of an individual, group life and group medical (continued)

2021	General Insurance RO	Life insurance RO	Total RO
Insurance revenue (net of reinsurance)	16,327,712	1,999,025	18,326,737
Insurance cost (net of reinsurance)	(10,498,297)	(1,597,514)	(12,095,811)
Segment results	5,829,415	401,511	6,230,926
Allocated investment and other income	1,638,953	176,433	1,815,386
Segment expenses	(2,976,103)	(323,356)	(3,299,459)
Segment profit	4,492,265	254,588	4,746,853
Unallocated expenses			(2,066,587)
Unallocated investment and other income			1,990,393
Profit before taxation			4,670,659
Taxation			(710,849)
Profit for the year			3,959,810
Segment assets	67,081,533	20,577,993	87,659,526
Unallocated assets			21,124,687
Total assets			108,784,213
Segment liabilities	63,944,931	12,878,239	76,823,170
Unallocated liabilities			1,131,258
Total liabilities			77,954,428

Geographical information

All the Company’s activities are within the Sultanate of Oman.

30 Financial assets by category

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

31 December 2022 Financial assets	Loans and receivables RO	Fair value through profit or loss RO	Available-for-sale RO	Total RO
Available-for-sale investments	-	-	759,575	759,575
Deposits	52,931,890	-	-	52,931,890
Financial assets at fair value through profit or loss	-	7,781,983	-	7,781,983
Insurance and other receivables, excluding prepayments	5,866,479	-	-	5,866,479
Cash and cash equivalents	338,006	-	-	338,006
Total	**59,136,375**	**7,781,983**	**759,575**	**67,677,933**

31 December 2021 Financial assets	Loans and receivables RO	Fair value through profit or loss RO	Available-for-sale RO	Total RO
Available-for-sale investments	-	-	734,800	734,800
Deposits	56,588,822	-	-	56,588,822
Financial assets at fair value through profit or loss	-	3,640,082	-	3,640,082
Insurance and other receivables, excluding prepayments	8,681,437	-	-	8,681,437
Cash and cash equivalents	773,410	-	-	773,410
Total	66,043,669	3,640,082	734,800	70,418,551

31 Risk management

(a) 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 set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A risk management policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company’s operations has been put in place.

(b) Capital management framework

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

(c) Regulatory framework

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

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

The Company has a surplus over the required solvency margin as per the Insurance Company law:

In case of general insurance, a surplus of RO 14.048 million as at 31 December 2022 (2021 - RO 2.284 million)

In case of life and medical insurance, a surplus of RO 5.915 as at 31 December 2022 (2021 - RO 6.321 million)

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Company's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

31.1 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments may exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and benefits are greater than estimated. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The Company's objectives in managing risks are: to take a conservative approach to underwriting, which means review of all aspects about a risk prior to acceptance; retaining experienced and knowledgeable underwriters; and having underwriting authorities in place which are checked by internal audits. The Company ensures that risks are mitigated with first class reinsurers security, pre-underwriting surveys and claims history reviews. The estimates and assumptions 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 in note 2.28 to these financial statements.

The Company's net account in terms of aggregate risk retention is well protected with substantial event limits plus catastrophe excess of loss reinsurance for class of business written.

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provides for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provides additional capacity for growth.

A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the 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 the reinsurers.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither overly dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, the liability claims are settled over a long period of time and a larger element of claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows especially from motor insurance contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they have adopted.

The compensation paid on these motor insurance contracts may include the monetary awards granted for bodily injury suffered by the employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the reporting date.

IBNR provisions are created in respect of motor insurance based on past three years historical data of claims reported after the reporting date based on actuarial analysis using chain ladder method. In case of non-motor insurance, the provisions are created based on expected loss ratio methodology. In case of life and medical insurance, IBNR provisions are created based chain ladder and Bornhuetter Ferguson method.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors.

General insurance

Motor
For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. 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.

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

These contracts arc 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.

