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الوطنية للتأمين على الحياة والعام

NATIONAL LIFE & GENERAL INSURANCE

Ominvest Group

مجموعة اومينفست

Annual Report 2022

His Majesty Sultan Haitham bin Tarik

Contents

Board of Directors

Khalid Muhammad AlZubair
Chairman

Mohammed Taqi Ibrahim Al Jamalani
Deputy Chairman

Abdul Aziz Mohammed Ahmed Al Balushi
Member

Al Sayyid Zaki Hilal Saud Al Busaidi
Member

Anwar Hilal Hamdoon Al Jabri
Member

Mohammed Ali Said Al Qassabi
Member

Sanjay Kawatra
Member

Adnan Hamza Mohammed Bogary
Member

Saeid Mohamed Obeid Binzagr
Member

Tareq Abdulrahman Saleh Al Sadhan
Member

Yousef Ali Zaid Al Quraishi
Member

Director's Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the National Life and General Insurance Company SAOG (NLGIC) Annual Report for the year ended 31 December 2022, including the Financial Statements, Auditor's Report, the Management Discussion and Analysis Report and the Corporate Governance Report.

Purchase of Royal and Sun Alliance Insurance (ME) BSC (c) (RSA ME)

I am very happy to announce that 2022 saw the 100% share purchase of Royal and Sun Alliance Insurance (ME) BSC (c) (RSA ME), a former subsidiary of the British group Royal & Sun Alliance Insurance (RSA), with RSA ME now a wholly owned subsidiary of NLGIC. This transaction marks the start of a new era for the NLGIC Group, bringing together best-in-class international solutions and expertise for both commercial and retail clients for all their protection and insurance needs.

The purchase has seen an increase of our asset base to RO 515 million, an additional RO 275 million, the strengthening of our workforce by 500 professionals and the pleasure of serving 1.5m customers across GCC markets. RSA ME remains a majority shareholder in Al Alamiya for Cooperative Insurance Co. (Al Alamiya) in the Kingdom of Saudi Arabia and in Al Ahlia Insurance Co. SAOG (AAIC) in the Sultanate of Oman, in addition to having full ownership of its operations in Bahrain and the UAE. NLGIC has further acquired the remaining 47.5% minority stake in AAIC. This has in turn expanded our regional footprint across the GCC, where we now serve customers in five core GCC markets, with a clear mandate to expand further in 2023.

Further to this, I am proud to share that AM Best upgraded our financial strength rating from B++ (Good) to A- (Excellent) and our long-term issuer credit rating to A-, reaffirming the success of NLGIC, value creation from the integration and the formation of a leading pan-GCC, multi-line player. This rating reflects the strong capital base and financial stability of the Group.

The NLGIC Group is in the top 10 insurers in the GCC by GWP, geographical distribution and scale, and I am confident that this position will only further strengthen post completion of the integration as we deliver against our strategic vison of becoming the pioneering composite insurer across the region, focused on delivering value to our customers and profitable earnings to our shareholders. The priority in 2023 remains on completing a successful integration programme, in turn laying strong foundations to enable further success in the coming years.

GCC market update

In contrast to the challenging global economic conditions, the GCC economies have performed well in 2022. This outperformance is expected to continue into 2023 with strong GDP growth, rising hydrocarbon prices and further diversification driven by non-oil economy. Population growth continues across the GCC, alongside an increasingly sophisticated consumer base with some of the world's highest digital adoption levels. This is further reinforced by the proactive roles of local Governments and the implementation of mandates and regulation aimed at economic development, diversification, and Environmental, Social and Governmental reform.

This positive regional outlook brings significant opportunity to the GCC insurance market which remains largely underpenetrated compared to mature international markets. However, insurers will need to navigate challenges such as rising claims activity with increasing competition and the opportunity to meet evolving customer expectations. Achieving scale, a strong balance sheet, operational efficiencies and technical advantage through data and AI will be key enablers for the leading insurers, with market consolidation expected to remain a trend as the insurance landscape balances out changing market conditions with the rising cost of doing business.

The NLGIC Group is well positioned to lead in this space, offering multi-line and multi-regional propositions with a growth mandate aimed at achieving scale, differentiated customer propositions and diversification into non-insurance services to better meet evolving customer needs. Our ethos remains to instil confidence in people to live the life they want, well prepared for the unexpected, and I am confident that our adaptive and agile mentality pared with our technical excellence and market reputation equip us well in achieving this ambition.

Company's financial performance

Our financial results for the year reflect a consolidated position of the NLGIC group following the acquisition of RSA ME on 7 July 2022, with solid GWP growth achieved of RO 231 million. This is driven by successful renewals of key partnerships and new accounts, with significant growth of our medical portfolio in the UAE. In line with our ambition of diversification we have also seen accelerated customer focus on Commercial Lines offerings in UAE bolster the top line, as has retail growth in the KSA motor market.

Profit after tax (attributable to shareholders of NLGIC) has reached RO 3.7 million in the year from RO 7.4 million in 2021. This deviation is largely attributable to significant one-off effects from lagged claims accrued over the Covid-19 pandemic in the medical portfolios across Oman and Kuwait, which saw an uplift in resumed services and elective treatments. Whilst impactful in 2022, the outlook for 2023 is a return to normal claim levels in line with adjusted consumer behaviour post-pandemic and the regular accessibility of medical care. Furthermore, integration costs accounted for half of the net profit change.

Major achievements

I am proud to share the major achievements we have accomplished in 2022 and the market recognition that has complimented these efforts:

Award winner

NLGIC has received several awards and recognitions in the Sultanate of Oman in 2022, including the Most Trusted Brand Award in the insurance segment for the second consecutive year and the Excellence in Insurance Award at the OER New Age Banking and Finance Summit. Al Ahlia has also been awarded the Most Innovative Insurer in 2022, reinforcing brand strength in our home market.

Business expansion

- Received confirmation from the Qatar Financial Centre Regulatory Authority for a licence to officially operate in the State of Qatar, supporting our ambition of achieving full GCC coverage.

- Initiated a new partnership with IFZA Dubai, the internationally oriented Free Zone in the United Arab Emirates, offering an exclusive health insurance service and exceptional benefits at competitive premiums for IFZA Free Zone licensees, professional partners and employees.
- Launched Group medical coverage for SMEs and signed deals with major car leasing companies, boosting our business in the State of Kuwait; we also moved to a new office in Ahmad Tower to enhance our brand value in the state of Kuwait.

Supporting our communities

NLGIC continues its efforts to promote good corporate citizenship, maintaining a high level of commitment towards society and community causes. During 2022, NLGIC has contributed to non-government bodies, including Oman Charitable Organisation and Dar Al Atta'a. Maintaining health at our core, we donated two ultrasound machines to the Ministry of Health in Al Batinah North, where we participated in a health open day event to facilitate accessible health to all.

Future outlook of the company

2023 will be a year of opportunity for NLGIC, as we aim to further increase our presence in existing markets by introducing new products, primarily Health in KSA and significant Commercial Lines expansion across KSA and the UAE. We also target market entry in the State of Qatar by exploring medical and motor product offerings. These efforts will allow us to establish a stronger presence as a pan-GCC player, so that we will better serve our customer.

We also plan to realise synergy effects across the organisation as part of the recent merger, allowing us to achieve greater competitivity, whilst leverage existing links in our value chain to achieve superior cost efficiency. This is further to the completion of a successful integration, cultural transformation, and the establishment of our new identity in 2023.

We recognise the potential of combining the major strengths of both organisations and will focus on further enhancing the technical underwriting discipline, with an agile and entrepreneurial approach in identifying and tapping into market opportunities regionally.

Digital transformation remains at the core of the Company's strategy, recognising the opportunity for disruption that comes from technological advancements, simplified customer journeys and digitalisation to automate and accelerate insurance processes.

Finally, in line with regulatory expectation the implementation of International Financial Reporting Standard 17 is underway and is expected to be fully implemented in 2023.

Acknowledgements

On behalf of the Company and the Board of Directors, I take this opportunity to express our gratitude to His Majesty Sultan Haitham bin Tarik for his dynamic and progressive leadership. Under His Majesty's visionary leadership, we pray for the steady growth, stability, and enduring prosperity of our great country.

I thank all the regulators, government bodies and ministries in the Sultanate of Oman and the GCC for their support. I especially thank the management team and all our employees for their performance, hard work and dedication, and our customers and partners for their patronage, confidence, and commitment to our Company.

Khalid Muhammad AlZubair

Chairman

OUR PURPOSE

To instill confidence in people to live the life they want, well prepared for the unexpected. We do it by creating a 'beyond' insurance ecosystem that has customer needs at the core.

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Agreed upon procedures on Code of Corporate Governance of National Life and General Insurance Company SAOG

To the Board of Directors of National Life and General Insurance Company SAOG

Purpose of this Agreed-Upon Procedures Report

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

Responsibilities of the Company

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

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

Practitioners' Responsibilities

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

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

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

Professional Ethics and Quality Control

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

Practitioners' Responsibilities (continued)

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

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the terms of our engagement dated 17 February 2022, on compliance with the requirements of the Governance Code:

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

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

KPMG LLC
27 February 2023

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Corporate Governance Report

1 Company Philosophy:

Corporate Governance is the system by which business corporations are directed and managed. The Corporate Governance structure specifies the roles of different participants in the corporation, such as the Board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the entity's objectives are set, measured and monitored.

The Board and Management of National Life and General Insurance Co, SAOG ("the Company" or "NLGIC") believe that corporate governance is about commitment to values and ethical business conduct. It is about how an organization is managed including, but not limited to, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company is an integral part of corporate governance. This improves public understanding of the activities and policies of the Company.

The Board and management of the Company are committed to adopt the best practices of corporate governance that promotes values and ethical business conduct. This report details how the Company adheres to the principles and provisions of Code of Corporate Governance for Insurance Companies as set out in the Capital Market Authority (CMA)'s circular 7/I/2005 dated August 1 2005 and amendments thereof during 2016 as well as the principles set out in the CMA's Code of Corporate Governance for Public Listed Companies ("the Code").

2 Shareholder Meetings during 2022

The Company held three general meetings during 2022 as follows:

- Annual General Meeting (AGM) held on 30th March 2022 for approval of annual statutory agenda items.
- Extraordinary General Meeting (EGM) held on 26th June 2022 for approval of
    - acquisition of share capital of Royal & Sun Alliance Insurance (Middle East) B.S.C. Bahrain and
    - changes in Articles of Association to increase the authorized share capital and the strength of Board from seven to eleven members.
- Ordinary General meeting (OGM) held on 24th July 2022 for appointing four new directors.

3 Board of Directors

At the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long term interests of all the stakeholders of the Company. The Board monitors the Company's strategy, Company's performance against strategic and business plans, policies and the control systems to develop and incorporate best practices and maintain highest standards in governance.

Nomination of the Board

The Articles of Association of the Company was amended in Extraordinary General Meeting (EGM) held on 26th June 2022 to increase the number of directors in the company from seven (7) to eleven (11) directors. The Board of Directors are elected in the General Meeting from amongst the shareholders or non-shareholders, provided that in case of shareholders, each shareholder owns at least 200,000 shares in the Company. Nomination, Remuneration and Executive Committee assists the General Meeting in the nomination of proficient directors in order to enable the Shareholders to elect the most fit candidates. Election of a Director is subject to approval by the regulatory authorities based on nomination form filed by the candidate who meets the minimum qualification requirements as per CMA guidelines.

The Company follows the process of nomination and election of the Board of Directors as governed by the provisions contained in the Articles of Association, Commercial Company's Law and as per the regulations of CMA. The Board of Directors is elected by the shareholders of the Company at an Annual/Ordinary General Meeting. The Board is elected for a three year term. Last election for the Board of Directors was held at the Annual General Meeting (AGM) held on 28th March 2021 for a term of three years with seven members. In order to fill the vacant positions due to the increase in the number of directors during the year, shareholders appointed four additional directors at Ordinary General meeting (OGM) held on 24th July 2022, for the remaining term of the Board. Next election of Board members is due to be held at the AGM in March 2024.

Key Duties and Responsibilities of the Board include:

- Identifying a strategic vision of the Company based on its mission, purpose and objects, and set viable performance indicators within a reasonable time frame that can be measured objectively and updated periodically.
- Adopting business and financial policies pertinent to the performance of the Company's business, meeting its objectives and reviewing them periodically to ensure sustenance of their efficiency.
- Adopting internal regulations and bylaws pertinent to steering and management of the affairs of the Company and ensuring the efficacy of systems and polices of the Company.
- Ensure the quality of Directors' performance and the accomplishment of its objectives by devising accountability measures vis-à-vis Directors to ensure their attendance of meetings, effective participation and performance of their roles.
- Identifying necessary competences and authority required for the executive management, appointing key executive officers and monitoring the work of the executive management to ensure the business is properly managed according to the Company's objective and ensuring compliance with the laws and regulations.
- Forming specialized committees including names of committee members, their duties, rights and obligations and evaluating, at least annually, the performance of specialized committees emanating from the Board.
- Approving quarterly and annual financial statements and reviewing related-party transactions.
- The functions of the Board of Directors also include policy formulation, approving Corporate Business Plan, establishing Risk Assessment and Management Strategy, approving Underwriting and Pricing Policy, approving Reinsurance Management Strategy, approving Investment Management Policy, establishing Management Structure and Responsibilities, establishing Standards of Customer Service and Fair Dealings, approving Information Technology Systems, overseeing policy and strategy implementation and operational performance, establishing systems for internal controls, establishing Internal Audit Function, establishing Code of Corporate Ethics, approving and implementing the Disclosure Policy and ensuring compliance.

Composition of the Board

The composition and independence of the Board is in accordance with Article 3 of the Code of Corporate Governance for Public Listed Companies. The Board members hold various experiences and collectively exercise independent and objective judgment. Further the Board is supported by Board sub-committees namely Audit and Controls Committee (ACC), Nomination, Remuneration and Executive Committee (NREC) and Investment Committee (IC).

Details of membership of Board and Board Sub-Committees during the year 2022 is as follows:

Directorship prior to the OGM held on 24 July 2022:

i. All directors including the chairman are non-executive. Three out of the seven directors are independent, which is in compliance with the existing regulations.

ii. All seven directors were elected by the shareholders in their individual capacities and do not represent institutional investors.

iii. All seven directors are non-shareholders.

Details of attendance of Board members for the general meetings held during 2022 is given below:

Sl No	Name	Position	AGM held on 30 Mar 2022	EGM held on 26th June 2022	OGM held on 24 July 2022
1.	**Khalid Muhammad AlZubair**	Chairman	Yes	Yes	Yes
2.	**Mohammed Taqi Ibrahim Al Jamalani**	Deputy Chairman	Yes	Yes	Yes
3.	**Abdul Aziz Mohammed Ahmed Al Balushi**	Member	Yes	Yes	Yes
4.	**Al Sayyid Zaki Hilal Saud Al Busaidi**	Member	Yes	Yes	Yes
5.	**Anwar Hilal Hamdoon Al Jabri**	Member	Yes	No	Yes
6.	**Mohammed Ali Said Al Qassabi**	Member	Yes	Yes	Yes
7.	**Sanjay Kawatra**	Member	Yes	Yes	Yes

Details of memberships after the OGM held on 24 July 2022 is as follows:

i. All directors including the chairman are non-executive. Seven out of the eleven directors are independent, which is in compliance with the existing regulations.

ii. All eleven directors were elected by the shareholders in their individual capacities and do not represent institutional investors.

iii. Ten out of the eleven directors are non-shareholders while one director is a shareholder.

Details of director appointments, duration, position, status of independence, memberships of sub-committees and the number of Board meetings attended is given below

Sl No	Name	Date of Appointment / election	Membership Duration upto	Position	Independent	Membership of other committees	Board Meetings Attended
1.	**Khalid Muhammad AlZubair**	28.03.2021	Mar 2024	Chairman	No	NREC	8
2.	**Mohammed Taqi Ibrahim Al Jamalani**	28.03.2021	Mar 2024	Deputy Chairman	Yes	ACC	8
3.	**Abdul Aziz Mohammed Ahmed Al Balushi**	28.03.2021	Mar 2024	Member	No	IC, NREC	8
4.	**Al Sayyid Zaki Hilal Saud Al Busaidi**	28.03.2021	Mar 2024	Member	Yes	IC, NREC	8
5.	**Anwar Hilal Hamdoon Al Jabri**	28.03.2021	Mar 2024	Member	No	IC	8
6.	**Mohammed Ali Said Al Qassabi**	28.03.2021	Mar 2024	Member	Yes	ACC	8
7.	**Sanjay Kawatra**	28.03.2021	Mar 2024	Member	No	ACC, NREC	8
8.	**Adnan Hamza Mohammed Bogary**	24.07.2022	Mar 2024	Member	Yes	ACC	3
9.	**Saeid Mohamed Obeid Binzagr**	24.07.2022	Mar 2024	Member	Yes	IC	3
10.	**Tareq Abdulrahman Saleh Al Sadhan**	24.07.2022	Mar 2024	Member	Yes	NREC	1
11.	**Yousef Ali Zaid Al Quraishi**	24.07.2022	Mar 2024	Member	Yes	-	3

Notes:

i. Four new members were elected during the OGM held on 24 July 2022 increasing the strength of Board from seven to eleven members.

ii. Sub Committees memberships were revised in Board meeting held after the OGM on 24 July 2022 by adding newly elected members to the sub committees. Details of the changes in the sub committee memberships are given in pages 5 to 7.

No Director is a member of the Board of more than four public joint stock companies whose principle place of business is in the Sultanate of Oman, or is a chairman of more than two such companies. Particulars of directorships of other joint stock companies and memberships of other Board Committees is set out in Appendix I of this Report. None of the directors is a member of the board of directors of a joint stock company which has similar objectives to the Company and whose principal place of business is in the Sultanate of Oman.

Details of Meetings

During the 12 months period ended 31 December 2022, the Board met eight times the details of which are as follows:

Month	Date of Meeting
February-22	06-Feb-22
February-22	24-Feb-22
March-22	30-Mar-22
April-22	26-Apr-22
July-22	24-Jul-22 (before the OGM)
July-22	24-Jul-22 (after the OGM)
October-22	27-Oct-22
December-22	14-Dec-22

The maximum interval between any two meetings was 95 days. This is in compliance with "the Code" which requires meetings to be held within a maximum time gap of four months. Of the eight meetings, six meetings were held with physical attendance and two meetings were held through video conferencing in accordance with Article 191 of the Commercial Companies Law.

Board Procedure

The annual calendar of the Board Meetings is agreed upon at the beginning of the year. The Agenda is circulated well in advance to the Board to take appropriate decisions. The items in the Agenda are backed by the comprehensive background information to enable the Board to take appropriate decisions. The Board is always kept informed of major events/items and approvals taken wherever necessary. The Chief Executive Officer of the Company attends the Board Meetings and keeps the Board appraised of the overall performance of the Company.

Board Evaluation

As advised by CMA, the appointment of an independent entity for the evaluation of Board and approval of criteria for evaluation should be conducted once during the term of the board. For the current Board term, the shareholders of the Company appointed consultants "Protiviti" to impartially and independently appraise the performance of the Board of Directors (including its Sub-committees) and also approved the benchmark and standards i.e. the evaluation criteria for the appraisal of their performance in the Annual General Meeting held on 30th March 2022. The details of the evaluation conducted by the consultants will be placed to the shareholders in the Annual General Meeting to be held on 26th March 2023.

4 Sub-Committees of the Board

The Board sub-committees namely - the Audit and Controls Committee (ACC), Nomination, Remuneration and Executive Committee (NREC) and the Investment Committee (IC) assist the Board to carry out it's duties and responsibilities effectively.

Sub Committee Evaluation

As per the Code, Board is required to evaluate the performance of the Specialized Board Sub-committees on an annual basis. Towards this, board has appointed consultants "Protiviti" to independently evaluate the performance of the Specialized Board Sub-committees for the year 2022. The details of the evaluation conducted by the consultants are provided to the Board.

Details of the roles and responsibilities of each of the Board Sub-Committees, their memberships, meetings held during the year and the attendance of members is as given below:

Audit and Controls Committee (ACC)

The Audit and Controls Committee's main function is to assist the BOD in fulfilling its oversight responsibilities in ensuring the Executive Management has in place a robust internal controls system for risk management aimed to safeguard shareholders interest and Company assets.

The ACC comprises of non-executive directors who are knowledgeable in investments, finance, industry laws and regulations for SAOG companies. Prior to the OGM held on 24 July 2022, the ACC comprised of three directors, of which two directors (including the Chairman of the ACC) are independent while one director is not independent. After the OGM held on 24 July 2022, the Board held a meeting wherein the ACC membership was revised by adding one of the newly elected directors to the ACC. After the reconstitution, three directors (including the Chairman of the ACC) are independent while one director is not independent. All four members of the ACC have finance and accounting expertise. During 2022, the sub-committee has met four times prior to the OGM held on 24 July 2022 and three times thereafter. Of the seven ACC meetings held, six meetings were held with physical attendance and one meeting was held through video conferencing.