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 age of vessels, shipping routes covered, and for marine cargo, the nature of the commodity, destinations and accumulations.

Travel
Travel insurance is classified into exposures of travel to US and Canada vis a vis other parts of the world. The underwriting criteria involves the number of days of travel, the destination and period of travel.

Engineering
For engineering insurance contracts, the main risks are accidental damage and flood. The engineering policies are usually all risk based subject to specified exclusions under the main policy namely, contractors' plant and machinery, contractors' all-risk, and erection all-risk. Usually contractors' all risk, and erection all-risk policies will tie in with the project period for execution of the contract.

These contracts are underwritten by reference to the reinstatement value of the properties with specified extensions for cross liability, third party liability, debris removal amongst others.

Workmen compensation
Workmen compensation policy is an insurance policy which indemnifies the employer for liability due to their negligence resulting in death, injuries (permanent and partial) to the employees. The liability is governed by the royal decree and the maximum liability for the death is RO 5,000, in addition to the repatriation of body in case of death and medical expenses incurred.

Life insurance

The Company underwrites mainly under the group credit life, group life and group medical risks. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Group credit life
Group credit assurance policy is designed to fulfil the borrower's loan obligation in the event that the borrower dies or becomes disabled.

Group life and group medical
These contracts are underwritten by reference to the sum assured of the individuals belonging to an affinity group insured.

Outstanding claims

Outstanding claims provisions for all classes of insurance are made initially on the basis of the internal or external surveyor's report. Accordingly, the maximum expected liability is always recognised in the financial statements. Final revisions made to loss adjuster's reports have historically shown ultimate lesser losses than originally estimated. Outstanding claims are regularly monitored, and provisions held are revised where required. Based on past experience, management accordingly believes that there are no additional claim liabilities that would arise in respect of unsettled claims at the year end.

Claims development process

Refer page 59 and 60 for the claims development process and the tables showing the comparison of actual and estimates of incurred claims, including both claims notified and adjustments for claims notified in the previous years for each successive event year at each reporting year for the general and short-term life businesses. The Company has not presented the claims development table for the long-term insurance contracts, the uncertainty about the quantum and the timing of the claim payments is generally not applicable as the outflow is always the sum assured at the inception of the policy

31.2 Financial risk factors

The Company’s activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out by the management under policies approved by the board of directors.

(a) Market risk

(i) Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to investments in foreign equities which are denominated in US dollars. The Company manages the risks through regular monitoring of the equity and currency markets to determine appropriate action to minimise the foreign exchange risk exposure.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market. The Company is exposed to market risk with respect to its investments classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising on investments in equity

securities, the Company limits market risk by maintaining a diversified portfolio and by regular monitoring of the market. In addition, the Company actively monitors the key factors that effect stock market movements.

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices affected by factors mentioned above.

The majority of the equity investments are in companies listed in Muscat Sock Exchange SAOC (MSX). As mentioned in note 13(b), the Company’s investments are concentrated in banking, investment, industrial and services sector shares. Management monitors the movement of the individual shares on a daily basis assessing the expected changes closely and takes appropriate action. As such investment return on local portfolio should reflect the portfolio movements in high quality stocks on the MSX. However the Company’s investments are restricted by certain investment regulations applicable to insurance companies and hence the Company may not be able to take advantage of all favourable market movements.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on net profit and equity.

A change of 5% in the fair value of quoted investments leads to a change in the Company's impact on net profit by about 389,099 (compared to RO 182,004 at 31 December 2021) and impact on equity by about RO 25,050 (compared to RO 25,672 at 31 December 2022).

A change of 5% in the fair value of unquoted investments leads to a change in the Company's impact on equity by RO 12,929 (compared to RO 11,068 at 31 December 2021).

(iii) Interest rate risk

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

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company's fixed interest generating deposits comprise a balanced portfolio (i.e. mix of long term deposits and short term deposits). The Company has un-availed short term loan facilities which carry market interest rate. Moving forward, the Company does not anticipate any increase or decrease in the interest rates which would have any significant impact on the statement of comprehensive income.