The attendance details and the membership details of the ACC are as below:

Sl No	Name	Position	1ACC 23-Feb-2022	2ACC 07-Mar-2022	3ACC 25-Apr-2022	4ACC 24-Jul-2022	5ACC 29-Aug-2022	6ACC 24-Oct-2022	7ACC 11-Dec-2022	Remarks
1	**Mohammed Taqi Ibrahim Al Jamalani**	Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
2	**Mohammed Ali Said Al Qassabi**	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
3	**Sanjay Kawatra**	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
4	**Adnan Hamza Mohammed Bogary**	Member	Not Applicable				Yes	No	Yes	Member w.e.f. 24.07.22

The Committee receives reports on the findings of internal and external audits and on actions taken by the management in response to these. The Committee reviews the scope, findings and cost effectiveness of the Company's statutory audit and the independence and objectivity of the external auditors. It reviews changes to the accounting policies and reviews the audited annual and unaudited quarterly financial statements, related party transactions and recommends for Board approval. It also reviews the returns and solvency margin computation required to be submitted to the CMA and UAE Insurance Authority prepared in accordance with the Insurance Companies Law and its regulations issued by CMA and Regulations for Insurance Companies issued by UAE Insurance Authority. In addition, the Committee periodically reviews and reports to the Board on the effectiveness of the Company's system of internal control, internal audit function and risk management process.

Nomination, Remuneration and Executive Committee (NREC)

The primary role of the NREC is to assist the General Meetings in the nomination of proficient directors and the election of the directors most fit for the purpose and to assist the board in selecting the appropriate and necessary executives for the executive management. NREC's responsibilities include developing Succession planning policy, Remuneration policy, Human Resources Policy, Organisation Chart, appointment of employees at senior management level, compensation structure for employees, Omanisation or localization and working hours for employees. Moreover, the committee aims to assist the Board to discharge certain responsibilities which are delegated by the Board to the committee in order to achieve its corporate objectives. Towards this, the NREC undertakes review long term business strategy, review of budget and review of new products for recommendation to the Board and approves any other micro matters of business that are beyond the powers of the management.

Prior to the OGM held on 24 July 2022, the Nomination, Remuneration and Executive Committee comprised of four directors. After the OGM held on 24 July 2022, the Board held a meeting wherein the NREC membership was revised by adding one of the newly elected directors to the NREC. The committee met seven times during the year of which five meetings were held with physical attendance and two meetings were held through video conferencing.

The attendance details and the membership details of the Committee are as below:

Sl No	Name	Position	1NREC 23-Jan-2022	2NREC 14-Feb-2022	3NREC 21-Apr-2022	4NREC 29-May-2022	5NREC 20-Jul-2022	6NREC 24-Oct-2022	7NREC 07-Dec-2022	Remarks
1	**Khalid Muhammad AlZubair**	Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
2	**Abdul Aziz Mohammed Ahmed Al Balushi**	Member	Yes	No	Yes	Yes	Yes	Yes	Yes	
3	**Al Sayyid Zaki Hilal Saud Al Busaidi**	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
4	**Sanjay Kawatra**	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
5	**Tareq Abdulrahman Al Sadhan**	Member	Not Applicable					Yes	Yes	Member w.e.f. 24.07.22

Investment Committee (IC)

The main function of the Investment Committee is to assist the Board of directors to discharge certain responsibilities such as establishing the investment strategy, investment policy, investment guidelines, reviewing / monitoring the Investment Portfolio, review strategic investment initiatives, review of compliance with investment related regulations and the adequacy and efficiency of the investment policies, procedures, practices and controls.

Prior to the OGM held on 24 July 2022, the Investment Committee comprised of three directors. After the OGM held on 24 July 2022, the Board held a meeting wherein the Investment Committee membership was revised by adding one of the newly elected directors to the Investment Committee. The committee met two times during the year of which one meetings was held with physical attendance and one meeting was held through video conferencing.

The attendance details and the membership details of the Committee are as below:

Sl No	Name	Position	1IC 24-Jan-2022	2IC 15-Mar-2022	Remarks
1	**Al Sayyid Zaki Hilal Saud Al Busaidi**	Chairman	Yes	Yes	
2	**Abdul Aziz Mohammed Ahmed Al Balushi**	Member	Yes	Yes	
3	**Anwar Hilal Hamdoon Al Jabri**	Member	Yes	Yes	
4	**Saeid Mohamed Obeid Binzagr**	Member	Not Applicable		Member w.e.f. 24.07.22

5 Remuneration of Directors

The Directors were paid remuneration of RO 150,000/- for 2021 as approved by the shareholders in the AGM held on 30 March 2022. During the year 2022, Board members were paid sitting fees of RO 300/- per Board meeting attended and RO 200/- per Board sub-committee totaling to RO 31,400/-. In addition to the sitting fees of RO 31,400/-, director's remuneration proposed for 2022 is RO 150,000/-. This is subject to shareholders' approval at the AGM scheduled to be held on 26 March 2023.

Actual travel and incidental expenses relating to Company's business for Board members during the year was RO 849 for the year 2022 (2021 - Nil). Remuneration for 2021 paid in 2022 and the sitting fees for 2022 paid to the Board members during the 12 month period ended 31 December 2022 is detailed below:

Name of Director	Sitting fees for 2022				Total Sitting fees for 2022	Remuneration for 2021
	Board	ACC	NREC	IC		
Khalid Muhammad AlZubair	2,400	-	1,400	-	3,800	26,784
Mohammed Taqi Ibrahim Al Jamalani	2,400	1,400	-	-	3,800	20,536
Abdul Aziz Mohammed Ahmed Al Balushi	2,400	-	1,200	400	4,000	20,536
Al Sayyid Zaki Hilal Saud Al Busaidi	2,400	-	1,400	400	4,200	20,536
Anwar Hilal Hamdoon Al Jabri	2,400	-	-	400	2,800	20,536
Mohammed Ali Said Al Qassabi	2,400	1,400	-	-	3,800	20,536
Sanjay Kawatra	2,400	1,400	1,400	-	5,200	20,536
Adnan Hamza Mohammed Bogary	900	400	-	-	1,300	-
Saeid Mohamed Obeid Binzagr	900	-	-	-	900	-
Tareq Abdulrahman Saleh Al Sadhan	300	-	400	-	700	-
Yousef Ali Zaid Al Quraishi	900	-	-	-	900	-
Total	**19,800**	**4,600**	**5,800**	**1,200**	**31,400**	**150,000**

There was no other remuneration paid by the Company to the Directors in their capacity as Board members.

6 Internal Control Review

The Code requires that the directors should, at least annually, review the effectiveness of the Company's system of internal controls and report to the shareholders that they have done so. The Board attaches great importance to maintaining a strong control environment and confirms that its review has covered the financial statements, all controls, including financial, operational, compliance and risk management. The Board ensures this, by implementing internal control policies and procedures and other forms of analytical reviews, reconciliations and automatic controls in the IT systems. The internal control process is mainly followed up by the Audit and Controls Committee and the Internal Audit function with clearly defined Audit and Controls Committee Annual Plan and Internal Audit Risk Assessment and Annual Internal Audit Plan. In addition to this, the Company also has a Quality & Internal Control Department which reviews the Company's internal controls. The Board is satisfied that appropriate procedures are in place to implement the Code's requirement.

As required under Article 173 of Regulation for Public Joint Stock Companies, the company is required to conduct a comprehensive external review of the works of the internal audit unit at least once every 4 years. Accordingly, audit firm, 'Mazars' was appointed by the Company's Board of Directors to carry out External Independent Quality Assurance Assessment of NLGIC Internal audit units for the year 2019. Mazar have completed the agreed upon procedures, in accordance with International Professional Practices Framework (IPPF), issued a Quality Review Report and presented it to Audit and Controls Committee and Board of Directors. The next review is planned to be carried out for the year 2023.

7 Management

Management Discussion and Analysis

A copy of the Management Discussion and Analysis is included in the annual report.

Management Remuneration

At 31 December 2022, the Company employed 518 employees (2021: 509 employees) including the Chief Executive Officer. The Gross remuneration accrued to 9 key management personnel (salaries, incentives and allowances and other statutory payments) during 2022 is RO 1,601,772 /- (2021: RO 1,111,454/- to 8 key management personnel). Above remuneration is disclosed in Note for Related party transactions in the financial statements.

The performance incentive pool is approved by the NREC based on Company's performance and is distributed amongst employees based on their individual performances. This is in accordance with the Board approved policies of the Company.

Actual travel and incidental expenses relating to Company's business for the key management personnel during the year was RO 41,842/- (2021: RO 13,622/-) and are borne by the Company.

Employment Contract

Employment contracts are for unlimited period for nationals after the first year of service while it is for a period of two years for expats which is subject to auto renewal at the time of expiry based on terms and conditions agreed between the parties. Notice period is one month for all positions or salary in lieu thereof.

Profiles of Key Management during 2022

During 2022, there has been a change in key management positions as a result of integration of the human resources after the acquisition of RSA ME by the Company. The key management of the company prior and post the changes are detailed below.

Following is the brief profile of the key management team from January to September 2022 i.e. prior to the integration of resources consequent to acquisition of RSA ME

S. Venkatachalam, Chief Executive Officer

Joined NLGIC in July 2003 as General Manager, he is a Fellow Member of the Institute of Chartered Accountants of India. In addition, he is a Cost Accountant from The Institute of Cost Accountants of India. He was promoted to the position of Chief Executive Officer in 2009. He has experience of over 39 years and has previously held senior management positions in Oman National Investment Corporation Holding SAOG, Arab Insurance Group BSC and Alliance Insurance. He has been awarded the 'Best CEO of the Year in Oman' awards for four consecutive years at the prestigious AIWA (Alam al-Iktisaad Wal A'mal) Awards for the Years 2017 to 2020.

Dr. Dhafir Awadh Al-Shanfari, Chief Operating Officer

Joined NLGIC in January 2022, Dr. Dhafir has experience in several leadership roles and a well-rounded academic background. He holds an MBA Degree from Duquesne University, Pittsburgh, USA and a PhD from Deakin University, Melbourne, Australia. He has a tenured experience in the academic sector (teaching, research and consultation with Sultan Qaboos University). He has served in leadership roles with several organizations (Acting CEO of Competition and Monopoly Prevention Centre, CEO of Omani Authority of Partnership for Development and CEO of the Public Authority for Privatization and Partnership). Dr. Dhafir was incharge of the support functions of the company such as Administration, Human Resources, Compliance, Investments, Information Technology. He also worked closely with the senior management on strategic initiatives such as acquisitions and mergers.

G. Gopinath, Chief Business Officer

Joined NLGIC in January 2004, he is an Associate Member of the Institute of Chartered Accountants of India and of the Insurance Institute of India. Additionally, he has a degree in Cost accountancy from The Institute of Cost Accountants of India and a Certified Internal Auditor degree from Institute of Internal Auditors, USA. He was promoted as Chief Business Officer in 2022 and headed the entire insurance operations of the Company including Life, Health and General Insurance. He has experience of 22 years and he has varied industry experience with prestigious organizations such as Price Waterhouse and Oil and Natural Gas Corporation Ltd and his experience includes 18 years of Insurance Industry experience with NLGIC.

Badar Salim Mubarak Al Marzuqi, Deputy General Manager – Business Development

Joined NLGIC in March 2017 as Assistant General Manager – Business Development, he has a MBA from Bedfordshire, UK & Higher National Diploma in Business Studies (Marketing) from University of Luton, UK through Majan College and an Insurance Diploma from Technical Industrial College. He was promoted as Deputy General Manager – Business Development in 2021. He heads the entire retail marketing team for all channels in Oman. He has more than 28 years of experience in the field of insurance and banking sectors. He has held senior position in Vision Insurance and prior to that worked with NLGIC in a senior management role.

Sameer C Nair, Deputy General Manager – Health & Life Underwriting (left the organization in February 2023)**.**
Joined NLGIC in November 2003, he is Bachelor of Engineering in Electronics & Communication and also holds a Fellowship Diploma by Insurance institute of India. He was promoted as Deputy General Manager – Health & Life Underwriting in 2021 and was heading the Underwriting function for Life and Health divisions of the Company. He has more than 21 years of experience of which 20 years of experience is in the Insurance Industry with NLGIC. Previously he was associated with ICICI Bank, India.

Ammar Hassan Dawood Al Lawati, Deputy General Manager - General Insurance Operations
Joined NLGIC in March 2019, he is a Bachelors in Business Administration (BBA) from Majan College, Master in Business Administration from Bedfordshire University, Advanced Diploma in Insurance Studies from Bahrain Institute of Banking & Finance. He was promoted as Deputy General Manager - General Insurance Operations in 2022 and was responsible for the entire General insurance operations of the Company. He has 18 years of experience in Underwriting, Claims Processing, Marketing, and Product & Service Development from Insurance Industry and has held various positions in Vision Insurance & Al Ahlia Insurance Company.

Ravi Iyer, Head of Strategy, Mergers and Acquisitions (left the organization in October 2022)
Joined NLGIC in January 2014, he is Associate member of The Institute of Cost Accountants of India, the Institute of Company Secretaries of India and the Chartered Institute of Management Accountants, UK. He is Affiliate member of the Association of Chartered Certified Accountants also has a Post Graduate Diploma in Financial Strategy from University of Oxford. He has over 24 years of experience in Finance of which 18 years of experience is in Insurance Industry. His insurance industry experience includes insurance organizations such as Prudential offices of UK, Singapore and India. During 2022, he was made Head of Strategy, Mergers and Acquisitions and was also heading the Finance function of the company.

Tariq Mahmood, Chief Internal Auditor
Joined NLGIC in October 2017 as Chief Internal Auditor, he is a Bachelor in Commerce (B. Com) from University of Punjab, an associate member of The Institute of Charted Accountant England and Wales (ICAEW), associate member of the Association of Chartered Certified Accountants (ACCA) - UK, affiliates of the Institute of Chartered Accountant of Pakistan (ICAP) and member of Pakistan Institute of Public Finance Accountants (PIPFA). He has more than 21 years of experience in the field of audit and insurance with positions held in KPMG Dublin, KPMG Bermuda, KPMG Bahrain and AXA Insurance Gulf Region.

Uma Venkatesan, Assistant General Manager – Risk, Quality & Internal Control
Joined NLGIC in January 2006, she is Associate member of The Institute of Cost Accountants of India, Associate of Insurance Institute of India, has Post Graduate Diploma in Business Administration and been trained on ERP solutions and also on quality standards (IS 9001:2008). She has overall 32 years of experience that consist of 15 years of varied industry experience with Private and Public sector companies and software firms in ERP field and over 17 years of experience in Insurance Industry with NLGIC. She was promoted to Assistant General Manager – Risk, Quality & Internal Control in 2022 and has been in charge of the risk function of the Company since 2012.

الوطنية للتأمين على الحياة والعام
NATIONAL LIFE & GENERAL INSURANCE
Ominvest Group
مجموعة أومنيفست

RSA

WINNER

OMAN'S MOST TRUSTED BRAND

2022

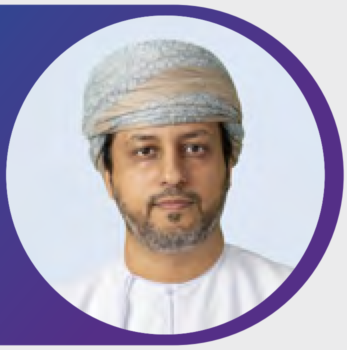
Changes in the key management team from October 2022 i.e. post the integration of resources consequent to RSA acquisition for the NLGIC & RSA Middle East (NLGIC Group):

Martin Rueegg, Group CEO of the NLGIC Group

He was Regional CEO for RSA Middle East and has been appointed Group CEO of the NLGIC and RSA Middle East businesses together. He has over 20 years of experience in executive positions in the Insurance industry across Europe and Asia. His strategic acumen, visionary thinking, and entrepreneurial spirit will be fundamental to advancing the Group's business and growth in the region.

S. Venkatachalam, Regional CEO of Health, Life and Supply Chain of the NLGIC Group

He was Chief Executive Officer of NLGIC and has been appointed Regional CEO of Health, Life and Supply Chain of NLGIC Group. In his new role he will be leading the Middle East business for these critical portfolio services, which are considered the backbone of the Company's strategic growth in the region. Over the course of his career with NLGIC, S Venkatachalam played a critical role in the company's growth, positioning NLGIC as one of the largest insurance companies in Oman today.



Dr Dhafir Al Shanfari, Group Chief Operating Officer of the NLGIC Group

He was Chief Operating Office of NLGIC in charge of support functions of the Company. Post integration, he has become the Group Chief Operating Officer for NLGIC Group, leading the functional governance and operational practices including HR, IT & Change, Legal, Brand & Communications, Risk, and Compliance functions. Dr. Dhafir has a strong leadership acumen across multiple industries as well as being a key member of several reputable councils and committees in Oman.

Dr. Abdullah Mansury, Group Chief Financial Officer of NLGIC Group

He was the Chief Financial Officer of RSA Middle East and has been appointed as Group Chief Financial Officer, overseeing the overall financial performance, investments, and data to power the efficiency of the company across the Middle East. He will also be leading business review exercises, which organically feed into corporate strategy decision-making and operational planning processes.

Tariq Mahmood, Group Internal Audit Director of NLGIC Group

He was the Chief Internal Auditor of NLGIC and has been appointed as the Group Internal Audit Director. In this role, he will be reviewing risk management efficiency and providing independent and objective audit advice and driving audit initiatives across the Middle East.

Addal Sarwar, Group Chief Personal Lines Officer

He was Personal Lines Director – Middle East Region and has been appointed as the Group Chief Personal Lines Officer, where he will be setting the portfolio standards, technical/underwriting guidelines, and the strategy for Personal Lines across the business. He will be focusing on expanding our partnerships across the Middle East while enhancing our digital products and services, to drive truly customer centric solutions.

Ahmed Nasef, Group Chief Commercial Lines & Reinsurance Officer

He was Deputy CEO of RSA Middle East and has been appointed as Group Chief Commercial Lines & Reinsurance Officer. In this role, he will be leading the business strategy with a focus on growth, expanding our offerings across the region, launching a new suite of products, and strengthening the underwriting/pricing processes. He will also be responsible to oversee reinsurance of the Group.

8 Details of Penalties and Non-Compliance by the Company

During 2022, there have been no instances of non-compliance on any matter relating to CMA's Code of Corporate Governance for Insurance Companies and CMA's Code of Corporate Governance for Public Companies. The Company also follows the Commercial Companies Law No. 184/2019, the MSX listing agreements for Oman and other applicable CMA regulations. Similarly, for its overseas operations the Company follows Federal Law 6 of 2007, Financial Regulations for Insurance Companies in the UAE, The Insurance Law no. 125 of 2019 on Insurance Companies in Kuwait, Resolution No. (21) of 2021 providing the Executive Regulations of the Insurance Law and other Insurance Professionals & Intermediaries in Kuwait as well as other applicable overseas regulations.

During 2022 and 2021, the Company did not pay any fines / penalties.

During 2020, the Company has paid penalties of AED 90,040 for non-compliance with Dubai Health Authority (DHA) Circulars on claim approval related processes and delay in settling claims as per new circular no 5/2020 issued by DHA.

9 Shareholders

Distribution of shareholding

During the year the Company has increased its Authorised Share Capital as per decision taken by shareholders in Extraordinary General Meeting held on 26 June 2022 (details are given in table below). The shareholders also decided to acquire 49.99998% share capital of Royal & Sun Alliance Insurance (Middle East) B.S.C. Bahrain which resulted in an increase in the Issued and fully paid up Share Capital of the Company as given below:

	Post EGM held on 26 June 2022		As at 01 Jan 2022	
	Number of shares	RO	Number of shares	RO
Authorised - shares of RO 0.100 each	1,000,000,000	100,000,000	500,000,000	50,000,000
Issued and fully paid - shares of RO 0.100 each	398,374,342	39,837,434	265,000,000	26,500,000

Shareholder distribution as at 31st December 2022 is as given below:

Number of Shares	% Held	Number of shareholders	Total Shares	% of Share Capital
Above 39,837,434	Above 10%	2	251,797,793	63.21%
Between 19,918,717 and 39,837,434	5% - 10%	2	50,809,274	12.75%
Between 3,983,743 and 19,918,717	1% - 5%	7	75,108,783	18.85%
Below 3,983,743	Below 1%	130	20,658,492	5.19%
GRAND TOTAL		**141**	**398,374,342**	**100.00%**

The following shareholders have 10% or more of the voting power in the Company as at 31 December 2022:

Shareholder	% of Share Capital
Oman International Development and Investment Company SAOG (OMINVEST)	48.86%
Riyad Bank	14.35%

Means of Communication

The notice and agenda for the AGM, annual audited accounts and Chairman's report are made available to all the shareholders as per regulatory guidelines. Further the Company has been communicating regularly on all material matters to Capital Market Authority. The Company also uses additional means of communication such as disclosures on the MSX website, publishing of extracts of financial statements in Arabic and English newspaper, making available financial statements in Arabic and English at the Company's offices during the Company's business hours and posting of the quarterly and annual financial statements and press releases on the Company's website - www.nlicgulf.com. Investor and analyst meets are also conducted to discuss the results through the Muscat Stock Exchange platform.

10 Statutory Auditors

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

For FY 2022, Statutory audit fees for KPMG of RO 83,926/- (2021: RO 68,000/-) has been provided for by the Parent Company. In addition to this, the company has also made provision of RO 38,904/- (2021: 15,283) for new audit requirements introduced by regulator for FY2022 and increased scope of audit pursuant to the acquisition of RSA ME.

KPMG has not provided the Company with other non-audit advisory services during the year 2022. The Company had availed such services in the previous year and provided for expense of RO 21,608/- towards professional fees in 2021.