The Company's interest rate risk based on contractual arrangements at 31 December 2022 was as follows (all in RO):

	Up to 6 months	**6 months to 1 year**	**1 to 5 years**	**Total**	**Effective interest rate %**
2022					
Financial assets					
Deposits	**9,845,411**	**16,999,067**	**30,860,257**	**57,704,735**	**3-5.4%**
Bonds with banks	**2,086,125**	**-**	**-**	**2,086,125**	**4.25%**
	11,931,536	**16,999,067**	**30,860,257**	**59,790,860**	

	Up to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total	Effective interest rate %
2021						
Financial assets						
Deposits	8,859,984	14,392,626	37,790,441	-	61,043,051	3.00 – 6.00
Bonds with banks	2,141,798	-	-	-	2,141,798	5.51
	11,001,782	14,392,626	37,790,441	-	63,184,849	

(b) *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- cash equivalents and deposits with banks.

The maximum exposure to credit risk at the reporting date was:

Financial assets	**2022 RO**	2021 RO
Cash and cash equivalents	**320,606**	756,010
Insurance and other receivables, excluding prepayments	**5,866,479**	8,681,437
Available-for-sale investments	**759,575**	734,800
Financial assets at fair value through profit or loss	**7,781,983**	3,640,082
Deposits	**52,931,890**	56,588,822
	67,660,533	70,401,151

The Company has a credit policy in place and exposure to credit risk is monitored on an ongoing basis in respect of their exposure with reinsurers and other insurance contract holders as set out below.

Reinsurers risk

Reinsurers risk refers to the risk an enterprise will encounter in the event that any reinsurer fails to meet its obligations assumed under the reinsurance agreement. The Company is supported by reinsurers who are selected based on the recommendations of professional reinsurance brokers and the evaluation of available information on the financial strengths of the reinsurers. The assessment and selection of reinsurers is carried out annually and reinsurers solvency and credit worthiness are monitored on an ongoing basis. Reinsurers' portion of outstanding claims are recorded only where evidence of recoverability is available to the Company.

At 31 December 2022, RO 419,256 of reinsurers receivables were due from five reinsurers (2021 - RO 2,265,187 from five reinsurers).

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. The financial analysis of policyholders and reinsurers that is conducted at Company level produces an assessment categorised by a Standard & Poor (S&P) rating (or equivalent when not available from S&P).

The table below shows the gross receivables due from reinsurers at the reporting date as rated by various rating agencies:

Rating	2022 RO	2021 RO
AA-	**210,738**	613,574
A-	**100,904**	117,415
A	**120,334**	437,216
Other S&P ratings	**271,025**	1,404,443
Unrated foreign reinsurers	**164,906**	321,493
Unrated local companies	**10,419**	-
	878,326	2,894,141

Insurance receivable

Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management. The customers categorised as banks and ministries, corporates, brokers, agents and individuals are duly assessed for their credit worthiness based on the volume of business transacted, their past payment records and credit history within the Company of these customers. On an ongoing basis, the ageing of receivables is monitored against the allowed credit period set on a case to case basis. The Company does not require collateral in respect of financial assets but has the right to offset the dues against any past or future claim payments.

The ageing of the insurance and other receivables are discussed in note 15 to these financial statements.

Credit risk on receivables is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt**.**

At 31 December 2022, RO 2,280,964 of insurance receivables were due from top five parties (2021 – RO 2,940,284 from top five parties).

The table below shows the balances outstanding from the various categories of customers at the reporting date in the order of credit quality.