11 LEGAL ADVISOR

Curtis, Mallet-Prevost, Colt & Mosle LLP

For twenty-five years, Curtis Oman has been helping Omani and international companies, financial institutions and governments to do business in the Sultanate of Oman. Curtis remains the only US-headquartered law firm licensed to practice in Oman. The Muscat office is the hub of their wider Middle East practice and offers the full range of international and domestic legal services. Curtis has been lead adviser on some of the largest and most significant projects in Oman, and is regularly recognized as one of the country's foremost law firms. Curtis has in depth of experience in banking and financial services, the firm advises on all aspects of contentious issues and regulatory compliance involving the banking, capital markets and investment fund sectors. The firm develops strategies that safeguard its clients' assets and reputations enabling them to focus on pursuing their business objectives with confidence.

12 Market Price Data

The performance of the Company's share price (total returns) in 2022 versus MSX-30 Index and details of the Company's high, low and closing share prices for the period 01 January 2022 to 31 December 2022 is shown below:

Performance for the month	NLGIC				MSX 30 index			
	High	Low	Close	%age movement	High	Low	Close	%age movement
Dec-21	0.338	0.338	0.340	0.00%	4,156	3,967	4,130	3.23%
Jan-22	0.336	0.336	0.340	0.0%	4,278	4,116	4,116	-0.3%
Feb-22	0.330	0.310	0.340	0.0%	4,143	4,033	4,055	-1.5%
Mar-22	0.340	0.338	0.338	-0.6%	4,355	4,052	4,205	3.7%
Apr-22	0.330	0.328	0.330	-2.4%	4,284	4,121	4,158	-1.1%
May-22	0.328	0.328	0.330	0.0%	4,175	4,105	4,116	-1.0%
Jun-22	0.326	0.318	0.320	-3.0%	4,149	4,099	4,123	0.2%
Jul-22	0.332	0.332	0.332	3.8%	4,554	4,097	4,532	9.9%
Aug-22	0.340	0.340	0.340	2.4%	4,692	4,530	4,585	1.2%
Sep-22	0.340	0.340	0.340	0.0%	4,629	4,424	4,528	-1.2%
Oct-22	0.340	0.340	0.330	-2.9%	4,603	4,338	4,366	-3.6%
Nov-22	0.340	0.340	0.340	3.0%	4,622	4,369	4,614	5.7%
Dec-22	0.340	0.340	0.340	0.0%	4,908	4,599	4,857	5.3%
Annual Performance	**0.340**	**0.310**	**0.340**	**0.0%**	**4,908**	**4,033**	**4,857**	**17.6%**

During the period 01 January 2022 to 31 December 2022 a volume of 1,020,024 shares of the Company have been traded at MSX.

As at 31 December 2022, there are no outstanding securities or any convertible instruments which are likely to have an impact on equity.

13 Acknowledgement

The Board of Directors acknowledges confirmation of:

- Its responsibility for the preparation of the financial statements in accordance with the applicable standards and rules.
- Review of the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations.
- There are no material matters that affect the continuation of the Company and its ability to continue its operations during the next financial year.

Khalid Muhammad AlZubair
Chairman

Appendix I

Particulars of Directorships of other Public Joint Stock Companies and memberships of their Committees as of 31 December 2022

	OTHER DIRECTORSHIPS			
Director	**Company**	**Position**	**Committee**	**Position**
Khalid Muhammad AlZubair	Oman International Development and Investment Company SAOG	Chairman	Nomination, Remuneration & Executive Committee	Chairman
Abdul Aziz Mohammed Ahmed Al Balushi	Oman Arab Bank SAOG	Director	Selection & Remuneration Committee	Member
			Credit Committee	Member
	National Finance Company SAOG	Director	Nomination, Remuneration & Executive Committee	Member
			Risk Committee	Chairman
Al Sayyid Zaki Hilal Saud Al Busaidi	Oman Telecommunications Co SAOG	Director	Human Resources Committee	Member
			Strategy and Investment Committe	
Anwar Hilal Hamdoon Al Jabri	Ahli Bank SAOG	First Deputy Chairman	Executive Risk Committee	Member
Mohammed Taqi Ibrahim Al Jamalani	Galfar Engineering & Contracting SAOG	Director	Audit Committee	Vice Chairman
Mohammed Ali Said Al Qassabi	Nil	NA	NA	NA
Sanjay Kawatra	National Finance Company SAOG	Director	NA	NA
Adnan Hamza Mohammed Bogary	Nil	NA	NA	NA
Saeid Mohamed Obeid Binzagr	Nil	NA	NA	NA
Tareq Abdulrahman Saleh Al Sadhan	Nil	NA	NA	NA
Yousef Ali Zaid Al Quraishi	Nil	NA	NA	NA

STRONG VALUES DRIVE US FORWARD

A Team

Agile

We are flexible in how we work, fast in our decision-making, quick to pivot and to embrace change.

Ambitious

We don't believe good enough is enough. We aim for the highest standards, not the market standard. Not just innovation and product development but as importantly, in empathy and integrity.

Acceptive

We collaborate and communicate transparently and fairly with each other, with our partners, with our customers, encouraging diverse point-of-views and respecting different ways of working.

Accountable

We have a responsibility, not just a job. We are dependable, not just available. We must advocate and consistently show up for our customers. And for each other.

COMMITTED VISION HELPS US AIM HIGH

Top 10 in the region

Motor Insurance

Personal Accident Insurance

Individual Credit Insurance

Travel Insurance

Health Insurance

Comprehensive Personal Insurance

Home Contents Insurance

Management Discussion and Analysis Report

Company Overview and Business

National Life and General Insurance Company SAOG (NLGIC) has been a leader in the insurance industry for more than 25 years, offering a wide range of personal lines and group insurance solutions in Medical, Life and General Insurance segments. It holds a successful track record of business performance with operations covering the Sultanate of Oman, United Arab Emirates (UAE) and Kuwait.

In 2022, NLGIC completed the purchase of a 100% shareholding in Royal and Sun Alliance Middle East (RSA ME), a subsidiary of Royal and Sun Alliance (RSA).RSA ME has operated in the region for over 60 years, bringing best-in-class international solutions and expertise for both commercial and retail clients across a range of product lines, including motor, property, medical, SME as well as tailored solutions for large corporates.

RSA ME is now a wholly owned subsidiary of NLGIC and has expanded the existing operational footprint to cover 5 core GCC markets, including the Kingdoms of Saudi Arabia and Bahrain. RSA ME remains a majority shareholder in Al Alamiya for Cooperative Insurance Co. (Al Alamiya) in the Kingdom of Saudi Arabia and in Al Ahlia Insurance Co. SAOG (AAIC) in the Sultanate of Oman, with NLGIC recently completing the purchase of the remaining 47.5% minority stake in Al Ahlia Insurance Company (AAIC).

Established in 1985, Al Ahlia is one of the longest serving non-life insurance companies in Oman and offers a wide range of products and services in the retail sector including Motor, Travel, Personal Accident and Home products that further complement the NLGIC product suite.

A comprehensive integration is currently in effect which will bring together and further strengthen the operations, management, branding, products, governance and incentive structures of the business to support in the delivery of the NLGIC Group's strategic growth plans. The transaction will allow NLGIC to expand its customers' reach across the region and realize potential resource, technology and proposition synergies to better serve individual and corporate customers needs in its position as a well-diversified pan-GCC player.

At the heart of this growth comes our purpose; to "instil confidence in people to live the life they want, well prepared for the unexpected" which we will achieve by "creating a beyond insurance ecosystem that has customer needs at the core". This is our North, and our newly introduced values act as our guiding principles in how we conduct business: We will be Agile, Acceptive, Ambitious and Accountable in our pursuit.

We pride ourselves on being amongst the top 10 players in the region and stand by our ambition of being "a leading regional multi-line insurance company delivering value to customers, beyond insurance, and sustainable and profitable earnings to our shareholders."

We welcome onboard four new Board members who bring with them a wealth of knowledge and experience: Said Binzagr, Tareq Al Sadhan, Adnan Hamza Mohammed Bogary and Yousef Al Quraishi. Further reinforced by the appointment of a new Executive Team: S. Venkatachalam, Regional Chief Executive Officer of Health, Life and Supply Chain of NLGIC Group, Dr Dhafir Awadh Al Shanfari, Group Chief Operating Officer of NLGIC Group, and Hanaa Fahad Al Hinai, Chief Executive Officer of Al Ahlia Insurance.

My sincere thanks are extended to all those involved in facilitating this transaction – our staff, shareholders, and regulatory authorities, in particular the Ministry of Finance, the Capital Market Authority (CMA) and Muscat Stock Exchange.

We remain committed to our role as a trusted insurance partner providing competitive insurance solutions, advanced technological systems and a strong after-sales service with a customer-centric approach at our core.

Industry Overview

Oman

The total Omani insurance industry increased its Gross Written Premium (GWP) by 12.2% to OMR 545.5 million in 2022. Health products continued to account for the largest share (35%) of the total insurance portfolio rising to OMR 191.5 million from OMR 162.4 million in 2021, underlining the move towards compulsory health insurance inclusive of private sector and domestic workers. Group life insurance premiums have shown the highest growth rate, with an increase by 26.1 %.

The CMA adopted a new approach to calculating the solvency margin of insurance companies, which reflects the ability of insurers to discharge their obligations to policyholders. We concur with the CMA's assessment that risk-based calculations will boost investor confidence in Oman's insurance sector by bolstering sound management practices in its companies. The move will enhance the capital of insurance companies, the possibility of identifying the risks to which each company is exposed and protect the rights of policyholders, shareholders and related parties.

UAE

The UAE market saw top line growth of 11% for listed companies, closing the year at OMR 3.0 billion. The industry benefited from mandatory schemes with some local companies ceding business to each other. Adverse impact to profitability was driven by reduction in rates, specifically in Motor over the 2020-21 period as well as the increase in commissions. Intense price competition has also affected the margins of insurance players, and net profit for the industry has dropped by around OMR 48 million or 23% YoY to OMR 160 million.

With the significant impact on profitability, requirements to improve solvency positions and the onset of the new Accounting Standard IFRS 17, 2023 will be a year in which the UAE insurance industry focuses on fundamentals in terms of pricing, risk selection and overall risk management.

Kingdom of Saudi Arabia (KSA)

The insurance market in Saudi Arabia continued to grow in 2022 with GWP at OMR 5.5 billion and with penetration levels of 1.3% and a growing population, this remains a market ripe for opportunity in the GCC. Health insurance dominates, accounting for 66% of total GWP followed by Motor insurance at 19.4% of GWP. Competition remains intense in this market with 29 insurance players and authorities have long encouraged mergers and acquisitions to rebalance the volume of providers with the demand for their services, in support of profit margins. We therefore expect the current trend of M&A activities to continue in the coming years.

Bahrain

We expect the insurance sector to grow steadily, mainly due to an increase in the public awareness on the importance of the insurance products in general, as well as to the soundness of the regulatory and supervisory framework of the country's insurance market. The general insurance market is currently driven by medical insurance, representing 32% closely followed by Motor with 25%.

Kuwait

In a fragmented market, the medium-term outlook for Kuwait's insurance industry is positive, with the life- and non-life sectors expected to record steady premium growth. One way to stimulate growth is the expansion of distribution channels and the development of more market-appropriate products.

Financial Overview

The Company's financial highlights for the year 2022 is as given below:

		RO in Millions
Particulars (Parent)	**31-Dec-22**	**31-Dec-21**
Gross Written Premium	**164.4**	146.5
Net Underwriting Results	**15.1**	16.4
Net Investment Income	**6.4**	5.9
Net Profit After Tax	**3.7**	7.5
EPS in OMR	**0.01**	0.03
Total Assets	**330.8**	194.6
Share capital	**39.8**	26.5
Total Equity	**112.0**	66.4
Net Assets per share in OMR	**0.28**	0.25

		RO in Millions
Particulars (Group)	**31-Dec-22**	**31-Dec-21**
Gross Written Premium	**231.1**	146.5
Net Underwriting Results	**27.8**	16.4
Net Investment Income	**6.8**	5.8
Net Profit After Tax	**3.1**	7.5
EPS in OMR	**0.01**	0.03
Total Assets	**481.2**	195.4
Share capital	**39.8**	26.5
Total Equity	**129.3**	66.4
Net Assets per share in OMR	**0.28**	0.25

The Group results for the year ended 31 December, 2022 include RSA Middle East's results from 7 July 2022-31 December 2022.

The key parameters of the Company's profitability are discussed below.

Gross Written Premium (GWP)

The Parent company observed 12% GWP growth to RO 18 million, when compared to 2021. This was driven by the Group medical business in Oman (RO 2.7 million) and UAE, where a particularly strong growth of 25% was observed across medical portfolios in Dubai and Abu Dhabi (RO 18.2 million). This was offset by lower-than-expected activity in our Group credit Life business (RO 1 million) and Oman motor segment (RO 2.3 million).

The Group revenues were further supported by ongoing growth across the Motor Personal Lines portfolio in KSA, and an increase in premiums in the Non-Motor Commercial Lines in the UAE driving a premium increase by nearly OMR 16m compared to previous year. Motor Personal Lines portfolio in the UAE shrunk by OMR 2 million due to the ongoing intense price pressure in the market

Net Underwriting Result (NUR)

An 8% fall in NUR of RO 1.2 million was observed in the Parent company, mainly due to a decrease in our Oman Group medical business (RO 4.4 million) and our Oman motor business (RO 2.8 million). This was compensated for by an NUR increase from our UAE Group medical business (RO 4.8 million) where the loss ratios in both the Dubai and Abu Dhabi portfolios improved substantially. Competition in the UAE market has driven down motor rates affecting the underwriting results, however the rates have bottomed out and recovery is expected.

In Saudi Arabia, we have successfully delivered controlled growth of our Motor personal lines business and in the commercial lines segment, we have successfully increased the Non-Motor portfolio in the KSA and UAE by OMR 7.2m combined. We remain committed to profitable growth and our Non-Motor expansion to further balance our portfolio composition.

Investment Income

A 9% investment income growth to RO 6.402 million was achieved at a Parent level. In 2022, investment income includes RO 1.6 million profit from investments in RSA, a one-time gain from a bond sale of RO 828,000 and the loss of OMR 0.3 million following disposal of an equity portfolio in Kuwait The inclusion of the RSA ME portfolio enhances our investment asset base and will support improving yields as part of our growth-oriented investment strategy.

Profitability (PAT)

PAT fell 51% to RO 3.7 million at the Group level when compared to previous year. This is primarily due to a rise in medical claims driven by post-pandemic consumer confidence in returning to hospitals for awaited procedures, and in motor claims following the easing of lockdown restrictions. A surge in court settlements arising from motor injuries was observed, alongside premium reduction to maintain market share in Oman. In Commercial lines in KSA, corrective action has been taken on a few accounts where profitability was impacted by high levels of claims.

Challenges

Challenges faced by the Company affecting profitability and NUR in 2022 were: (i) an increase in the claims' ratio in our motor portfolio due to large court settlements for third-party and personal accident injuries; (ii) pricing pressure in the Oman and UAE motor segments from competitors due to favourable loss ratios in the previous year driving reduce premium rate activity to retain business and market share; and (iii) a rise in the medical claims ratio in Oman, driven by increased hospital visits and elective in-patient treatment postponed in 2021 due to the pandemic.

Corrective and mitigating measures have been implemented where required. On motor, we are pro-actively contacting motor claim customers in disability cases to initiate amicable out-of-court settlement agreements, managing future claim levels and further improving loss ratios in the near term. Corrective action on motor premium rates in line with market sentiment has been taken, and motor rate recovery in KSA will positively impact the earned premium basis for 2023.

Awards and Recognitions

The Company and its subsidiaries won numerous awards in 2022, including:

- Oman's Most Trusted Brand Award in the Insurance segment for the second consecutive year
- Oman's Most Innovative Insurer
- Top Omani Brands 2022 in the Insurance category
- Excellence in Insurance Award – OER New Age Banking and Finance Summit, Oman
- AIWA Award for the Best Performing Company in the Large Cap segment.

In addition, the CMA released its Market Index Report covering 2020-21, confirming NLGIC's market leadership in both Omani Motor and Medical insurance.

Digital Transformation

We firmly believe digitalisation, automation and artificial intelligence will improve our customer offering, drive greater speed and efficiency, and protect our core systems. In the UAE, we decentralised our medical insurance system, spanning our operating system, database, network and storage. We received NESA and ADHICS compliance certification from Dubai and Abu Dhabi health regulators for meeting our cyber security obligations and implemented stringent vulnerability controls.

Furthermore, we implanted digital signage to broadcast any content from head office, went live with an application planning interface with three partners and enabled the installation of a premium collection facility in our Thawani payment gateway.

Internal Controls

The Board places significant importance on a robust internal control environment responsible for safeguarding the Company's assets and the interests of its shareholders. Controls are in place across all areas of the organisation to prevent, identify and adjust errors or deviations. The Board is assisted by the Audit and Controls Committee (ACC) in this task. The ACC reviews the Company's internal controls and reports to the Board on their effectiveness following the completion of internal and external auditor reports, as per the Board-approved Internal Audit Plan. In addition to this, a Quality and Internal Control department is in place to review our internal controls.

Enterprise Risk Management Framework

NLGIC follows a comprehensive risk management policy to address risks inherent to strategies, operations, finance and compliance, and their resulting impact. The policy has been designed to outline the mechanism for identification, assessment, treatment, monitoring and reporting of risks, including any emerging risks. Risk management also includes an IT security governance (both preventive and corrective) review that assess the preparedness and precautions taken against various cyber threats.

The Company manages its risks through three lines of defence: the Business/Process owners, the Risk Management department and the Board of Directors. Our Enterprise Risk Management process with oversight of risk activities and the assessment of its effectiveness by the ACC and Board, ensures strong organisational performance and operational excellence.

Acknowledgements

On behalf of the Company and all our staff, I express our sincere gratitude and appreciation to His Majesty Sultan Haitham bin Tarik as he leads the Sultanate on the path of peace, sustainable development and prosperity.

I thank the CMA, Government bodies and Ministry departments in the Sultanate of Oman, the United Arab Emirates and Kuwait for their guidance and wisdom. I also want to put on record my gratitude to our investors, the Board of Directors, customers, business partners, reinsurers and staff of the Company for their unwavering support.

Martin Rueegg,
Group Chief Executive Officer
NLGIC Group

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Independent auditors' report

To the Shareholders of National Life and General Insurance Company SAOG

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate and consolidated financial statements of National Life and General Insurance Company SAOG ("the Company") and its subsidiaries (together referred to as the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2022, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

Valuation of insurance contract liabilities

See Note 4.1, 4.2, 4.3, 19 and 20 to the separate and consolidated financial statements.

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

Key Audit Matters (continued)

Recoverability of insurance and reinsurance receivables

See Note 4.4 and 8 to the separate and consolidated financial statements.

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

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements

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

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

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

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

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

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

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

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Kenneth Macfarlane
27 February 2023

KPMG LLC

KPMG
KPMG LLC
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CR.No: 1358131

STRONG TRACK-RECORD
NEW BENCHMARKS

A- Excellent Rating

AM Best Rating

Financial Strength Rating: A- (Excellent)
Long-Term Issuer Credit Rating: A- (Excellent)

Our new ratings reflect our balance sheet strength, strong operating performance, neutral business profile and appropriate enterprise risk management.

Financial Statements

Statement of Financial Position

As at 31 December 2022

	Notes	Group 2022 RO	Group 2021 RO	Parent Company 2022 RO	Parent Company 2021 RO
ASSETS					
Cash and bank balances	5 (a)	**47,914,047**	14,431,408	**19,631,657**	13,222,586
Bank deposits	6	**147,277,552**	47,393,330	**42,143,517**	47,393,330
Investment in securities	7 (a)	**100,839,325**	50,671,815	**56,376,006**	50,671,815
Investment in subsidiaries	7 (b)	**-**	-	**121,559,265**	949,759
Insurance and reinsurance receivables	8	**81,114,393**	49,382,592	**53,589,712**	49,382,592
Reinsurance share of outstanding claims and IBNR reserve	19	**23,262,905**	6,284,674	**6,498,774**	6,284,674
Reinsurance share of actuarial / mathematical and unexpired risk reserve	20	**18,082,401**	11,230,415	**12,165,379**	11,230,415
Other receivables and prepayments	9	**23,581,728**	8,623,931	**11,707,753**	8,230,823
Loans to policyholders	10	**47,587**	70,204	**47,587**	70,204
Property and equipment	12	**9,131,126**	6,619,588	**6,280,651**	6,498,056
Deferred tax asset	30	**638,574**	259,592	**398,570**	240,122
Intangible assets (including goodwill)	13	**26,572,822**	449,051	**425,455**	449,051
Total assets		**478,462,460**	195,416,600	**330,824,326**	194,623,427
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	**39,837,434**	26,500,000	**39,837,434**	26,500,000
Legal reserve	15	**9,199,031**	8,833,333	**9,199,031**	8,833,333
Contingency reserve	16	**17,531,397**	15,147,024	**17,531,397**	15,147,024
Revaluation reserve	17	**352,345**	352,345	**352,345**	352,345
Share premium		**29,176,468**	-	**29,176,468**	-
Fair value reserve		**(627,007)**	259,524	**(627,007)**	259,524
Foreign exchange translation reserve		**(45,460)**	(21,976)	**(45,460)**	(21,976)
Retained earnings		**13,789,249**	15,357,050	**16,564,524**	15,357,050
Total equity attributable to shareholders of the Parent		**109,213,457**	66,427,300	**111,988,732**	66,427,300
Non-controlling interests		**17,268,751**	-	**-**	-
Total equity		**126,482,208**	66,427,300	**111,988,732**	66,427,300
Liabilities					
Gross outstanding claims and IBNR reserve	19	**79,562,251**	28,717,762	**31,319,829**	28,717,762
Gross actuarial / mathematical and unexpired risk reserve	20	**101,738,096**	57,250,770	**62,086,543**	57,250,770
Due to reinsurers	21	**25,449,995**	8,277,998	**11,985,821**	8,277,998
Other liabilities	22	**61,219,213**	25,969,292	**36,030,138**	25,176,119
Term Loan & Overdraft from Bank	5 (b)	**77,093,974**	7,500,000	**77,093,974**	7,500,000
Income tax payable	30	**6,916,723**	1,273,478	**319,289**	1,273,478
Total liabilities		**351,980,252**	128,989,300	**218,835,594**	128,196,127
Total equity and liabilities		**478,462,460**	195,416,600	**330,824,326**	194,623,427
Net assets per share	24	**0.274**	0.251	**0.281**	0.251

The consolidated financial statements were authorised for issue in accordance with a resolution of the board of directors on 22 February 2023.

Chairman **Deputy Chairman** **Group Chief Executive Officer**

The attached notes from 1 to 36 form part of these separate and consolidated financial statements. The independent auditors' report is set out on pages 1 to 6.

Separate and consolidated statement of profit or loss

For the year ended 31 December 2022

	Notes	Group 2022 RO	Group 2021 RO	Parent Company 2022 RO	Parent Company 2021 RO
Statement of profit or loss					
Income					
Gross premium written	25.1	**231,076,190**	146,458,990	**164,429,177**	146,458,990
Gross premium earned	25.1	**219,152,372**	140,749,733	**159,593,404**	140,749,733
Reinsurance share of ceded premium Earned	25.1	**(36,451,448)**	(23,372,284)	**(25,691,980)**	(23,372,284)
Net premium earned		**182,700,924**	117,377,449	**133,901,424**	117,377,449
Commission income	25.2	**4,462,427**	2,699,046	**3,549,284**	2,699,046
Income from policy fees		**1,115,752**	1,117,558	**1,115,752**	1,117,558
Gross claims expense	19	**(166,264,342)**	(116,929,034)	**(131,162,834)**	(116,929,034)
Reinsurance share of gross claims expense	25.2	**26,905,988**	24,312,425	**20,559,927**	24,312,425
Commission expense		**(21,106,925)**	(12,214,986)	**(12,842,864)**	(12,214,986)
Net underwriting income		**27,813,824**	16,362,458	**15,120,689**	16,362,458
Investment income - net	27	**6,788,248**	5,791,613	**6,402,206**	5,878,117
Expected credit losses on financial assets		**(12,562)**	(25,693)	**(12,562)**	(25,693)
Other operating income – net	28	**235,062**	51,068	**105,307**	76,352
Third party administration fees		**(1,288,654)**	(1,033,280)	**(2,781,355)**	(2,323,730)
General and administrative expenses	29	**(27,574,150)**	(12,399,641)	**(13,293,654)**	(11,240,580)
Finance cost		**(1,630,705)**	(76,855)	**(1,579,248)**	(76,855)
Amortisation of intangible assets	13.1	**(301,990)**	(23,596)	**(23,596)**	(23,596)
Profit before tax		**4,029,073**	8,646,074	**3,937,787**	8,626,473
Income tax expense	30	**(921,294)**	(1,172,512)	**(280,796)**	(1,152,911)
Profit for the year		**3,107,779**	7,473,562	**3,656,991**	7,473,562
Profit for the year attributable to:					
Equity holders of the Parent Company		**3,656,991**	7,473,562	**3,656,991**	7,473,562
Non-controlling interests		**(549,212)**	-	**-**	-
		3,107,779	7,473,562	**3,656,991**	7,473,562
Other comprehensive income (Items that are or may be reclassified subsequently to profit or loss):					
Exchange differences on translation of foreign operations	7 (b)	**(23,484)**	1,734	**(23,484)**	1,734
Changes in fair value of debt instruments at fair value through other comprehensive income – net		**(774,804)**	(397,351)	**(1,045,851)**	(397,351)
(Items that will not be reclassified to profit or loss):					
Changes in fair value of equity instruments at fair value through other comprehensive income – net		**113,145**	1,298,970	**459,874**	1,298,970
Other comprehensive (loss) / income		**(685,143)**	903,353	**(609,461)**	903,353
Total comprehensive income for the year		**2,422,636**	8,376,915	**3,047,530**	8,376,915
TOTAL COMPREHENSIVE INCOME for the year attributable to:					
Equity holders of the Parent Company		**3,047,530**	8,376,915	**3,047,530**	8,376,915
Non-controlling interests		**(624,894)**	-	**-**	-
		2,422,636	8,376,915	**3,047,530**	8,376,915
Earnings per share - basic and diluted	31	**0.011**	0.028	**0.011**	0.028

Items in other comprehensive income above are disclosed net of tax. The tax relating to components of other comprehensive income is disclosed in note 30.

The attached notes from 1 to 36 form part of these separate and consolidated financial statements. The independent auditors' report is set out on pages 1 to 6.

Statement of changes in equity

As at 31 December 2022

	Share capital	Share Premium	Legal reserve	Contingency reserve	Revaluation reserve	Fair value reserve	Foreign exchange translation reserve	Retained Earnings	Non controlling Interest	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Group										
At 1 January 2021	26,500,000	-	8,261,717	12,970,009	447,420	438,638	(23,710)	18,826,386	-	67,420,460
Profit for the year	-	-	-	-	-	-	-	7,473,562	-	7,473,562
Change in value of investments carried at fair value through other comprehensive income	-	-	-	-	-	901,619	-	-	-	901,619
Change in foreign exchange fluctuation reserve	-	-	-	-	-	-	1,734	-	-	1,734
Total comprehensive income for the period	-	-	-	-	-	901,619	1,734	7,473,562	-	8,376,915
Transfer on sale of fair value through other comprehensive investments	-	-	-	-	-	(1,080,733)	-	1,080,733	-	-
Transfer to legal reserve	-		571,616	-	-	-	-	(571,616)	-	-
Transfer to contingency reserve	-	-	-	2,177,015	-	-	-	(2,177,015)	-	-
Revaluation of asset	-	-	-	-	(95,075)	-	-	-	-	(95,075)
Dividends declared and paid (Note 18)	-	-	-	-	-	-	-	(9,275,000)	-)	(9,275,000
At 31 December 2021	26,500,000	-	8,833,333	15,147,024	352,345	259,524	(21,976)	15,357,050	-	66,427,300

The attached notes from 1 to 36 form part of these separate and consolidated financial statements. The independent auditors' report is set out on pages 1 to 6.

Statement of changes in equity (continued)

As at 31 December 2022

	Share capital	Share Premium	Legal reserve	Contingency reserve	Revaluation reserve	Fair value reserve	Foreign exchange translation reserve	Retained Earnings	Non controlling Interest	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Group										
At 1 January 2022	**26,500,000**	**-**	**8,833,333**	**15,147,024**	**352,345**	**259,524**	**(21,976)**	**15,357,050**	**-**	**66,427,300**
Profit for the year	-	-	-	-	-	-	-	3,656,991	(549,212)	3,107,779
Change in value of investments carried at fair value through other comprehensive income	-	-	-	-	-	(608,174)	-	-	(75,682)	(683,856)
Cumulative Impairment of Debt instruments under FVOCI-IFRS 9	-	-	-	-	-	22,197	-	-	-	22,197
Change in foreign exchange fluctuation reserve	-	-	-	-	-	-	(23,484)	-	-	(23,484)
Total comprehensive income for the year:	-	-	-	-	-	(585,977)	(23,484)	3,656,991	(624,894)	2,422,636
Issuance of Share capital (note 14)	13,337,434	29,176,468	-	-	-	-	-	-	-	42,513,902
Transfer on sale of fair value through other comprehensive investments	-	-	-	-	-	(300,554)	-	300,554	-	-
Transfer to Legal reserve	-	-	365,698	-	-	-	-	(365,698)	-	-
Transfer to contingency reserve	-	-	-	2,384,373	-	-	-	(2,384,373)	-	-
Acquisition of NCI Share (47.5%) of Al Ahlia (note 7(b)(iv))	-	-	-	-	-	-	-	(2,775,275)	(19,359,725)	(22,135,000)
Acquisition of NCI related to RSA ME (note 13.3)	-	-	-	-	-	-	-	-	37,253,370	37,253,370
At 31 December 2022	39,837,434	29,176,468	9,199,031	17,531,397	352,345	(627,007)	(45,460)	13,789,249	17,268,751	126,482,208

The attached notes from 1 to 36 form part of these separate and consolidated financial statements. The independent auditors' report is set out on pages 1 to 6.

Statement of changes in equity (continued)

As at 31 December 2022

	Share capital	Share Premium	Legal reserve	Contingency reserve	Revaluation reserve	Fair value reserve	Foreign exchange translation reserve	Retained Earnings	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
Parent									
At 1 January 2021	26,500,000	-	8,261,717	12,970,009	447,420	438,638	(23,710)	18,826,386	67,420,460
Profit for the year	-	-	-	-	-	-	-	7,473,562	7,473,562
Change in value of investments carried at fair value through other comprehensive income	-	-	-	-	-	901,619	-	-	901,619
Change in foreign exchange fluctuation reserve	-	-	-	-	-	-	1,734	-	1,734
Total comprehensive income for the period	-	-	-	-	-	901,619	1,734	7,473,562	8,376,915
Transfer on sale of fair value through other comprehensive investments	-	-	-	-	-	(1,080,733)	-	1,080,733	-
Transfer to legal reserve	-	-	571,616	-	-	-	-	(571,616)	-
Transfer to contingency reserve	-	-	-	2,177,015	-	-	-	(2,177,015)	-
Revaluation of asset	-	-	-	-	(95,075)	-	-	-	(95,075)
Dividends declared and paid (Note 18)	-	-	-	-	-	-	-	(9,275,000)	(9,275,000)
At 31 December 2021	26,500,000	-	8,833,333	15,147,024	352,345	259,524	(21,976)	15,357,050	66,427,300

The attached notes from 1 to 36 form part of these separate and consolidated financial statements. The independent auditors' report is set out on pages 1 to 6.

Statement of changes in equity (continued)

As at 31 December 2022

	Share capital	Share Premium	Legal reserve	Contingency reserve	Revaluation reserve	Fair value reserve	Foreign exchange translation reserve	Retained Earnings	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
Parent									
At 1 January 2022	26,500,000	-	8,833,333	15,147,024	352,345	259,524	(21,976)	15,357,050	66,427,300
Profit for the year	-	-	-	-	-	-	-	3,656,991	3,656,991
Change in value of investments carried at fair value through other comprehensive income	-	-	-	-	-	(608,174)	-	-	(608,174)
Cumulative Impairment of Debt instruments under FVOCI-IFRS 9	-	-	-	-	-	22,197	-	-	22,197
Change in foreign exchange fluctuation reserve	-	-	-	-	-	-	(23,484)	-	(23,484)
Total comprehensive income for the year:	-	-	-	-	-	(585,977)	(23,484)	3,656,991	3,047,530
Issuance of Share capital (note 14)	13,337,434	29,176,468	-	-	-	-	-	-	42,513,902
Transfer on sale of fair value through other comprehensive investments	-	-	-	-	-	(300,554)	-	300,554	-
Transfer to Legal reserve	-	-	365,698	-	-	-	-	(365,698)	-
Transfer to contingency reserve	-	-	-	2,384,373	-	-	-	(2,384,373)	-
At 31 December 2022	39,837,434	29,176,468	9,199,031	17,531,397	352,345	(627,007)	(45,460)	16,564,524	111,988,732

The attached notes from 1 to 36 form part of these separate and consolidated financial statements. The independent auditors' report is set out on pages 1 to 6.

Statement of cash flows

For the year ended 31 December 2022

	Notes	Group		Parent Company	
		2022	2021	**2022**	2021
		RO	RO	**RO**	RO
Operating activities					
Net profit before tax for the year		**4,029,073**	8,646,074	**3,937,787**	8,626,473
Adjustments for:					
Realised / unrealised (loss)/ gain on investments at FVTPL, FVOCI, Amortised cost – net	27	**291,302**	(917,794)	**293,594**	(917,794)
Share of profits of investment in subsidiaries	7 (b)	**-**	-	**(1,705,308)**	(86,504)
Provision for expected credit loss of financial assets		**13,070**	25,693	**12,562**	25,693
Allowance for impaired debts	29	**1,582,681**	523,872	**529,608**	523,872
Provision for employees' end of service Benefits	29	**469,858**	166,242	**214,591**	172,595
Interest income net of amortization	27	**(6,898,638)**	(4,628,144)	**(4,818,944)**	(4,628,144)
Finance cost		**1,630,705**	76,855	**1,579,248**	76,855
Dividend income	27	**(256,895)**	(295,506)	**(247,531)**	(295,506)
Depreciation	12	**1,568,890**	979,988	**893,464**	919,835
Amortisation of intangible assets	13.1	**301,990**	23,596	**23,596**	23,596
Profit on disposal of property and equipment	28	**-**	(4,808)	**-**	(4,808)
Operating cash flows before movement in working capital		**2,732,036**	4,596,068	**712,667**	4,436,163
Changes in working capital					
Insurance and reinsurance receivables		**(5,144,130)**	(6,710,932)	**(4,679,756)**	(6,710,932)
Other receivables and prepayments		**4,038,808**	(3,042,798)	**(3,585,599)**	(2,921,693)
Reinsurance share of outstanding claims and IBNR reserve		**(1,484,291)**	(417,516)	**(214,100)**	(417,516)
Reinsurance share of actuarial / mathematical and unexpired risk reserve		**(762,826)**	(922,500)	**(934,964)**	(922,500)
Gross outstanding claims and IBNR reserve		**8,404,014**	5,546,686	**2,602,067**	5,546,686
Gross actuarial / mathematical and unexpired risk reserve		**(3,402,439)**	5,709,257	**4,835,773**	5,709,257
Due to reinsurers		**6,849,377**	189,969	**3,707,823**	189,969
Other liabilities		**9,857,258**	2,732,404	**8,687,148**	2,011,730
		21,087,807	7,680,638	**11,131,059**	6,921,164
Employees› end of service benefits paid	22.1	**(878,267)**	(48,123)	**(120,503)**	(40,643)
Income tax paid	30	**(1,321,176)**	(2,574,844)	**(1,240,502)**	(2,546,582)
Net cash generated from operating activities		**18,888,364**	5,057,671	**9,770,054**	4,333,939

Statement of cash flows (continued)

For the year ended 31 December 2022

	Notes	Group 2022 RO	Group 2021 RO	Parent Company 2022 RO	Parent Company 2021 RO
Investing activities					
Movement in bank deposits		**1,685,973**	(5,822,005)	**5,261,951**	(5,822,005)
Purchase of property and equipment (including intangible)	12 & 13	**(1,270,192)**	(749,681)	**(676,059)**	(720,602)
Purchase of investment securities		**(10,648,529)**	(13,083,451)	**(10,441,267)**	(13,083,451)
Net cash acquired on acquisition of a subsidiary	7 (b)(iv) & 13	**(55,314,045)**	-	**(74,195,600)**	-
Proceeds from disposal of investment securities		**3,569,987**	15,902,218	**3,481,487**	15,902,218
Proceeds from disposal of property and equipment		**122,241**	3,544	**-**	3,544
Interest income received from bank deposits, bonds and securities		**8,373,005**	4,404,217	**5,097,391**	4,404,217
Dividends received		**231,724**	295,506	**231,724**	295,506
Net movement in loans to policyholders		**22,625**	43,680	**22,625**	43,680
Net cash (used in)/ generated from investing activities		**(53,227,211)**	994,028	**(71,217,748)**	1,023,107
Financing activities					
Finance costs paid		**(1,579,248)**	(76,855)	**(1,579,248)**	(76,855)
Dividends paid	18	**-**	(9,275,000)	**-**	(9,275,000)
Increase in share capital/share issue expenses		**(165,888)**		**(165,888)**	-
Proceeds / (repayment of) from term loan		**69,593,974**	7,500,000	**69,593,974**	7,500,000
Net cash generated from/ (used in) financing activities		**67,848,838**	(1,851,855)	**67,848,838**	(1,851,855)
Net increase in cash and cash equivalents		**33,509,991**	4,199,844	**6,401,144**	3,505,191
Currency translation adjustment		**(23,484)**	1,734	**-**	-
Cash and cash equivalents at the beginning of the year	5 (a)	**14,469,199**	10,267,621	**13,260,377**	9,755,186
Cash and cash equivalents at the end of the year	5	**47,955,706**	14,469,199	**19,661,521**	13,260,377

The attached notes from 1 to 36 form part of these separate and consolidated financial statements. The independent auditors' report isset out on pages 1 to 6.

Notes to Financial Statements

As at 31 December 2022

1. Legal status and principal activities

National Life and General Insurance Company SAOG ("the Company" or "the Parent Company") is a public joint stock company incorporated in the Sultanate of Oman in 1995 and is engaged in the business of life and general insurance within the Sultanate of Oman, United Arab Emirates (UAE) and Kuwait. It commenced its operations with life and health business in Oman and diversified into general insurance business after obtaining general insurance license in 2006. The Company has expanded its operations in UAE with a branch in Dubai to transact life insurance business as per the license dated 13 May 2007 issued by United Arab Emirates Insurance Authority. During 2014, the Parent Company obtained a license dated 8 May 2014 to have a branch in Abu Dhabi issued by United Arab Emirates Insurance Authority and commenced operations in Abu Dhabi during 2015 onwards. During October 2017, the Company has obtained license for branch operations in Kuwait and has commenced life and general business from January 2018.

In accordance with the Royal Decree 39/2014 dated 17 August 2014 (the "RD"), all insurance companies registered under Commercial Companies Law should be a Public Joint Stock Company with a minimum paid up capital of RO 10 million within 3 years from the date of the RD. Accordingly, the Company's completed the IPO process transforming itself from a closed joint stock company to a Public Oman Joint Stock Company (SAOG) and listed the Company's shares for trading on the MSM from 6 December 2017 onwards.

The Parent Company is a subsidiary of Oman International Development and Investment Company SAOG (OMINVEST), a public joint stock company incorporated in the Sultanate of Oman, which is the ultimate parent company.

The Parent Company has three fully owned subsidiaries Royal & Sun Alliance Insurance (Middle East) (RSA ME) in Bahrain ,"NLGIC Support Services Private Limited' in India and "Inayah TPA LLC" in UAE due to which consolidated financial statements comprise of the Parent Company and its subsidiaries (together referred to as the Group). The separate financial statements represent the financial statements of the Parent Company on a stand-alone basis. The separate and consolidated financial statements are collectively referred to as "the separate and consolidated financial statements".

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of Measurement

These separate and consolidated financial statements have been prepared on the historical cost basis except for the investments carried at fair value through other comprehensive income and investments carried at fair value through profit or loss which are measured at fair value.

Notes to Financial Statements

As at 31 December 2022

2.3 Functional and presentation currencies

These separate and consolidated financial statements are presented in Rial Omani, which is the Parent Company and Group's functional and presentation currency. The functional currencies of the Group's operations are as follows:

- Sultanate of Oman: Rial Omani
- United Arab Emirates: UAE Dirham
- Kuwait: Kuwaiti Dinar
- India: Indian Rupees
- Saudi Arabia - Saudi Riyal
- Bahrain - Bahraini Dinar

2.4 Use of estimates and judgments

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

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

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

2.5 Standards and interpretations adopted for accounting period beginning on 1 January 2022

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2022.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvement to IFRS Standards 2018-2020

The adoption of the above amended standards did not result in changes to previously reported net profit or equity of the Company.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies

3.1 Basis of consolidation and accounting in separate financial statements Basis of consolidation

(a) Business of consolidation

(i) Business combinations

The consolidated financial statements comprise those of the Parent Company and each of its subsidiaries as at 31 December each year. Subsidiaries are all entities (including special purpose entities) over which the Group exercise control. Control is achieved when the Parent Company.

- has power over the investee;
- is exposed, or has rights, to variable returns from is involvement with the investee; and
- has the ability to use its power to affect the Investee's returns

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the particle ability to relevant facts and circumstance in assessing whether or not the Parent Company's voting rights in an investee are to give it power including:

- The size of the Parent Company's holding of the voting rights relative to the size and dispersion of holding of the other vote holders;
- Potential voting rights held by the parent company, other holders or other parties;
- Rights arising from other contractual arrangements;
- Any facts and circumstances that indicates that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time the decision need to be made, including voting patterns at previous shareholders meetings

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owner of the Parent Company and to the non- controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statement of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statement of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.1 Basis of consolidation and accounting in separate financial statements Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amount of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interest in subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received directly is equity and attributed to the owners of the Parent Company.