	2022 RO	2021 RO
Counterparties		
Banks and ministries	**261,825**	807,827
Corporates	**1,903,620**	2,075,575
Brokers and their clients	**3,640,387**	3,479,228
Agents	**102,097**	59,705
Individuals	**114,886**	101,047
Gross total insurance receivables	**6,022,815**	6,523,382

Credit risk on other financial instruments

Although the Company has significant deposits and bank balances, management believes that the risk arising out of cash and cash equivalents and deposits is minimal as these are with reputable local banks which are listed companies with good financial standing and that are regulated by the Central Bank of Oman.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2022 RO	2021 RO
Deposits	**52,931,890**	56,588,822
Insurance and other receivables, excluding prepayments	**5,866,479**	8,681,437
Cash and cash equivalents	**320,606**	756,010
	59,118,975	66,026,269

Bank balances and deposits

The credit quality of cash at bank and deposits can be assessed by reference to external credit ratings as follows:

	2022 RO	2021 RO
Bank balances		
P1	**157,719**	21,578
Not rated	**162,886**	734,431
Total	**320,605**	756,009

	2022 RO	2021 RO
Deposits		
P1	**1,000,000**	4,150,000
Not rated	**51,480,000**	51,950,000
Total	**52,480,000**	56,100,000

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and the directors ensure that sufficient funds are available to meet any commitments as they arise. The Company considers their liquidity position to be satisfactory and also has committed undrawn overdraft facilities of RO 3,370,000 (2021 – RO 3,370,000)

At 31 December 2022, the Company's solvency margin (as determine in accordance with the Oman Insurance regulations) indicates RO [XXX] liquidity higher than the regulatory requirement at that date (2021 - RO 8.605).

At 31 December 2022, the Company's current liabilities are in excess of the Company's current assets by RO 13,643. The Company's management believes that the net current liability position does not pose any risk to the Company's Going concern since the Company has RO 27.83 million of long-term deposits placed with Banks with an option of pre-maturity. The Company can liquidate these deposits for meeting the working capital crunch.

Following are the contractual maturities of financial liabilities:

31 December 2022	**Up to twelve months RO**	**One to five years RO**	**Total RO**
Financial liabilities			
Insurance contracts	**55,302,823**	**4,991,000**	**60,293,823**
Trade and other payables (excluding income received in advance)	**16,182,880**	**-**	**16,182,880**
Lease liabilities [note 24(a)]	**-**	**322,314**	**322,314**
Total liabilities	**71,485,703**	**5,313,314**	**76,799,017**

31 December 2021	Up to twelve months RO	One to five years RO	Total RO
Financial liabilities			
Insurance contracts	52,583,108	6,594,000	59,177,108
Trade and other payables (excluding income received in advance)	16,989,166	-	16,989,166
Lease liabilities [note 24(a)]	46,077	276,610	322,687
Total liabilities	69,618,351	6,870,610	76,488,961

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

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Further, the Insurance Companies Law of Oman of 1979 as amended requires a minimum capital of RO 10 million for insurance companies.

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

The Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

31.3 Fair value estimates

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market date (unobservable inputs).

31 December 2022	**Level 1 RO**	**Level 3 RO**
Available-for-sale investments – unquoted	**-**	**258,573**
Available-for-sale investments – quoted	**501,002**	-
Financial assets at fair value through profit or loss	**7,781,983**	-
Total	**8,282,985**	**258,573**

31 December 2021	Level 1 RO	Level 3 RO
Available-for-sale investments – unquoted	-	221,359
Available-for-sale investments – quoted	513,441	-
Financial assets at fair value through profit or loss	3,640,082	-
Total	4,153,523	221,359

The fair values of held to maturity investments approximate to their carrying values. The fair values of quoted investments are based on closing market prices at the reporting date and those for unquoted investments are based on the fair values advised by investment brokers. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The reconciliation of Level 3 fair value measurement of available-for sale-investments is as below:

	2022 RO	2021 RO
At 1 January	**221,359**	198,728
Changes in fair value	**37,214**	22,631
At 31 December	**258,573**	221,359

32 Cash generated from operating activities

The reconciliation of the profit for the year to cash generated from operations is shown below:

	2022 RO	2021 RO
Profit before taxation	**3,082,794**	4,670,659
Adjustments for:		
Depreciation	**221,029**	255,708
Depreciation on investment property	**55,706**	65,988
Depreciation on right of use assets (IFRS 16)	**85,185**	88,997
Reversal of depreciation on derecognition of assets	**26,750**	68,417
Profit on sale of investments - net of brokerage	**(393,785)**	(173,098)
Gain on disposal of property and equipment	**-**	(8,756)
Dividend income	**(245,382)**	(125,374)
Fair value loss on financial assets at fair value through profit or loss	**(379,837)**	100,422
Impairment of available-for-sale investments	**49,083**	109,686
Interest income	**(2,637,205)**	(2,860,562)
Employees' end of service benefit expense	**69,610**	112,036
Cash flows before payment of employees' end of service benefit, taxation and working capital changes	**(66,052)**	2,304,123
Employees' end of service benefits paid	**(36,942)**	(194,316)
Working capital changes:		
Insurance and other receivables	**2,810,705**	(1,867,927)
Trade and other payables	**(492,761)**	1,297,984
Insurance contracts (net of reinsurance)	**(1,431,978)**	(1,297,581)
Cash generated from operating activities	**782,972**	242,283

Property and equipment (note 9)

	Freehold land RO	Buildings on freehold land RO	Leasehold improvements RO	Plant and equipment RO	Furniture and fixtures RO	Office equipment RO	Vehicles RO	Right of use asset RO	Total RO
Cost									
At 1 January 2022	463,902	1,285,808	462,151	284,528	577,231	1,735,593	270,845	448,641	5,528,699
Additions	-	-	11,382	-	26,136	39,738	1,953	105,745	184,954
Disposals	-	-	-	-	-	-	-	(86,918)	(86,918)
At 31 December 2022	463,902	1,285,808	473,533	284,528	603,367	1,775,331	272,798	467,468	5,626,735
Accumulated depreciation									
At 1 January 2022	-	1,058,190	442,180	284,528	564,084	1,340,095	202,048	143,097	4,034,222
Charge for the year:									
- General and administration	-	20,721	16,102	-	10,067	147,894	23,609	-	218,393
- Underwriting results	-	2,636	-	-	-	-	-	-	2,636
- Leasehold improvements IFRS 16	-	-	-	-	-	-	-	85,185	85,185
Disposals	-	-	-	-	-	-	-	(60,168)	(60,168)
At 31 December 2022	-	1,081,547	458,282	284,528	574,151	1,487,989	225,657	168,114	4,280,268
Net book value									
At 31 December 2022	463,902	204,261	15,251	-	29,216	287,342	47,141	299,354	1,346,467

(a) Depreciation pertaining to garage assets is part of underwriting results and clubbed with gross claim expenses, refer note 3.

	Freehold land RO	Buildings on freehold land RO	Leasehold improvements RO	Plant and equipment RO	Furniture and fixtures RO	Office equipment RO	Vehicles RO	Right of use asset RO	Total RO
Cost									
At 1 January 2021	463,902	1,285,808	462,151	284,528	573,645	1,607,480	260,475	508,582	5,446,571
Additions	-	-	-	-	3,586	129,253	63,870	108,190	304,899
Disposals	-	-	-	-	-	(1,140)	(53,500)	(168,131)	(222,771)
At 31 December 2021	463,902	1,285,808	462,151	284,528	577,231	1,735,593	270,845	448,641	5,528,699
Accumulated depreciation									
At 1 January 2021	-	1,030,564	401,689	284,403	549,355	1,194,296	229,210	153,814	3,843,331
Charge for the year:									
- General and administration	-	21,415	40,491	125	14,729	146,399	26,338	-	249,497
- Underwriting results	-	6,211	-	-	-	-	-	-	6,211
- Leasehold improvements IFRS 16	-	-	-	-	-	-	-	88,997	88,997
Disposals	-	-	-	-	-	(600)	(53,500)	(99,714)	(153,814)
At 31 December 2021	-	1,058,190	442,180	284,528	564,084	1,340,095	202,048	143,097	4,034,222
Net book value									
At 31 December 2021	463,902	227,618	19,971	-	13,147	395,498	68,797	305,544	1,494,477