Non-controlling interests in subsidiaries are identified separately from Group's equity therein. The interests of non-controlling interest's shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by- acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity and impairment of intangible assets. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of consideration received and the fair value of any retained interest; and
- The carrying amount of assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to subsidiary are accounted for as if the Group has directly disposed of the assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of an investment as associate or joint venture.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.1 Basis of consolidation and accounting in separate financial statements Basis of consolidation (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service

(b) Accounting in separate financial statements

In the Parent Company's separate financial statements, the Company has adopted equity method of accounting for its investment in subsidiaries.

Under the equity method adopted in the separate financial statements of the Parent Company, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the share of net assets of the subsidiary since the acquisition date in the separate financial statements of the Parent Company. The statement of profit or loss and other comprehensive income in the Parent Company's separate financial statements reflects the share of the results of operations of the subsidiary. Any change in other comprehensive income of those investees is presented as part of the Parent Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Parent Company and the subsidiary are eliminated to the extent of the interest in the subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company. After application of the equity method, the Parent Company determines whether it is necessary to recognize an impairment loss on its investment in its subsidiary in its separate financial statements. At each reporting date, the Parent Company determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, then recognizes the loss as "share of results of subsidiary" in profit or loss.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.1 Basis of consolidation and accounting in separate financial statements Basis of consolidation (continued)

(d) Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(e) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(f) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equityaccounted investees, until the date on which significant influence or joint control ceases.

(g) Transactions eliminated on consolidation

Intra Group balances and transactions, and anu unrealized income and expenses (except for foreign currency transactions gains or losses) resining from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Group's interest in investee. Unrealized loss are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

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

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

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.2 Foreign currency (continued)

As at the reporting date, the assets and liabilities of the foreign subsidiary entity is translated into the functional currency of the consolidated financial statements (the Rial Omani) at the rate of exchange ruling at the reporting date and its profit or loss is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a foreign currency translation reserve in other comprehensive income. On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognized in the statement of profit or loss.

3.3 Insurance contracts

(a) Classification

The Group issues contracts that transfer either insurance risk or both insurance and financial risks. Such contracts may also transfer financial risk.

The Group classifies investment contracts as those contracts that transfer financial risk with no significant insurance risk.

The Group issues certain insurance contracts which contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on the surplus generated on a specified pool of contracts.

There are no local statutory regulations which set out the bases for the determination of the amounts on which the additional discretionary benefits are based, the amounts payable being determined by the Company's board of directors on an annual basis.

(b) Recognition and measurement

Life and medical insurance contracts are classified into five main categories which are described below. In addition, the Group writes short term individual medical and personal accident policies.

Individual life policies

These consist of the following types of policies:

a. With profits conventional policies (i.e., policies with a discretionary participation feature) which insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they are received. Provisional premiums are recognised at year end for premium receivables of policies which have not lapsed. Benefits are recorded as an expense when they are incurred. Each policy has a defined benefit amount payable which is guaranteed. Apart from this reversionary and terminal bonuses are declared by the Group from time to time based on the profitability of the individual life portfolio. Reversionary bonuses convert into guaranteed benefits once declared and a certain minimum level of bonus is guaranteed for certain policies.

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

The actuarial / mathematical reserve for such policies is determined on a net premium basis by determining the present value of benefits less the present value of future net premiums, a theoretical net premium being calculated using conservative assumptions for mortality and discounting and an adjustment to recognise acquisition costs. For paid up policies, a provision for expenses required to maintain policies is also made. The Group also performs a liability adequacy test to ensure that the reserve set aside is not less than the liability determined as the sum of the expected discounted value of the benefit payments, commissions payable and the future administration expenses that are directly related to the contract, less the expected discounted value of premiums that are receivable (making realistic assumptions as to mortality, persistency and maintenance expenses and using a discount rate inherent in the pricing of fixed income securities held by the Group).

b. Term assurance where the benefits are payable only in the event of death of the insured. These include policies where the insured amount is constant throughout the term of the policy and decreasing term assurance policies where the sum assured reduces at a predecided rate every year. The premium is paid either over the term of the policy or as a single premium. Premiums are recognised as revenue when they are received. Provisional premiums are recognised at year end for premiums receivables of policies which have not lapsed. These are without profit policies

For single premium policies, the actuarial / mathematical reserve is determined as the discounted value of expected future claims as well as expenses which are expected to be incurred in administering the policies. For regular premium policies, the actuarial / mathematical reserve is determined on a net premium basis along the same lines as conventional with profits policies.

Individual credit life policies

These are life insurance contracts underwritten on single premium and on an individual basis and issued to protect financial institution for their outstanding loan from the customer. These contracts protect the financial institutions from the consequences of events (such as death or disability) that would affect on the ability of the customer to repay his outstanding loan. These are without profit policies.

These contracts are issued for the duration of loans with the insurance premium being received as a single premium. Further amounts are received if and when loans are topped up. Similarly, refunds are allowed in case of pre-closure or change in terms of the loan.

Single premiums are recognised as revenue when due. An actuarial / mathematical reserve net of reinsurance has been kept for each contract using reinsurance rate.

Claims are charged to statement of profit or loss as incurred, based on the estimated liability for compensation owed to policy holders. Claims reported are recognised at the time when these are reported.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

Group life policies

These are short term life insurance contracts underwritten on a group basis, the lives covered usually being employees of a common employer. These contracts protect the Group's customers (the employer) from the consequences of events (such as death or disability) that would effect on the ability of the employee 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 customer. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue when the policy or endorsement is issued, but are deemed to be earned proportionally over the period of coverage. The portion of premium written on in-force contracts that relates to unexpired risks at the reporting date is reported as the unexpired risk reserve. Premiums are disclosed before deduction of commission and excluding taxes levied on premiums.

Claims are charged to statement of profit or loss as incurred based on the estimated liability for compensation owed to policyholders. Claims reported are recognised at the time when these are reported. A separate provision for incurred but not reported claims is made based on the Group's experience relating to claims reporting patterns in the past.

As indicated above, an unexpired risk reserve is set up at the valuation date for premiums which are deemed to be earned in future periods. The Group also tests whether the liability so set up is adequate to meet expected future claims.

Group medical policies

These are short term medical insurance contracts underwritten on a group basis, the lives covered usually being employees of a common employer. These contracts protect the Group's customers (the employer) from losses resulting from medical treatment of employees as a result of ill-health or accident, covering both hospitalisation and out-patient expenses. The bulk of hospital claims are disbursed directly by the Group to healthcare providers. There are no maturity or surrender benefits for these policies.

For all these contracts, premiums are recognised as revenue when the policy or endorsement is issued, but are deemed to be earned proportionally over the period of coverage. The portion of premium written on in-force contracts that relates to unexpired risks at the reporting date is reported as the unexpired risk reserve. Premiums are shown before deduction of commission and excluding taxes levied on premiums.

Claims are charged to statement of profit or loss as incurred, based on the estimated liability for compensation owed to policy holders. Claims reported are recognised at the time when these are reported. A separate provision for incurred but not reported claims is made based on the Group's experience relating to claims reporting patterns in the past.

As indicated above an unexpired risk reserve is set up at the valuation date for premiums which will deem to be earned in future periods. The Group also tests whether the liability so set up is adequate to meet expected future claims.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

Group credit life policies

These are life insurance contracts underwritten on a group basis and issued to financial institutions to protect their outstanding loan portfolios. These contracts protect the Group's customers (financial institutions) from the consequences of events (such as death or disability) that would effect on the ability of the customer's borrowers to repay outstanding loans. These are without profit policies

These contracts are issued on two basis:

- For the duration of loans with the insurance premium being received as a single premium. Further premiums are received if and when loans are topped up.
- Short term contracts covering the risk for a year at a time, with premiums being determined and paid monthly on outstanding balances.

Single premiums are recognised as revenue when due. An actuarial / mathematical reserve net of reinsurance has been kept for each contract using reinsurance rate.

Monthly premiums are recognised upon declaration by financial institutions of the amount payable. As such, premiums are usually recognised once they have been fully earned and no unearned premium reserve is determined to be necessary. The Group does, however, at the end of the year, evaluate the profitability of the portfolio to determine if any premium deficiency reserve is required.

Claims are charged to statement of profit or loss as incurred based on the estimated liability for compensation owed to policy holders. Claims reported are recognised at the time when these are reported. A separate provision for incurred but not reported claims is made based on the Group's experience relating to claims reporting patterns in the past.

Liability adequacy test

The Group carries out a liability adequacy test to ensure the adequacy of contract liabilities as set out in the financial statements. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. The results of the tests indicate that the liability recognised is adequate.

General insurance contracts

For general insurance contracts, premiums are taken into income over the terms of the policies. Unexpired risk reserve represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is recognised in the statement of profit or loss in order that revenue is recognised over the period of risk.

Unexpired risk reserve is calculated based on 1/365 method for all classes of business. Acquisition costs and reinsurance commissions are recognised as expenses or income over the period of the policy by deferring it using 1/365 method.

Estimates have to be made for both the expected ultimate costs 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. Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of profit or loss as incurred.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

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

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the accounting year in which the change in provision or settlement is made.

Allowances in claims liability

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

Estimates of excess, depreciation, 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 outstanding claims when the liability is accrued. The allowance for salvage 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. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

Reinsurance contracts held

In order to protect itself against adverse experience, the Group has entered into contracts with reinsurers under which it is compensated for losses on one or more contracts issued by the Group. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables 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 reinsurance contract. Reinsurance liabilities are primarily reinsurance premiums payable for reinsurance contracts and are recognised as an expense when incurred and continues to be part of the reinsurance liabilities until they are settled as per the terms of the reinsurance contract.

The Group assesses its reinsurance assets for impairment on an annual basis.

3.4 Insurance receivable

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

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.5 Loans to policyholders

Loans to policyholders are stated at cost, less any amounts written off and allowance for impairment, if any.

3.6 Financial assets

3.6.1 Classification

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

a. Financial assets carried at amortised cost;

b. Financial assets carried at fair value through other comprehensive income (FVOCI); and

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

(a) Financial assets at amortised cost:

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

i. The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Financing income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

(i) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(ii) SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

(i) Debt instruments at FVOCI

The Group applies the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

This category only includes debt instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its debt instruments at FVOCI. Debt instruments at FVOCI are subject to an impairment assessment under IFRS 9.

(ii) Equity instruments at FVOCI

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

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

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

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

3.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in the statement of profit or loss.

For debt instruments measured at amortised cost, FVTPL and FVOCI, the interest income, foreign currency gains or losses and impairment gains or losses are recognised in profit and loss. For debt instruments classified as FVTPL, unrealised and realised fair value changes are recognised in profit and loss. For debt instruments measured at FVOCI, the fair value gains or losses are recognised in other comprehensive income until derecognition, when the cumulative gains or losses recognized in Other comprehensive income are reclassified to profit or loss.

The Group subsequently measures all equity investments at fair value. Dividends from such investments are recognised in the statement of profit or loss. The unrealised and realised fair value gains and losses on equity investments that are held for trading are recognized in profit or loss. Where the Group has made an irrevocable election at initial recognition to classify the equity investments through other comprehensive income, the changes in fair value are recognized in other comprehensive income. For all equity investments at FVOCI, there is no subsequent recycling of fair value gains and losses to profit or loss at derecognition.

3.6.3 Impairment of financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost and debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except in the following cases, for which the amount recognised is 12-month expected credit losses:

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

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

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

Measurement of expected credit losses:

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

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

Credit impaired financial assets:

At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset (either partially or in full), the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease is related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed in profit or loss.

Presentation of loss allowances in the statement of financial position:

Loss allowances for expected credit losses are presented as follows:

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

3.7 Deferred acquisition costs and commission income

(a) Deferred acquisition costs (DAC)

Direct and indirect costs incurred during the financial period arising from the writing of long term life insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums and are amortised on a straight line basis over the tenor of the insurance contract.

Direct and indirect costs incurred for writing short term life and medical insurance contracts are deferred and this is built into the 'unexpired risk reserve' shown in the statement of financial position.

Acquisition costs for writing of general insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. Subsequent to initial recognition, these costs are amortised over the period of the policy (generally one year) using 1/365 method and are built into the 'unexpired risk reserve' shown in the statement of financial position.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.7 Deferred acquisition costs and commission income (continued)

Amortisation is recorded in the statement of profit or loss. Changes in the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period and is treated as a change in an accounting estimate.

(b) Deferred reinsurance commission incomes (DCI)

Commission incomes attributable to the unexpired reinsurance ceded premiums for short time life and medical are deferred and it is built into "reinsurers' share of unexpired risk reserve" in the statement of financial position.

Commission incomes attributable to the unexpired reinsurance ceded premiums for general insurance are deferred to the extent that these are recoverable out of future ceded premiums. Subsequent to initial recognition, these incomes are amortised over the period of the policy (generally one year) using 1/365 method and are built into "reinsurers' share of unexpired risk reserve" in the statement of financial position.

3.8 Property and equipment

Property and equipment including land and building is stated at cost less accumulated depreciation and accumulated impairment losses, if any for below class of assets.

Depreciation is charged to the statement of profit or loss on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Building	19-45
Motor vehicles	4
Right-of-use assets	3 to 5
Furniture and equipment	4 to 5
Computer equipment	4

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in statement of profit or loss as the expense is incurred.

Any fixed assets costing less than RO 100 are charged to statement of profit or loss in the year of purchase.

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 (loss) / income' and are taken into account in determining operating results for the year.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.9 Intangible assets (including Goodwill)

Goodwill arising on acquisition of subsidiary is measured at cost less accumulated impairment losses.

Intangible asset acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset and fair value can be measured reliably. The cost of such intangible asset is its fair value at the acquisition date.

Subsequent to initial recognition, intangible asset acquired is recorded at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately. The Group does impairment testing of goodwill for which the Group estimates the value in use of the cash-generating units to which the goodwill is allocated. The Group makes an estimate of the expected future cash flows from the cash-generating unit and also chooses a suitable discount rate in order to calculate the present value of those cash flows.

The Group does amortization of intangible assets recognized from the purchase price allocation on acquisition of its subsidiary. The Group has estimated the useful life of 10 to 20 years for these intangible assets and amortizes them over the period estimated.

3.10 Impairment

Non-financial assets

At each reporting date, the Group assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Group estimates the recoverable amount of the asset and recognises an impairment loss in the statement of profit or loss. The Group also assesses if there is any indication that an impairment loss recognised in prior years no longer exists or has reduced. 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.

3.11 Offsetting

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

3.12 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with a maturity of three months or less from the date of placement net of outstanding bank overdrafts.

3.13 Provisions

A provision is recognised in the statement of financial position when the Group 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 provision can be estimated reliably.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.14 Employees' end of service benefits

Employees' end of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law and its amendments, U.A.E. Labour Law - Federal Law No. (8) of 1980 and its amendments, Private Sector Kuwait Labor Law i.e. Law No. 6 of the year 2010 and the requirements of IAS-19 'Employee benefits'.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurances Law of 1991, for Emirati employees under the UAE Federal Law No. 7 of 1999 for Pension and Social Security (as amended by Federal Law No. 7 of 2007) and for Kuwaiti employees under the Kuwait-Social Security Law No. 61 of 1976 are recognised as an expense in the statement of profit or loss as incurred.

3.15 Other liabilities

Other liabilities are initially measured at fair value and subsequently carried at amortised cost using the effective interest method. Liabilities are recognised for amounts to be paid for goods or services received, whether or not billed to the Group. Other liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

3.16 Income recognition

(a) Life business

Premiums are taken into income over the terms of the policies to which they relate. Unearned premiums represent the proportion of premiums written relating to periods of insurance subsequent to the reporting date. For short term policies, premiums are pro-rated by reference to the unexpired term of cover. An appropriate actuarial reserve is determined by the appointed independent actuary following their annual investigation of the life fund and is calculated initially on a statutory basis to comply with the reporting requirements under the Insurance Companies Law, as amended.

In addition, provision is made where necessary for any further loss expected to arise on unexpired risks after taking into account future investment income on related insurance funds, to cover anticipated liabilities arising from existing contracts.

(b) General business

Premiums are taken into income over the terms of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

(c) Insurance policy fees

Insurance and investment contract policyholders are charged for policy administration services, surrenders and other contract fees. Insurance policy fees are recognized as revenue over the period of service which is generally the period of the policy.

(d) Investment income

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive dividend is established. For listed securities, this is the date the security is listed as ex dividend.

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.17 Directors' remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority and are charged to as expense in statement of profit or loss.

3.18 Taxation

Income tax is calculated as per the income tax regulations applicable in the Sultanate of Oman. The foreign operations are incorporated in United Arab Emirates, which is a tax free jurisdiction and in Kuwait where the Kuwait branch has zakat registration. Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly to equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively 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 statement of financial position date. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

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.

3.19 Earnings per share

The Group 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 Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.20 Leases

The Group identifies a contract as a lease contract, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group determines the lease term as the non-cancellable period of a lease, together with both the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the Group is a lessee, at the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost at commencement date. After the commencement date, the Group shall measure the right-of-use asset using the cost model. To apply the cost model, the right-of-use asset shall be measured at cost less any accumulated depreciation and any impairment losses and shall be adjusted for any remeasurement of lease liability. Depreciation shall be charged to the right-of-use asset in accordance with policy for depreciation of property and equipment. The Group determines whether the right-of-use asset is impaired and accounts for any impairment loss identified. For contracts with lease term greater than 12 months, the lease liability is

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.20 Leases (continued)

measured at the present value of the lease payments that are not paid as at the reporting date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. When the Group is a lessor, rental income from operating leases are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company has elected avail exemption benefits under IFRS 16 for short term expected effective lease periods (lease term of 12 months or less) and leases for which the underlying assets have low value. In such cases, the Company recognises the lease payments as an expense on either a straight line basis over the lease term or another systematic basis.

3.21 Operating segment

An operating segment is a component of the Group 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 Group's other components.

3.22 Dividend on ordinary shares

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

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

3.23 New standards and interpretations not yet adopted

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

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

(i) IFRS 17 Insurance Contracts

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

Notes to Financial Statements

As at 31 December 2022

3 Summary of significant accounting policies (continued)

3.23 New standards and interpretations not yet adopted (continued)

(ii) Other standards

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

New standard or amendments	Effective date
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2022
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2022
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2022
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2022

4 Critical accounting judgment and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

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

4.1 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is a key estimate made in measuring liabilities under insurance contracts and especially under group medical, group life and group credit life contracts. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

For individual life, Individual Credit Life and Group Credit Life incurred but not reported (IBNR) claims have been calculated as two months expected or estimated claims. For IBNR of group life and group medical claims, the claim projection methods used are Development factor method for reported losses, Development factor method for paid losses, Initial Expected Burning Cost or Initial Expected Loss Ratio method and Bornhuetter-Ferguson methods for paid or reported losses. After reviewing calendar-year and accident-year diagnostics, actual versus expected calendar year development, qualitative information and the general characteristics of each class of business, actuarial methods have been selected to project ultimate loss by accident or report year. Loss development factors have been selected using historical loss and claim development experience which form the basis for loss payment and reporting and claims development patterns used to project future emergence of

Notes to Financial Statements

As at 31 December 2022

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

4.1 The ultimate liability arising from claims made under insurance contracts (continued)

losses for the development projection methods. Initial and ultimate selected losses are based on the results of the projection methods by claim cohort month, and are based on judgement reflecting the range of estimates produced by the methods and the strengths and weaknesses of each method. The projections are applied to losses evaluated as of 31 December 2022. Gross unpaid amounts are obtained by reducing the selected ultimate losses by the gross amounts paid as at 31 December 2022. Net unpaid claims estimates are arrived at after deducting the ceded case reserves and ceded IBNR estimates. The ceded IBNR estimates are derived based on a review of ceded case ratios and paid claims ratios.

For general insurance claims, IBNR has been arrived at by using a combination of the chain ladder method, Expected Loss Ratio Method and the Bornhuetter-Ferguson Method. These methods have been used to determine the pattern of reporting claims which has then been modified to determine IBNR reserves.

Unallocated Loss Adjustment Expenses (ULAE) has been added to the IBNR reserves for Group Life, Group Medical and General Insurance business. Following assumptions have been taken for ULAE:

Parent Company 2022	**Group Life**	**Group Medical**	**Motor**	**Non-Motor**
As Percentage of Outstanding claims and IBNR	**%**	**%**	**%**	**%**
OMAN	**3.22%**	**1.15%**	**3.22%**	**3.22%**
UAE	**3.86%**	**0.52%**	**-**	**-**
KUWAIT	**3.22%**	**5.48%**	**3.22%**	**3.22%**

2021	Group Life	Group Medical	Motor	Non-Motor
As Percentage of Outstanding claims and IBNR	%	%	%	%
OMAN	0.60%	1%	0.80%	2.60%
UAE	1.50%	0.50%	-	-
KUWAIT	2.80%	1.90%	6.80%	5%

4.2 Estimate of future benefit payments and premiums arising from short-term insurance contracts, and related deferred acquisition costs and other intangible assets

Where the unearned premium reserves are estimated to be insufficient to meet the expected cost of future claims, an additional unexpired risk reserve (AURR) or Premium Deficiency Reserve (PDR) is provided for. The AURR or PDR calculation is based on projected ultimate loss ratio estimate of the current year which is projected onto the next year with adjustments. The required reserve for the unexpired business is estimated by multiplying this loss ratio by the premium that is expected to be earned in that next year.

Notes to Financial Statements

As at 31 December 2022

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

4.3 Estimate of future benefit payments and premiums arising from long-term insurance contracts, and related deferred acquisition costs and other intangible assets

The determination of the liabilities under long-term insurance contracts (which basically consist of individual life policies and credit life policies issued for the whole loan period on a single premium basis) is dependent on a number of estimates made by the Group with respect to:

- Mortality and disability
- Investment returns / discount rate
- Expenses
- Surrender

Mortality and disability

The mortality rates are derived from mortality table Permanent Assurances, combined – AMC00 and AMF00 Ultimate table for males and females respectively. 146% of the AMC00 & AMF00 table has been used as best estimate mortality for the insured population in Oman which includes a margin of prudence of 25%. The best estimate derived has been applied based on a mortality experience study of the portfolio on an amount and life basis. For long term group and individual credit life contracts, reinsurance risk premium rates are used for both mortality and disability.

Were the numbers of deaths in future years to differ by 10% from management's estimate, the liability would increase by RO 94,602 (1.3%) or decrease by RO 94,688 (1.3%) [2021: increase by RO 107,871 (1.2%) or decrease by RO 107,797 (1.2%)].

Investment returns / discount rate of the parent company

Under the net premium valuation method used by the Group for valuing most policies in the individual life portfolio, the valuation rate of interest serves as both the estimate of investment income and the discount rate. The valuation interest rate used for conventional guaranteed business should reflect a conservative long-term interest rate. This rate is used to discount the future benefits and future premiums to arrive at the liability figure. A valuation interest rate of 5% per annum (31 December 2021: 5% per annum) for non-profit polices and 4.5% per annum (31 December 2021: 4.5% per annum) for with-profit polices was used for the purpose of the valuation of the basic reserves for individual life portfolio. The same valuation discount rate has been used for valuing bonuses as well. The Group's running yield or actual income for the year for the individual life portfolio is around 7.2% per annum (31 December 2021: 7.2% per annum). However, valuation rate of interest has been considered based on returns on the assets held at the valuation date plus the assumed reinvestment returns on reinvested free cash less default allowance, investment expenses, tax, prudence margins and discretionary regular bonus loadings where appropriate. An earning in excess of the interest rate are usually a source of surplus for with profits policyholders. Uncertainty relating to interest rate assumptions lies in the investment of net future cash flows; reinvestment risk of coupon payments received on fixed income contracts; and the uncertainty surrounding both returns from and the value of equity investments.

Were the interest rate assumptions to vary by 50 basis point from management's estimate for 2022, the gross liability would increase by RO 56,352 (1.6%) or decrease by RO 53,304 (1.5%) [2021: increase by RO 55,581 (1.3%) or decrease by RO 54,009 (1.3%)].

Notes to Financial Statements

As at 31 December 2022

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

Expenses

An implicit assumption relating to expenses is made for the statutory valuation in that there is a margin between the net premiums determined as a part of the net premium valuation and the gross premiums charged by the Group. As a part of the process the margin is kept at a minimum of 10% of the gross premium. A separate provision for RO 30 per policy per annum is made for single premium (excluding NBO Housing) and paid up policies for which no future premiums are expected, for NBO Housing portfolio an implicit expense margin of RO 10 is assumed.

For short term life products indirect expenses have been deferred at 31 December 2022: 4% to 5% (31 December 2021: 4% to 5%) of the gross premiums. For group medical product, indirect expenses have been deferred at 31 December 2022: 7.5% (31 December 2021: 7.5%) for group medical-Oman, 31 December 2022: 6.5% (31 December 2021: 6.5%) for group medical-UAE and Kuwait, 31

December 2022: 5% (31 December 2021: 5%) for individual medical-Oman and Kuwait and 31 December 2022: 6.5% (31 December 2021: 6.5%) for individual medical-UAE of the gross premiums for costs relating to the unexpired risk period by the management based on expense analysis done for the year 2022.

Surrender

The mathematical reserve for the single premium loan protection contracts in the individual credit life portfolio and the group credit life portfolio is calculated as the 85% to 70% of the unexpired risk reserve and 15% to 30% of the current surrender value. This assumes that 15% to 30% of the business lapses and increases the reserves to allow for refunds exceeding the unexpired risk. The reinsurance asset is calculated as 85% to 70% of the unexpired risk reserve plus 15% to 30% of the current reinsurance surrender value.

4.4 Impairment of insurance and reinsurance receivables

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

Notes to Financial Statements

As at 31 December 2022

5 (a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Balances with banks	**47,901,407**	14,448,802	**19,619,962**	13,240,099
Cash in hand	**54,299**	20,397	**41,559**	20,278
Cash and cash equivalents	**47,955,706**	14,469,199	**19,661,521**	13,260,377
Less: ECL on cash and bank balances (note 5.2)	**(41,659)**	(37,791)	**(29,864)**	(37,791)
Cash and cash equivalents – net of ECL	**47,914,047**	14,431,408	**19,631,657**	13,222,586

5.1 Included in balances with banks are balances of **RO 38,855,376** (2021: RO 13,102,309) with commercial banks in Oman, India and GCC Countries, which are denominated in US Dollars and various GCC currencies, and do not carry interest.

5.2 The ECL amounted to **RO 41,659** (2021: RO 37,791) as at 31 December 2022 resulting in ECL charge on cash and bank balances of **RO 7,927** (2021: RO 4,127) for the year ended 31 December 2022.

Short term loan:

During the year, the Group availed short term loans from commercial banks. As at 31 December 2022, short term loan of RO 14,500,000 for a period of 60 days was outstanding (2021: RO 7,500,000). The finance cost for availing short term loans was at floating market rate of interest. Rate of interest for the short term loans outstanding as at 31 December 2022 was 5.5% to 6.75% (2021 – 3.50% to 4.25%).

5 (b) Term loans

	Group & Parent Company	
	2022 RO	2021 RO
Short term loan	**14,500,000**	7,500,000
Long term loan	**62,593,974**	-
Total	**77,093,974**	7,500,000

During the year, the Group availed long term loans from commercial banks. As at 31 December 2022, long term loan of RO 63,560,600 for a period of 7 years term. The finance cost for availing long term loans was at floating market rate of interest. Rate of interest for the long term loans outstanding as at 31 December 2022 was 5%. After two years from the date of first drawdown, the interest rate will be reset as 1-year fixed deposit rate (RO)+ 2.00% p.a., Thereafter on each anniversary, interest rate will be reset based on 1 year Fixed Deposit rate. Presently, 1 Year Fixed deposit rate(RO) +2.00% p.a.

Notes to Financial Statements

As at 31 December 2022

5 (b) Term loans (continued)

The maturity profile of Long terms loans net of unamortised processing fees is as follows:

	Group & Parent Company	
	2022	2021
	RO	RO
Due within one year	**21,738,655**	7,500,000
Due in more than one year	**67,166,769**	-
	88,905,424	7,500,000

6 Bank deposits

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Deposits (note 6.1)	**147,483,808**	47,500,135	**42,238,185**	47,500,135
Less: ECL on bank deposits (note 6.2)	**(206,256)**	(106,805)	**(94,668)**	(106,805)
	147,277,552	47,393,330	**42,143,517**	47,393,330

6.1 Deposits are held with commercial banks in the Sultanate of Oman, Kuwait and United Arab Emirates, denominated in Rial Omani of RO 60,693,097 (2021: RO 30,475,000), UAE Dirhams of RO 29,128,522 (2021: RO 13,808,285), Kuwaiti dinar of RO 3,216,850 (2021: RO 3,216,850), Saudi Riyal of RO 53,223,001 (2021: NIL) and Bahraini Dinar of RO 1,222,337 (2021: NIL)and carry effective annual interest rates ranging between 1% to 6.10% per annum (2021: ranging between 1.25% to 5.40% per annum).

6.2 The ECL amounted to RO 206,256 (2021: RO 106,805) as at 31 December 2022 resulting in ECL charge on bank deposits balances of RO 12,137 (2021: RO 24,771) for the year ended 31 December 2022.

6.3 The maturities of deposits at the reporting date are as follows:

	Group Company Deposits		Parent Company Deposits	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Over three months but less than or equal to one year from the date of placement	**70,517,526**	-	**-**	-
One year or more from the date of placement	**76,966,282**	47,500,135	**42,238,185**	47,500,135
	147,483,808	47,500,135	**42,238,185**	47,500,135

Notes to Financial Statements

As at 31 December 2022

7 (a) Investment securities

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Investments carried at FVTPL	**846,764**	1,363,031	**276,746**	1,363,031
Investments carried at amortised cost	**13,692,639**	11,197,834	**11,176,713**	11,197,834
Investment carried at FVOCI	**86,299,922**	38,110,950	**44,922,547**	38,110,950
	100,839,325	50,671,815	**56,376,006**	50,671,815

(i) Investments carried at FVTPL

	Group			
	2022		**2021**	
	Market value	Cost	**Market value**	Cost
	RO	RO	**RO**	RO
Local				
Quoted				
Banking & Investment	**76,812**	35,864	**-**	-
	76,812	35,864	**-**	-
Foreign				
Quoted				
Foreign Shares and Funds	**769,952**	706,457	**1,363,031**	1,273,695
	769,952	706,457	**1,363,031**	1,273,695
Total	**846,764**	742,321	**1,363,031**	1,273,695

Investments carried at FVTPL

	Parent Company			
	2022		**2021**	
	Market value	Cost	**Market value**	Cost
	RO	RO	**RO**	RO
Foreign				
Quoted				
Foreign Shares and Funds	**276,746**	194,606	**1,363,031**	1,273,695
	276,746	194,606	**1,363,031**	1,273,695

Notes to Financial Statements

As at 31 December 2022

7 (a) Investment securities (continued)

(i) Movement in investments carried at FVTPL

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
At the beginning of the year	**1,363,031**	-	**1,363,031**	-
Acquired through acquisition of subsidiary	**360,464**	-	**-**	-
Purchases during the year	**545,847**	1,273,695	**338,585**	1,273,695
Sold during the year	**(1,131,276)**	-	**(1,131,276)**	-
Realised loss on disposal	**(296,861)**	-	**(296,861)**	-
Fair value changes (note 27)	**5,559**	89,336	**3,267**	89,336
At the end of the year	**846,764**	1,363,031	**276,746**	1,363,031

(ii) Investments carried at amortised cost - Group

	Interest rate	Group	
		2022	2021
		RO	RO
Bonds	**(2022: 1.5% to 6.75%p.a.)**	**13,723,733**	11,226,661
Less: Expected credit losses on Investments carried at amortised cost	(2021: 4% to 6.75%p.a.)	**(31,094)**	(28,827)
		13,692,639	11,197,834

Investments carried at amortised cost - Parent

	Interest rate	Parent Company	
		2022	2021
		RO	RO
Bonds	**(2022: 1.5% to 6.75%p.a.)**	**11,207,807**	11,226,661
Less: Expected credit losses on Investments carried at amortised cost	(2021: 4% to 6.75%p.a.)	**(31,094)**	(28,827)
		11,176,713	11,197,834

Notes to Financial Statements

As at 31 December 2022

7 (a) Investment securities (continued)

(ii) Movement in investments carried at amortised cost:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
At the beginning of the year	**11,197,834**	14,204,940	**11,197,834**	14,204,940
Acquired through acquisition of subsidiary	**2,604,934**	-	**-**	-
Matured / Sold during the year	**(88,500)**	(3,330,248)	**-**	(3,330,248)
Amortisation during the year	**(19,362)**	(11,176)	**(18,854)**	(11,176)
Realised profit on sale of investments (Note 27)	**-**	329,116	**-**	329,116
Movement in Expected credit losses	**(2,267)**	5,202	**(2,267)**	5,202
At the end of the year	**13,692,639**	11,197,834	**11,176,713**	11,197,834

The ECL amounted to RO 31,094 (2021: RO 28,827) as at 31 December 2022 resulting in ECL charge on investments carried at amortised cost of RO 2,267 (2021 – charge of RO 5,202) for the year ended 31 December 2022.

(iii) Investment carried at fair value through other comprehensive income - Group

	Group			
	2022		2021	
	Market value	**Cost**	Market value	Cost
	RO	**RO**	RO	RO
Local				
Unquoted	**71,429**	**71,429**	-	-
Quoted	**66,772,947**	**56,881,522**	29,895,152	29,872,971
	66,844,376	**56,952,951**	29,895,152	29,872,971
Foreign				
Unquoted	**81,382**	**722,179**	81,382	722,179
Quoted	**19,374,164**	**19,259,271**	8,134,416	7,209,040
	19,455,546	**19,981,450**	8,215,798	7,931,219
Local and Foreign	**86,299,922**	**76,934,401**	38,110,950	37,804,190

Notes to Financial Statements

As at 31 December 2022

7 (a) Investment securities (continued)

(iii) Investment carried at fair value through other comprehensive income - Parent

	Parent Company			
	2022		2021	
	Market value	**Cost**	Market value	Cost
	RO	**RO**	RO	RO
Local				
Quoted	**32,678,683**	**33,349,022**	29,895,152	29,872,971
	32,678,683	**33,349,022**	29,895,152	29,872,971
Foreign				
Unquoted	**81,382**	**722,179**	81,382	722,179
Quoted	**12,162,482**	**11,408,548**	8,134,416	7,209,040
	12,243,864	**12,130,727**	8,215,798	7,931,219
Local and Foreign	**44,922,547**	**45,479,749**	38,110,950	37,804,190

(i) Movement in investments carried at FVOCI:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
At the beginning of the year	**38,110,950**	37,034,234	**38,110,950**	37,034,234
Acquired through acquisition of subsidiary	**42,726,013**	-	**-**	-
Additions during the year	**9,925,465**	11,986,973	**9,925,465**	11,986,973
Disposals during the year	**(2,508,236)**	(12,375,573)	**(2,508,236)**	(12,375,573)
Realised gain on disposal (note 27)	**-**	499,342	**-**	499,342
Fair value change (includes amortised amount)	**(1,954,270)**	965,974	**(605,632)**	965,974
At the end of the year	**86,299,922**	38,110,950	**44,922,547**	38,110,950

The Company does not hold any investment in which its holdings exceed 10% of the market value of its investment portfolio at 31 December 2022 and 31 December 2021

The ECL amounted to RO 48,812 (2021: RO 26,615) as at 31 December 2022 resulting in ECL charge on investments carried at FVOCI of RO 22,197 (2021: charge on RO 8,582) for the year ended 31 December 2022. Out of the quoted investments, RO 37,671,099 (2021: RO 32,719,139) pertains to debt securities and RO 6,438,817 (2021: RO 5,310,429) pertains to equity securities.

Notes to Financial Statements

As at 31 December 2022

7 (b) Investment in subsidiaries

		Country of Incorporation	Parent Company			
			2022		2021	
			Holding %	**Carrying value RO**	Holding %	Carrying value RO
(i)	NLGIC support services Pvt. Ltd. (NSSPL)	**India**	**100**	**382,737**	100	328,206
(ii)	Inayah TPA LLC	**UAE**	**100**	**657,401**	100	621,553
(iii)	Royal and Sun Alliance Insurance (Middle East) B.S.C.	**Bahrain**	**100**	**98,384,127**	-	-
(iv)	Al Ahlia Insurance Company	**Oman**	**47.5**	**22,135,000**	-	-
	At 31 December			**121,559,265**	-	949,759

Movement in investments in subsidiaries:

	Parent Company	
	2022	2021
	RO	RO
At 1 January	**949,759**	861,521
Share of profits of subsidiaries (note 27)	**1,705,308**	86,504
Additions on acquisition of Subsidiary	**118,927,682**	-
Exchange differences on translation of foreign operations	**(23,484)**	1,734
At 31 December	**121,559,265**	949,759

i. The Parent Company has a fully owned subsidiary in India since 2016. NSSPL is engaged in the business of services and undertake activities relating to back office and support services for transaction processing for the Group.

ii. In 2017 the Parent Company initially acquired a 49% shareholding in Inayah TPA LLC, a third party administration company in UAE and accounted it as an associate. The parent company acquired control over Inayah TPA LLC by entering into an arrangement to gain beneficial ownership of the balance 51% shareholding of the company. Management has concluded that the Parent Company controls Inayah TPA LLC even though it holds less than half of the voting rights of the subsidiary based on beneficial ownership arrangement entered. The Group controls an entity when its exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity.

Notes to Financial Statements

As at 31 December 2022

7 (b) Investment in subsidiaries (continued)

iii. On 7th July 2022, the Company has completed the purchase of 50.00002% shareholding in Royal & Sun Alliance Insurance (Middle East) (RSA ME) from Sun Alliance Insurance Overseas LTD (SAIO), a fully owned entity of Royal & Sun Alliance Insurance Limited. The remaining shares in RSA ME owned by Saudi shareholders, was exchanged with the company shares by way of private placement. As a result, RSA ME is the wholly owned subsidiary of the company. The company issued 133,374,342 new shares through private placement after obtaining relevant approvals.

iv. On 29th December 2022, the Company has completed the purchase of minority shares 47.5% of Al Ahlia Insurance Co. SAOG (Al Ahlia), a subsidiary of Royal & Sun Alliance Insurance (Middle East) (RSA ME) after obtaining relevant approvals. The company offered OMR 0.466 per share share to the minority shareholders of the Al Ahlia. RSA ME, fully owned subsidiary of NLGIC the majority shareholder of the remaining 52.5% of Al Ahlia. Management has concluded that the Parent Company controls AL Ahlia even though it holds less than half of the voting rights of the subsidiary based on 100% ownership on the subsidiary of RSA Me. The Group controls an entity when its exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity.

8 Insurance and reinsurance receivables

	Group					
	2022			2021		
	Life	General	Total	Life	General	Total
	RO	RO	RO	RO	RO	RO
Insurance receivables	50,678,089	37,106,237	87,784,326	44,809,079	4,547,647	49,356,726
Reinsurance receivables	1,033,414	484,413	1,517,827	1,713,537	871,234	2,584,771
	51,711,503	37,590,650	89,302,153	46,522,616	5,418,881	51,941,497
Allowance for doubtful debts	(2,063,791)	(6,123,969)	(8,187,760)	(1,728,178)	(830,727)	(2,558,905)
	49,647,712	31,466,681	81,114,393	44,794,438	4,588,154	49,382,592

	Parent Company					
	2022			2021		
	Life	General	Total	Life	General	Total
	RO	RO	RO	RO	RO	RO
Insurance receivables	50,678,089	4,570,767	55,248,856	44,809,079	4,547,647	49,356,726
Reinsurance receivables	1,033,414	319,578	1,352,992	1,713,537	871,234	2,584,771
	51,711,503	4,890,345	56,601,848	46,522,616	5,418,881	51,941,497
Allowance for doubtful debts	(2,063,791)	(948,345)	(3,012,136)	(1,728,178)	(830,727)	(2,558,905)
	49,647,712	3,942,000	53,589,712	44,794,438	4,588,154	49,382,592

Notes to Financial Statements

As at 31 December 2022

8 Insurance and reinsurance receivables (continued)

(i) Movement in allowance for doubtful debts:

	Group					
	2022			2021		
	Life	General	Total	Life	General	Total
	RO	RO	RO	RO	RO	RO
At 1 January	1,728,178	830,727	2,558,905	1,368,477	850,327	2,218,804
Amount transferred on acquisition of subsidiary	-	4,651,436	4,651,436	-	-	-
Provided during the year (note 29)	343,312	675,057	1,018,369	458,268	25,922	484,190
Written off during the year	(7,699)	(33,251)	(40,950)	(98,567)	(45,522)	(144,089)
At 31 December	2,063,791	6,123,969	8,187,760	1,728,178	830,727	2,558,905

	Parent Company					
	2022			2021		
	Life	General	Total	Life	General	Total
	RO	RO	RO	RO	RO	RO
At 1 January	1,728,178	830,727	2,558,905	1,368,477	850,327	2,218,804
Provided during the year (note 29)	343,312	129,324	472,636	458,268	25,922	484,190
Written off during the year	(7,699)	(11,706)	(19,405)	(98,567)	(45,522)	(144,089)
At 31 December	2,063,791	948,345	3,012,136	1,728,178	830,727	2,558,905

9 Other receivables and prepayments

	Group		Parent Company	
	2022	2021	2022	2021
	RO	RO	RO	RO
Receivable from other insurance companies and individuals	3,045,617	2,513,645	2,852,345	2,513,645
Other receivables	19,180,431	4,744,571	7,772,203	4,351,463
Accrued interest	5,578,563	1,772,906	1,555,537	1,772,906
	27,804,611	9,031,122	12,180,085	8,638,014
Provision for doubtful debts	(4,196,718)	(389,195)	(446,167)	(389,195)
Expected credit losses of other receivables	(26,165)	(17,996)	(26,165)	(17,996)
	23,581,728	8,623,931	11,707,753	8,230,823

Notes to Financial Statements
As at 31 December 2022

9 Other receivables and prepayments (continued)

9.1 Movement in allowance for doubtful debts

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
At 1 January	**389,195**	349,513	**389,195**	349,513
Amount transferred on acquisition of subsidi	**3,262,905**	-	**-**	-
Provided during the year (note 29)	**564,312**	39,682	**56,972**	39,682
Written off during the year	**(19,694)**	-	**-**	-
At 31 December	**4,196,718**	389,195	**446,167**	389,195

10 Loans to policyholders

Loans to policyholders are generally advanced at 90% of the cash value of the respective policies and carry an annual effective rate of interest of 9.5% (2021- 9.5%). The loans are secured against the cash values of the respective policies, and do not have specific repayment terms.