Accident year	2017 (Prior) RO	2017 RO	2018 RO	2019 RO	2020 RO	2021 RO	2022 RO	Total RO
Gross claims development table								
At the end of accident year	32,217,291	41,898,946	11,259,569	9,803,422	7,164,786	10,298,558	26,254,409	138,896,980
One year later	7,686,756	13,365,239	11,535,934	9,249,909	7,611,267	23,945,431	-	73,394,537
Two years later	6,740,507	6,782,964	6,601,372	5,036,781	11,428,892	-	-	36,590,516
Three years later	4,319,320	4,054,622	5,206,845	14,491,700	-	-	-	28,072,487
Four years later	4,083,874	4,303,718	19,441,813	-	-	-	-	27,829,404
Five years later	17,648,586	27,007,739	-	-	-	-	-	44,656,325
Cumulative claims to date	17,648,586	25,910,536	18,182,021	11,634,855	9,374,114	14,115,990	6,091,444	102,128,212
Cumulative payment to date	16,819,251	25,910,536	18,182,021	11,634,855	9,374,114	14,115,990	6,091,444	102,128,212
Total net outstanding and incurred but not reported claims recognised in the statement of financial position for general line of business	829,335	1,097,203	1,259,792	2,856,845	2,054,778	9,829,441	20,162,964	38,090,358
Net claims development table								
At the end of accident year	21,937,532	20,852,518	9,719,643	10,889,248	12,218,869	13,410,300	12,096,455	101,124,566
One year later	6,444,347	8,776,082	11,403,467	12,940,458	11,059,194	11,027,733	-	61,651,281
Two years later	8,794,781	8,786,035	10,450,635	9,385,077	6,880,253	-	-	44,296,782
Three years later	10,004,813	10,075,007	9,618,376	8,904,923	-	-	-	38,603,119
Four years later	8,956,391	9,143,973	11,984,189	-	-	-	-	30,084,553
Five years later	12,918,399	12,204,712	-	-	-	-	-	101,124,566
Cumulative claims to date	12,918,399	12,204,712	11,984,189	8,904,923	6,880,253	11,027,733	12,096,455	76,016,665
Cumulative payment to date	11,541,164	11,706,743	10,836,338	7,072,937	5,230,995	8,923,401	5,065,066	60,376,645
Total net outstanding and incurred but not reported claims recognised in the statement of financial position for general line of business	1,377,235	497,970	1,147,851	1,831,986	1,649,258	2,104,332	7,031,389	15,640,020

31.1 Insurance risk (continued)

Claims development process (continued)

The following table reflects the development of the gross and net outstanding and incurred but not reported claims for general line of business at the end of each year together with cumulative payments subsequent to the year of accident:

The following table reflects the development of the gross and net outstanding and incurred but not reported claims for short term life business at the end of each year of accident:

Accident year	2017 (Prior)	2017	2018	2019	2020	2021	2022	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Gross estimate of cumulative claims								
2018	8,561	62,083	1,970,146	-	-	-	-	2,040,790
2019	12,474	21,229	178,882	2,085,344	-	-	-	2,297,930
2020	164,698	119,721	176,511	244,977	1,581,278	-	-	2,287,185
2021	14,361	20,954	59,688	100,136	373,012	1,071,464	-	1,639,615
2022	2,404	47,302	38,950	83,794	175,263	249,427	927,267	1,524,408
Cumulative claims to date	2,404	47,302	38,950	83,794	175,263	249,427	927,267	1,524,408
Net estimate of cumulative claims								
2018	2,149	68,580	649,899	-	-	-	-	720,629
2019	2,092	6,560	27,063	501,277	-	-	-	536,991
2020	871	2,214	6,790	16,415	460,699	-	-	486,989
2021	2,989	5,647	13,382	7,140	28,873	117,111	262,929	438,071
2022	452	7,317	9,777	7,561	12,901	31,573	306,030	375,610
Cumulative claims to date	452	7,317	9,777	7,561	12,901	31,573	306,030	375,610