11 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Group has identified to the Capital Market Authority certain specific bank deposits, investments and loans to policyholders included in the consolidated statement of financial position at a total value of RO 84,576,058 (2021: RO 52,921,238). Under the terms of the legislation, the Group can transfer these assets only with the prior approval of the Capital Market Authority. The Group has provided bank guarantee of RO 50,000 (2021: RO 50,000) to the Oman Unified Bureau for the Orange Card which is secured by a fixed deposit.

In accordance with the law governing the operation of insurance companies within the United Arab Emirates, Kuwait and Baharain the Group has identified to the Insurance Authority, Abu Dhabi – UAE and The Ministry of Commerce and Industry, Kuwait certain specific fixed deposits of RO 1,736,005 (2021: RO 1,014,663), RO 3,216,850 (2021: RO 3,216,850) and RO 296,933 respectively which are included in the consolidated statement of financial position. Under the terms of the legislation, the Group can transfer these assets only with the prior approval of the respective authorities.

The Group has credit facility of RO 5,000,000 (2021: RO 5,000,000) with Ahli Bank SAOG for which the Group has provided negative pledge confirmation over its current assets and an undertaking not to create any encumbrance on its assets to any other lenders. In UAE, the Group has credit facility of RO NIL (2021: RO 3,256,860) with local bank which are secured by way of 110% of amount held under fixed deposit with the bank.

Notes to Financial Statements

As at 31 December 2022

12 Property and equipment

	Group					
	Land and Building	**Right-of-use asset**	**Motor Vehicles**	**Furniture and equipment**	**Computer equipment**	**Total**
	RO	**RO**	**RO**	**RO**	**RO**	**RO**
Cost						
At 1 January 2022	**5,027,328**	**-**	**269,697**	**1,829,755**	**4,133,297**	**11,260,077**
Amount transferred on acquisition of subsidiary	**190,162**	**665,815**	**15,192**	**967,930**	**855,154**	**2,694,253**
Additions	**-**	**-**	**-**	**399,364**	**1,109,052**	**1,508,416**
Disposals and write offs	**-**	**(189,281)**	**-**	**-**	**-**	**(189,281)**
At 31 December 2022	**5,217,490**	**476,534**	**284,889**	**3,197,049**	**6,097,503**	**15,273,465**
Accumulated depreciation						
At 1 January 2022	**348,327**	**-**	**239,644**	**1,227,159**	**2,825,359**	**4,640,489**
Charge for the year (note 29)	**117,720**	**65,343**	**27,387**	**438,747**	**919,693**	**1,568,890**
Disposals and write offs	**-**	**(67,040)**	**-**	**-**	**-**	**(67,040)**
At 31 December 2022	**466,047**	**(1,697)**	**267,031**	**1,665,906**	**3,745,052**	**6,142,339**
Net book amount						
At 31 December 2022	**4,751,443**	**478,231**	**17,858**	**1,531,143**	**2,352,451**	**9,131,126**

	Group					
	Land and Building	Right-of-use asset	Motor Vehicles	Furniture and equipment	Computer equipment	Total
	RO	RO	RO	RO	RO	RO
Cost						
At 1 January 2021	5,138,265	-	305,693	1,754,151	3,459,612	10,657,721
Additions	-	-	-	75,996	673,685	749,681
Revaluation decrease	(110,937)	-	-	-	-	(110,937)
Disposals and write offs	-	-	(35,996)	(392)	-	(36,388)
At 31 December 2021	5,027,328	-	269,697	1,829,755	4,133,297	11,260,077
Accumulated depreciation						
At 1 January 2021	242,605	-	241,018	968,385	2,262,006	3,714,014
Charge for the year (note 29)	122,751	-	34,622	259,201	563,414	979,988
Eliminated on revaluation	(17,029)	-	-	-	-	(17,029)
Disposals and write offs	-	-	(35,996)	(427)	(61)	(36,484)
At 31 December 2021	348,327	-	239,644	1,227,159	2,825,359	4,640,489
Net book amount						
At 31 December 2021	4,679,001	-	30,053	602,596	1,307,938	6,619,588

Notes to Financial Statements

As at 31 December 2022

12 Property and equipment (continued)

	Parent Company				
	Land and Building	Motor Vehicles	Furniture and equipment	Computer equipment	Total
	RO	RO	RO	RO	RO
Cost					
At 1 January 2022	**5,027,328**	**269,697**	**1,724,944**	**3,839,439**	**10,861,408**
Additions	**-**	**-**	**126,799**	**549,260**	**676,059**
At 31 December 2022	**5,027,328**	**269,697**	**1,851,743**	**4,388,699**	**11,537,467**
Accumulated depreciation					
At 1 January 2022	**348,327**	**239,644**	**1,167,656**	**2,607,725**	**4,363,352**
Charge for the year (note 29)	**117,060**	**25,552**	**215,293**	**535,559**	**893,464**
At 31 December 2022	**465,387**	**265,196**	**1,382,949**	**3,143,284**	**5,256,816**
Net book amount					
At 31 December 2022	**4,561,941**	**4,501**	**468,794**	**1,245,415**	**6,280,651**

	Parent Company				
	Land and Building	Motor Vehicles	Furniture and equipment	Computer equipment	Total
	RO	RO	RO	RO	RO
Cost					
At 1 January 2021	5,138,265	305,693	1,650,110	3,194,061	10,288,129
Additions	-	-	75,224	645,378	720,602
Revaluation decrease	(110,937)	-	-	-	(110,937)
Disposals and write offs	-	(35,996)	(390)	-	(36,386)
At 31 December 2021	5,027,328	269,697	1,724,944	3,839,439	10,861,408
Accumulated depreciation					
At 1 January 2021	242,605	241,018	931,272	2,082,135	3,497,030
Charge for the year (note 29)	122,751	34,622	236,811	525,651	919,835
Eliminated on revaluation	(17,029)	-	-	-	(17,029)
Disposals and write offs	-	(35,996)	(427)	(61)	(36,484)
At 31 December 2021	348,327	239,644	1,167,656	2,607,725	4,363,352
Net book amount					
At 31 December 2021	4,679,001	30,053	557,288	1,231,714	6,498,056

During 2021, the Company's has revalued its land and building. The valuation was performed by Cavendish Maxwell as at 31 December 2021. Cavendish Maxwell is an industry specialist in valuing these types of properties. Valuations are generally performed once in three years. The decrease in value of the property arising from the revaluation conducted in 2021 has been recorded in the revaluation reserve as it is a reversal of increase in valuation recorded in prior years.

Notes to Financial Statements

As at 31 December 2022

13 Intangible assets (including Goodwill)

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Intangible Assets (note 13.1)	**1,262,805**	302,561	**278,965**	302,561
Goodwill (note 13.2)	**25,310,017**	146,490	**146,490**	146,490
	26,572,822	449,051	**425,455**	449,051

13.1 Movement in Intangible assets

	Group		Parent Company	
Intangible	**2022**	2021	**2022**	2021
	RO	RO	**RO**	RO
Cost				
At 1 January	**373,349**	373,349	**373,349**	373,349
Amount transferred on acquisition of subsidiary	**1,500,054**	-	**-**	-
Additions	**109,186**	-	**-**	-
Disposals and write offs	**(238,224)**	-	**-**	-
At 31 December	**1,744,365**	373,349	**373,349**	373,349
Accumulated depreciation				
At 1 January 2022	**70,788**	47,192	**70,788**	47,192
Charge for the year (note 29)	**301,990**	23,596	**23,596**	23,596
Eliminated on revaluation	**108,782**	-	**-**	-
At 31 December	**481,560**	70,788	**94,384**	70,788
Net book amount				
At 31 December	**1,262,805**	302,561	**278,965**	302,561

Notes to Financial Statements

As at 31 December 2022

13 Intangible assets (including Goodwill) (continued)

13.2 Movement in Goodwill

	Group		Parent Company	
	2022	2021	**2022**	2021
At 1 January	**146,490**	146,490	**146,490**	146,490
Provisional goodwill on acquisition of subsidiary	**25,163,527**	-	**-**	-
At 31 December	**25,310,017**	146,490	**146,490**	146,490

The Group performs goodwill impairment testing on intangible assets at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment loss on goodwill is recognised immediately as an expense and is not subsequently reversed.

Goodwill was recorded on life business obtained from Al Ahlia Insurance Company SAOC amounting to RO 146,490. At the end of the reporting period, the Group assessed the recoverable amount of goodwill, on business obtained from Al Ahlia Insurance Company SAOC and determined that goodwill was not impaired. The impairment test, amongst others, is significantly dependent on the cost of capital and achievement of projected results.

Upon completion of purchase price allocation for the acquisition of Inayah TPA LLC, intangible assets amounting to RO 373,349 have been recognized by the Group. The useful life of the intangible assets arising from acquisition of Inayah TPA LLC were assessed by the Group and based on the assessment, the Group has amortised the intangible assets by RO 23,596 (2021: RO 23,596) which has been accounted during the year.

13.3 Acquisition of Royal & Sun Alliance Insurance (Middle East)

On 7th July 2022, the Company has completed the purchase of 50.00002% shareholding in Royal & Sun Alliance Insurance (Middle East) (RSA ME) from Sun Alliance Insurance Overseas LTD (SAIO), a fully owned entity of Royal & Sun Alliance Insurance Limited. The remaining shares in RSA ME owned by Saudi shareholders, was exchanged with the company shares by way of private placement. As a result, RSA ME is the wholly owned subsidiary of the company. The company issued 133,374,342 new shares through private placement which was approved by the shareholders in extra Ordinary meeting held on 26th June 2022. Following are the details of the consideration paid.

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As at 31 December 2022

13 Intangible assets (including Goodwill) (continued)

Consideration transferred

Unit Price	Units	Unit Price	Amount	Share issue expenses	Net Amount
Cash			52,060,600	-	52,060,600
Share Issued	133,374,342	0.100	13,337,434	-	13,337,434
Share Premium	133,374,342	0.220	29,342,356	(165,888)	29,176,468
			94,740,390	**(-165,888)**	**94,574,502**

Acquisition-related costs

The Group has incurred acquisition and related costs on advisory, legal, due diligence, valuation and other professional or consulting fees of RO 435,960 up to 31st December 2022 which have been expensed.

Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company as at 4th July 2022 of RO 0.320 per share since there was no trade on MSX on 07th July 2022 .

Identifiable assets acquired and liabilities assumed

Following table summarizes the recognized amounts of assets acquired, and liabilities assumed at the date of acquisition at 30 June 2022, effective date of acquisition was 7 July 2022. These numbers are based on audited financial statements of RSA ME as at 30th June 2022 and have been accounted on provisional basis subject to completion of purchase price allocation exercise.

	RO
Assets	
Cash and bank balances*	18,869,760
Bank Deposit	101,558,057
Investment at fair value through profit or loss	360,464
Investment at amortized cost	2,604,934
Investments at Fair value through other comprehensive income	42,726,013
Insurance and reinsurance receivables	27,636,455
Other receivables and prepayments	10,119,626
Deferred tax Asset	208,285
Reinsurer›s Share of Outstanding Claims	15,494,216
Reinsurer›s share of actuarial / mathematical and unexpired risk reserve	5,380,586
Plant and equipment	2,694,253
Intangible assets	1,500,054
	229,152,703

Notes to Financial Statements

As at 31 December 2022

13 Intangible assets (including Goodwill) (continued)

	RO
Liabilities	
Gross outstanding claims and IBNR reserve	42,440,773
Gross Unearned premiums	36,063,445
Reinsurance payable	10,322,620
Payables, accruals & provisions	33,661,520
	122,488,358
Total identifiable net assets acquired	**106,664,345**
Net Cash Flow on acquisition:	
Cash Consideration paid	(52,060,600)
Net Cash Equivalents acquired	18,881,555
Net cash consideration paid	(33,179,045)

* Cash & Bank Balances amounting RO 18,869,760 is net of ECL adjustments of RO 11,795.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	RO
Total consideration transferred	94,574,502
NCI based on their proportionate interest in the recognised amounts of the net assets and liabilities	37,253,370
Carrying value of net identifiable assets	(106,664,345)
Goodwill at acquisition	**25,163,527**

The acquisition accounting has been made on provisional basis based on net assets of the RSA ME as at 30 June 2022 as the PPA exercise to determine the fair value of assets acquired and liabilities assumed is ongoing. The accounting for the acquisition will be revised on completion of PPA within a period of 12 months from the date of acquisition as allowed under IFRS 3 "Business Combinations".

Difference of RO 25,163,527 between total consideration transferred and net identifiable assets acquired has been recorded as provisional Goodwill which is subject to changes on completion of PPA exercise.

Comparative Information

Group's results for the year ended 31 December 2022 includes RSA Me's results from 1 July 2022 till 31 December 2022 which are not reflected in the comparatives results. Consequently, comparative amounts for the statement of profit or loss, statement of changes in equity, statement of cash flows and related notes are not entirely comparable.

Notes to Financial Statements

As at 31 December 2022

13 Intangible assets (including Goodwill) (continued)

13.4 Non-Controlling Interest (NCI)

The following table summarises the information relating to the Group's subsidiary that has material NCI. The extent of the Parent's shareholding in Al Alamiya for Cooperative Insurance Company is 50.07% through purchase of RSA (ME)

	2022 RO
Statement of financial position	
Non-current Assets	4,387,394
Current Assets	89,849,425
Non-current Liabilities	(916,399)
Current Liabilities	(56,446,966)
Net Assets	**36,873,454**
Net Assets attributable to NCI	17,268,751
Statement of comprehensive income	
Revenue	30,050,328
Profit for the year	(1,964,889)
Other comprehensive income (OCI)	(151,577)
Total Comprenhensive Income	**(2,116,467)**
Profit allocated to NCI	(981,069)
OCI allocated to NCI	(75,682)
Total Comprenhensive Income allocated to NCI*	**(1,056,751)**
Statement of cash flows	
Cash flow from operating activities	6,939,120
Cash flow from investing activities	(5,940,137)
Cash flow from financing activities	-
Net change in cash and cash equivalents	**998,983**

Notes to Financial Statements

As at 31 December 2022

14 Share capital

	2022 Number of shares	2021 Number of shares	2022 RO	2021 RO
Authorised - shares of RO 0.100 each (2021: RO 0.100 each)	**1,000,000,000**	500,000,000	**100,000,000**	50,000,000
Issued and fully paid - shares of RO 0.100 each (2021: RO 0.100 each)	**398,374,342**	265,000,000	**39,837,434**	26,500,000

Major shareholders

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

	2022 RO	2021 RO
Oman International Development and Investment Company SAOG 48.858% (2021:73.448%)	**194,637,357**	194,637,357
Riyad Bank 14.348%	**57,160,436**	-
	251,797,793	194,637,357

15 Legal reserve

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of the profit for the year has to be transferred to a legal reserve until such legal reserve amounts to, at least, one third of the company's share capital. The reserve is not available for distribution.

16 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 amounting to RO 1,012,120 (2021: RO 906,017) and 1% of the life assurance premiums for the year in case of life insurance business amounting to RO 1,372,253 (2021: RO 1,270,998) at the reporting date is transferred from retained earnings to a contingency reserve. The Parent Company may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

17 Revaluation reserve

The revaluation reserve relates to revaluation of the building classified under property and equipment. Movement in value of revaluation reserve

	Group & Parent Company	
	2022	2021
	RO	RO
At 1 January	**352,345**	447,420
Decrease in value of land and building upon revaluation	**-**	(95,075)
At 31 December	**352,345**	352,345

Notes to Financial Statements
As at 31 December 2022

18 Dividends paid and proposed

Shareholders in annual general meeting of the Company dated 31 March 2022 (2021 - annual general meeting dated 28 March 2021) approved nil cash dividend (31 December 2021 – cash dividend of RO 9,275,000 which has been paid).

The Board of Directors proposed to retain profits to strengthen the Company's capital position in a meeting held on 22 February 2023. This has to be approved at the forthcoming Annual General Meeting.

19 Claims

The provision for outstanding claims and IBNR reserve, and the related reinsurers' share is as follows:

(a) Life business

	Group					
	2022			2021		
	Gross	**Reinsurers› share**	**Net**	Gross	Reinsurers› share	Net
	RO	**RO**	**RO**	RO	RO	RO
At 1 January						
- Claims incurred	**10,048,644**	**(2,152,363)**	**7,896,281**	8,413,119	(2,272,882)	6,140,237
- Incurred but not reported	**6,836,115**	**(1,359,474)**	**5,476,641**	6,192,740	(1,432,882)	4,759,858
	16,884,759	**(3,511,837)**	**13,372,922**	14,605,859	(3,705,764)	10,900,095
Amount transferred on acquisition of subsidiary	**9,353,156**	**(7,109,023)**	**2,244,133**	-	-	-
Add: Claims provided during the year	**120,150,571**	**(21,946,053)**	**98,204,518**	101,933,718	(22,581,754)	79,351,964
Less: Insurance claims during the year	**(118,488,062)**	**23,494,174**	**(94,993,888)**	(99,654,818)	22,775,681	(76,879,137)
At 31 December	**27,900,424**	**(9,072,739)**	**18,827,685**	16,884,759	(3,511,837)	13,372,922
Analysis of outstanding claims as at 31 December						
- Outstanding claims	**20,204,629**	**(6,874,916)**	**13,329,713**	10,048,644	(2,152,363)	7,896,281
- Incurred but not reported	**7,695,795**	**(2,197,823)**	**5,497,972**	6,836,115	(1,359,474)	5,476,641
	27,900,424	**(9,072,739)**	**18,827,685**	16,884,759	(3,511,837)	13,372,922

Notes to Financial Statements

As at 31 December 2022

19 Claims (continued)

(b) General business

	Group					
	2022			2021		
	Gross	**Reinsurers› share**	**Net**	Gross	Reinsurers› share	Net
	RO	**RO**	**RO**	RO	RO	RO
At 1 January						
- Outstanding claims	**9,658,934**	**(2,040,528)**	**7,618,406**	7,384,958	(1,846,249)	5,538,709
- Incurred but not reported	**2,174,069**	**(732,309)**	**1,441,760**	1,180,259	(315,145)	865,114
	11,833,003	**(2,772,837)**	**9,060,166**	8,565,217	(2,161,394)	6,403,823
Amount transferred on acquisition of subsidiary	**33,087,617**	**(8,385,193)**	**24,702,424**	-	-	-
Add: Claims provided during the year	**46,113,771**	**(4,959,935)**	**41,153,836**	14,995,316	(1,730,671)	13,264,645
Less: Insurance claims paid during the year	**(39,372,564)**	**1,927,799**	**(37,444,765)**	(11,727,530)	1,119,228	(10,608,302)
At 31 December	**51,661,827**	**(14,190,166)**	**37,471,661**	11,833,003	(2,772,837)	9,060,166
Analysis of outstanding claims as at 31 December						
- Outstanding claims	**40,764,613**	**(12,990,790)**	**27,773,823**	9,658,934	(2,040,528)	7,618,406
- Incurred but not reported	**10,897,214**	**(1,199,376)**	**9,697,838**	2,174,069	(732,309)	1,441,760
	51,661,827	**(14,190,166)**	**37,471,661**	11,833,003	(2,772,837)	9,060,166

Notes to Financial Statements

As at 31 December 2022

19 Claims (continued)

(c) Life and General

	Group					
	2022			2021		
	Gross	Reinsurers› share	Net	Gross	Reinsurers› share	Net
	RO	RO	RO	RO	RO	RO
At 1 January						
- Outstanding claims	**19,707,578**	**(4,192,891)**	**15,514,687**	15,798,077	(4,119,131)	11,678,946
- Incurred but not reported	**9,010,184**	**(2,091,783)**	**6,918,401**	7,372,999	(1,748,027)	5,624,972
	28,717,762	**(6,284,674)**	**22,433,088**	23,171,076	(5,867,158)	17,303,918
Amount transferred on acquisition of subsidiary	**42,440,773**	**(15,494,216)**	**26,946,557**	-	-	-
Add: Claims provided during the year	**166,264,342**	**(26,905,988)**	**139,358,354**	116,929,034	(24,312,425)	92,616,609
Less: Insurance claims paid during the year	**(157,860,626)**	**25,421,973**	**(132,438,653)**	(111,382,348)	23,894,909	(87,487,439)
At 31 December	**79,562,251**	**(23,262,905)**	**56,299,346**	28,717,762	(6,284,674)	22,433,088
Analysis of outstanding claims as at 31 December						
- Outstanding claims	**60,969,242**	**(19,865,706)**	**41,103,536**	19,707,578	(4,192,891)	15,514,687
- Incurred but not reported	**18,593,009**	**(3,397,199)**	**15,195,810**	9,010,184	(2,091,783)	6,918,401
	79,562,251	**(23,262,905)**	**56,299,346**	28,717,762	(6,284,674)	22,433,088

(d) Life business

	Parent Company					
	2022			2021		
	Gross	Reinsurers› share	Net	Gross	Reinsurers› share	Net
	RO	RO	RO	RO	RO	RO
At 1 January						
- Claims incurred	**10,048,644**	**(2,152,363)**	**7,896,281**	8,413,119	(2,272,882)	6,140,237
- Incurred but not reported	**6,836,115**	**(1,359,474)**	**5,476,641**	6,192,740	(1,432,882)	4,759,858
	16,884,759	**(3,511,837)**	**13,372,922**	14,605,859	(3,705,764)	10,900,095
Add: Claims provided during the year	**115,473,016**	**(20,143,155)**	**95,329,861**	101,933,718	(22,581,754)	79,351,964
Less: Insurance claims during the year	**(113,590,451)**	**19,587,974**	**(94,002,477)**	(99,654,818)	22,775,681	(76,879,137)
At 31 December	**18,767,324**	**(4,067,018)**	**14,700,306**	16,884,759	(3,511,837)	13,372,922
Analysis of outstanding claims as at 31 December						
- Outstanding claims	**11,676,817**	**(2,352,958)**	**9,323,859**	10,048,644	(2,152,363)	7,896,281
- Incurred but not reported	**7,090,507**	**(1,714,060)**	**5,376,447**	6,836,115	(1,359,474)	5,476,641
	18,767,324	**(4,067,018)**	**14,700,306**	16,884,759	(3,511,837)	13,372,922

Notes to Financial Statements

As at 31 December 2022

19 Claims (continued)

(e) General business

	Parent Company					
	2022			2021		
	Gross RO	Reinsurers› share RO	Net RO	Gross RO	Reinsurers› share RO	Net RO
At 1 January						
- Outstanding claims	**9,658,934**	**(2,040,528)**	**7,618,406**	7,384,958	(1,846,249)	5,538,709
- Incurred but not reported	**2,174,069**	**(732,309)**	**1,441,760**	1,180,259	(315,145)	865,114
	11,833,003	**(2,772,837)**	**9,060,166**	8,565,217	(2,161,394)	6,403,823
Add: Claims provided during the year	**15,689,818**	**(416,772)**	**15,273,046**	14,995,316	(1,730,671)	13,264,645
Less: Insurance claims paid during the year	**(14,970,316)**	**757,853**	**(14,212,463)**	(11,727,530)	1,119,228	(10,608,302)
At 31 December	**12,552,505**	**(2,431,756)**	**10,120,749**	11,833,003	(2,772,837)	9,060,166
Analysis of outstanding claims as at 31 December						
- Outstanding claims	**10,961,880**	**(2,275,582)**	**8,686,298**	9,658,934	(2,040,528)	7,618,406
- Incurred but not reported	**1,590,625**	**(156,174)**	**1,434,451**	2,174,069	(732,309)	1,441,760
	12,552,505	**(2,431,756)**	**10,120,749**	11,833,003	(2,772,837)	9,060,166

(f) Life and General

	Parent Company					
	2022			2021		
	Gross RO	Reinsurers› share RO	Net RO	Gross RO	Reinsurers› share RO	Net RO
- Outstanding claims	**19,707,578**	**(4,192,891)**	**15,514,687**	15,798,077	(4,119,131)	11,678,946
- Incurred but not reported	**9,010,184**	**(2,091,783)**	**6,918,401**	7,372,999	(1,748,027)	5,624,972
	28,717,762	**(6,284,674)**	**22,433,088**	23,171,076	(5,867,158)	17,303,918
Add: Claims provided during the year	**131,162,834**	**(20,559,927)**	**110,602,907**	116,929,034	(24,312,425)	92,616,609
Less: Insurance claims paid during the year	**(128,560,767)**	**20,345,827**	**(108,214,940)**	(111,382,348)	23,894,909	(87,487,439)
At 31 December	**31,319,829**	**(6,498,774)**	**24,821,055**	28,717,762	(6,284,674)	22,433,088
Analysis of outstanding claims as at 31 December						
- Outstanding claims	**22,638,697**	**(4,628,540)**	**18,010,157**	19,707,578	(4,192,891)	15,514,687
- Incurred but not reported	**8,681,132**	**(1,870,234)**	**6,810,898**	9,010,184	(2,091,783)	6,918,401
	31,319,829	**(6,498,774)**	**24,821,055**	28,717,762	(6,284,674)	22,433,088

Substantially all of 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 Group estimates its insurance liabilities and reinsurance assets principally based on previous experience. Incurred but not reported (IBNR) estimates for the life and general business are based on an independent actuary's report. Claims requiring court or arbitration decisions are estimated individually.

Notes to Financial Statements

As at 31 December 2022

20 Gross actuarial / mathematical and unexpired risk reserve

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Actuarial / mathematical and unexpired risk reserve - life assurance				
Gross	**55,316,153**	49,472,746	**55,311,042**	49,472,746
Reinsurance share	**(11,849,700)**	(10,983,411)	**(11,846,160)**	(10,983,411)
	43,466,453	38,489,335	**43,464,882**	38,489,335
Unexpired risk reserve – general insurance				
Gross	**46,421,943**	7,778,024	**6,775,501**	7,778,024
Reinsurance share	**(6,232,701)**	(247,004)	**(319,219)**	(247,004)
	40,189,242	7,531,020	**6,456,282**	7,531,020
Actuarial / mathematical and unexpired risk reserve – total				
Gross	**101,738,096**	57,250,770	**62,086,543**	57,250,770
Reinsurance share	**(18,082,401)**	(11,230,415)	**(12,165,379)**	(11,230,415)
	83,655,695	46,020,355	**49,921,164**	46,020,355

Movement during the year:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Actuarial / mathematical and unexpired risk reserve				
At 1 January	**38,489,335**	33,234,577	**38,489,335**	33,234,577
Amount transferred on acquisition of subsidiary	**42,761**	-	**-**	-
Net movement in the separate and consolidated statement of profit or loss and other comprehensive income	**4,916,534**	5,254,758	**4,975,547**	5,254,758
Other movements	**17,823**	-	**-**	-
At 31 December	**43,466,453**	38,489,335	**43,464,882**	38,489,335
Unexpired risk reserve – general insurance (net)				
At 1 January	**7,531,020**	7,999,021	**7,531,020**	7,999,021
Amount transferred on acquisition of subsidiary	**30,640,098**	-	**-**	-
Net movement in the separate and consolidated statement of profit or loss and other comprehensive income	**2,096,706**	(468,001)	**(1,074,738)**	(468,001)
Other movements	**(78,582)**	-	**-**	-
At 31 December	**40,189,242**	7,531,020	**6,456,282**	7,531,020

Notes to Financial Statements

As at 31 December 2022

21 Due to reinsurers

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Reinsurance balances payable – life insurance	**10,435,042**	7,042,631	**10,435,042**	7,042,631
Reinsurance balances payable – general insurance	**15,014,953**	1,235,367	**1,550,779**	1,235,367
	25,449,995	8,277,998	**11,985,821**	8,277,998

Reinsurance balance relates to premium ceded to reinsurers net of commission and claim recovery.

22 Other liabilities

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Accounts payable	**28,815,027**	8,801,255	**14,908,201**	8,801,255
Accrued expenses	**7,052,938**	4,143,290	**4,181,045**	4,123,929
Commission Payable	**7,578,164**	6,429,312	**6,646,946**	6,429,312
Other payables	**11,725,950**	5,580,349	**9,209,490**	4,831,255
Employees' end of service benefits (note 22.1)	**4,623,101**	1,015,086	**1,084,456**	990,368
Lease liabilities	**1,424,033**	-	**2**	-
	61,219,213	25,969,292	**36,030,138**	25,176,119

22.1 Movement in the liability for Employees' end of service benefits is as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
At 1 January	**1,015,086**	896,967	**990,368**	858,416
Addition on acquisition of Subsidiary	**4,016,424**	-	**-**	-
Charge for the year (note 29)	**469,858**	166,242	**214,591**	172,595
Paid during the year	**(878,267)**	(48,123)	**(120,503)**	(40,643)
At 31 December	**4,623,101**	1,015,086	**1,084,456**	990,368

Notes to Financial Statements

As at 31 December 2022

23 Contingent liabilities

23.1 Contingencies

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

At 31 December 2022, there were contingent liabilities in respect of guarantees issued by commercial banks on behalf of the Company amounting to RO 389,195 (2021: RO 293,273) given in the normal course of business from which it is anticipated that no material liabilities will arise.

23.2 Legal claims

The Group, consistent with the majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of the court cases will have a material impact on its separate and consolidated income or financial position.

24 Net assets per share

Net assets per share are calculated by dividing the net assets attributable to the Company at the year-end by the number of shares outstanding at the year end as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Net assets (RO)	**109,213,457**	66,427,300	**111,988,732**	66,427,300
Number of shares outstanding at 31 December	**398,374,342**	265,000,000	**398,374,342**	265,000,000
Net assets per share (RO)	**0.274**	0.251	**0.281**	0.251

Notes to Financial Statements

As at 31 December 2022

25 Insurance premiums earned and reinsurance impact

25.1 Insurance premiums earned

	Group					
	2022			2021		
	Life	**General**	**Total**	Life	General	Total
	RO	**RO**	**RO**	RO	RO	RO
Gross written premium	**150,638,976**	**80,437,214**	**231,076,190**	127,099,795	19,359,195	146,458,990
Movement in unearned premiums	**(5,813,053)**	**(6,110,765)**	**(11,923,818)**	(6,100,075)	390,818	(5,709,257)
Gross premium earned	**144,825,923**	**74,326,449**	**219,152,372**	120,999,720	19,750,013	140,749,733
Reinsurance premiums ceded	**(27,907,454)**	**(13,454,572)**	**(41,362,026)**	(22,640,890)	(1,653,894)	(24,294,784)
Movement in unearned Premiums	**896,519**	**4,014,059**	**4,910,578**	845,317	77,183	922,500
Premium ceded to reinsurance earned	**(27,010,935)**	**(9,440,513)**	**(36,451,448)**	(21,795,573)	(1,576,711)	(23,372,284)
Net premium earned	**117,814,988**	**64,885,936**	**182,700,924**	99,204,147	18,173,302	117,377,449

	Parent Company					
	2022			2021		
	Life	**General**	**Total**	Life	General	Total
	RO	**RO**	**RO**	RO	RO	RO
Gross written premium	**146,976,035**	**17,453,142**	**164,429,177**	127,099,795	19,359,195	146,458,990
Movement in unearned premiums	**(5,838,296)**	**1,002,523**	**(4,835,773)**	(6,100,075)	390,818	(5,709,257)
Gross premium earned	**141,137,739**	**18,455,665**	**159,593,404**	120,999,720	19,750,013	140,749,733
Reinsurance premiums ceded	**(25,160,299)**	**(1,466,645)**	**(26,626,944)**	(22,640,890)	(1,653,894)	(24,294,784)
Movement in unearned Premiums	**862,749**	**72,215**	**934,964**	845,317	77,183	922,500
Premium ceded to reinsurance earned	**(24,297,550)**	**(1,394,430)**	**(25,691,980)**	(21,795,573)	(1,576,711)	(23,372,284)
Net premium earned	**116,840,189**	**17,061,235**	**133,901,424**	99,204,147	18,173,302	117,377,449

Notes to Financial Statements

As at 31 December 2022

25 Insurance premiums earned and reinsurance impact (continued)

25.2 Reinsurance impact

	Group					
	2022			2021		
	Life	General	Total	Life	General	Total
	RO	RO	RO	RO	RO	RO
Premium ceded to reinsurance earned	(27,010,935)	(9,440,513)	(36,451,448)	(21,795,573)	(1,576,711)	(23,372,284)
Commission income	3,335,056	1,127,371	4,462,427	2,468,514	230,532	2,699,046
Reinsurance share of gross claims expense	21,946,053	4,959,935	26,905,988	22,581,754	1,730,671	24,312,425
Net reinsurance impact	(1,729,826)	(3,353,207)	(5,083,033)	3,254,695	384,492	3,639,187

	Parent Company					
	2022			2021		
	Life	General	Total	Life	General	Total
	RO	RO	RO	RO	RO	RO
Premium ceded to reinsurance earned	(24,297,550)	(1,394,430)	(25,691,980)	(21,795,573)	(1,576,711)	(23,372,284)
Commission income	3,338,129	211,155	3,549,284	2,468,514	230,532	2,699,046
Reinsurance share of gross claims expense	20,143,155	416,772	20,559,927	22,581,754	1,730,671	24,312,425
Net reinsurance impact	(816,266)	(766,503)	(1,582,769)	3,254,695	384,492	3,639,187

26 Underwriting results

Net premium and the underwriting results before reinsurance recoveries are analysed as follows: - Group

	Group			
	2022	2022	2021	2021
	Net premium	Underwriting results before reinsurance recoveries	Net premium	Underwriting results before reinsurance recoveries
	RO	RO	RO	RO
Life				
Bank borrowers' business	57,578	466,001	548,418	(583,274)
Group life business	3,005,128	342,685	2,440,204	(1,233,264)
Individual business	2,649,102	427,485	1,948,163	(26,730)
Group medical business	117,019,714	13,094,943	99,522,120	11,657,413
	122,731,522	14,331,114	104,458,905	9,814,145

Notes to Financial Statements

As at 31 December 2022

26 Underwriting results (continued)

Net premium and the underwriting results before reinsurance recoveries are analysed as follows: - Group

	Group			
	2022	**2022**	2021	2021
	Net premium	**Underwriting results before reinsurance recoveries**	Net premium	Underwriting results before reinsurance recoveries
	RO	**RO**	RO	RO
General				
Motor business	**57,145,767**	**8,097,147**	17,496,174	2,249,804
Non motor business	**9,836,875**	**10,468,596**	209,127	659,322
	66,982,642	**18,565,743**	17,705,301	2,909,126

Net premium and the underwriting results before reinsurance recoveries are analysed as follows: - Parent

	Parent			
	2022	**2022**	2021	2021
	Net premium	**Underwriting results before reinsurance recoveries**	Net premium	Underwriting results before reinsurance recoveries
	RO	**RO**	RO	RO
Life				
Bank borrowers' business	**57,578**	**466,001**	548,418	(583,274)
Group life business	**2,089,342**	**1,332,056**	2,440,204	(1,233,264)
Individual business	**2,649,102**	**427,485**	1,948,163	(26,730)
Group medical business	**117,019,714**	**13,094,943**	99,522,120	11,657,413
	121,815,736	**15,320,485**	104,458,905	9,814,145
General				
Motor business	**15,658,731**	**1,219,919**	17,496,174	2,249,804
Non motor business	**327,766**	**163,054**	209,127	659,322
	15,986,497	**1,382,973**	17,705,301	2,909,126

Net premium is calculated as gross written premiums less reinsurance premiums ceded while underwriting results before reinsurance recoveries are calculated as gross premium earned, including policy fees less gross claims provided during the year and acquisition costs.

Notes to Financial Statements

As at 31 December 2022

26 Underwriting results (continued)

The net claims ratios for major portfolios are as follows:

	Parent Company	
	2022	2021
Bank borrowers business	**81%**	90%
Group life business	**51%**	88%
Group medical business	**82%**	80%
Individual business	**36%**	40%
Motor business	**92%**	74%
Non-Motor Business	**-17%**	-17%

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

27 Investment income - net

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Interest income on bank deposits and other investments	**3,429,251**	1,995,490	**1,917,556**	1,995,490
Interest income on bonds, net of amortisation charge	**3,464,644**	2,622,446	**2,896,645**	2,622,446
Interest income on loans to policy holders	**4,743**	10,208	**4,743**	10,208
Dividend income	**256,895**	295,506	**247,531**	295,506
Net unrealised gain on investment carried at FVTPL (note 7(a) (i))	**5,559**	89,336	**3,267**	89,336
Net realised (loss)/gains on disposal of investments carried at fair value through profit or loss	**(296,861)**	-	**(296,861)**	-
Net realised gain on investment carried at FVOCI – debt instruments (note 7(a) (iii))	**-**	499,342	**-**	499,342
Net realised gain on investment carried at amortised cost (note 7(a) (ii))	**-**	329,116	**-**	329,116
Share of profits of subsidiaries (note 7.4)	**-**	-	**1,705,308**	86,504
	6,864,231	5,841,444	**6,478,189**	5,927,948
Investment acquisition cost and portfolio management fees	**(75,983)**	(49,831)	**(75,983)**	(49,831)
	6,788,248	5,791,613	**6,402,206**	5,878,117

Notes to Financial Statements

As at 31 December 2022

28 Other operating income – net

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Miscellaneous income	**254,945**	73,262	**101,545**	73,262
Rental income	**1,039**	4,600	**26,955**	29,884
Profit on disposal of property and equipment	**-**	4,808	**-**	4,808
Exchange loss	**(20,922)**	(31,602)	**(23,193)**	(31,602)
At 31 December	**235,062**	51,068	**105,307**	76,352

29 General, administrative and selling expenses

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Wages, salaries and other benefits	**13,263,749**	7,177,982	**6,775,227**	6,435,274
Rent and utility expenses	**1,345,352**	691,501	**641,298**	622,190
Depreciation (note 12)	**1,568,890**	979,988	**893,464**	919,835
Director›s remuneration and sitting fees	**290,629**	175,498	**181,400**	171,600
Allowance for doubtful debts (note 8 and 9)	**1,582,681**	523,872	**529,608**	523,872
Professional and consultants fees	**1,297,919**	516,212	**607,447**	481,340
Computer expenses	**1,740,069**	636,480	**816,378**	584,702
Company registration & membership costs	**675,546**	96,580	**675,546**	96,580
Social security benefits	**553,134**	313,522	**358,764**	313,522
Employees' end of service benefits (note 22.1)	**469,858**	166,242	**214,591**	172,595
Advertisement and publicity	**595,393**	49,527	**61,995**	49,527
Recruitment and training expenses	**36,687**	10,352	**29,612**	10,352
Other expenses and fees	**4,154,243**	1,061,885	**1,508,324**	859,191
	27,574,150	12,399,641	**13,293,654**	11,240,580

Notes to Financial Statements

As at 31 December 2022

30 Income tax

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Statement of comprehensive income				
Current tax				
Current tax	**939,101**	1,289,234	**286,314**	1,260,972
- For the year	**-**	(5,884)	**-**	(5,884)
- Additional provision / adjustment relating to prior years	**(17,807)**	(110,838)	**(5,518)**	(102,177)
Deferred tax	**921,294**	1,172,512	**280,796**	1,152,911
Current liability				
Income tax payable	**6,916,723**	1,273,478	**319,289**	1,273,478
Non-current asset				
Deferred tax asset	**638,574**	259,592	**398,570**	240,122
Movement for income tax payable is as follows:				
At 1 January	**1,273,478**	2,564,972	**1,273,478**	2,564,972
Amount transferred on acquisition of subsidiary	**6,188,303**	-	**-**	-
Charge for the year	**939,103**	1,283,350	**286,314**	1,255,088
Paid during the year	**(1,321,176)**	(2,574,844)	**(1,240,502)**	(2,546,582)
Refund / other adjustment	**(162,985)**	-	**-**	-
At 31 December	**6,916,723**	1,273,478	**319,290**	1,273,478

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As at 31 December 2022

30 Income tax (continued)

Reconciliation of income tax expenses

The tax rate applicable to the Parent Company is 15% (2021: 15%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The subsidiary of the group is incorporated in India and the tax impact on its operations is not material for the Group.

The following is the reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO	RO	**RO**	RO
Profit before income tax	**4,029,073**	8,646,074	**3,937,787**	8,626,473
Income tax as per rates mentioned above	**807,325**	1,333,043	**590,668**	1,293,971
Non-deductible expenses	**(9,880)**	2,500	**3,735**	2,500
Tax exempt revenue	**(179,312)**	(156,808)	**(179,312)**	(156,808)
Additional provision relating to prior years	**25,000**	(5,884)	**-**	(5,884)
Others	**278,161**	(339)	**(134,295)**	19,132
Tax expense for the year	**921,294**	1,172,512	**280,796**	1,152,911

Status of tax assessment

The Parent Company's tax assessments up to tax year 2018 have been completed by the tax authorities. The management believes that tax assessed, if any, in respect of the unassessed tax years would not be material to the separate and consolidated financial position of the Group as at 31 December 2022.

Notes to Financial Statements

As at 31 December 2022

30 Income tax (continued)

Deferred tax

	Group				Parent Company		
	At 1 January 2022	**Movement during the year**	**Pre-acquisition**	**As on 31 December 2022**	**At 1 January 2022**	**Movement during the year**	**As on 31 December 2022**
2022							
Amortisation of goodwill	**(45,111)**	**1,805**	**-**	**(43,306)**	**(45,111)**	**1,805**	**(43,306)**
Provision for doubtful debts	**496,539**	**66,031**	**157,837**	**720,407**	**496,539**	**56,800**	**553,339**
Depreciation and revaluation of property and equipment	**(14,809)**	**(50,028)**	**50,406**	**(14,431)**	**(34,279)**	**(53,088)**	**(87,367)**
Revaluation reserve	**(62,179)**	**-**	**-**	**(62,179)**	**(62,179)**	**-**	**(62,179)**
	374,440	**17,808**	**208,243**	**600,491**	**354,970**	**5,517**	**360,487**
Fair value through other comprehensive income reserve	**(114,848)**	**152,931**	**-**	**38,083**	**(114,848)**	**152,931**	**38,083**
Net deferred tax asset	**259,592**	**170,739**	**208,243**	**638,574**	**240,122**	**158,448**	**398,570**

	Group			Parent Company		
	At 1 January 2021 RO	Movement during the year RO	As on 31 December 2021 RO	At 1 January 2021 RO	Movement during the year RO	As on 31 December 2021 RO
2021						
Amortisation of goodwill	(46,915)	1,804	(45,111)	(46,915)	1,804	(45,111)
Provision for doubtful debts	414,104	82,435	496,539	414,104	82,435	496,539
Depreciation and revaluation of property and equipment	(36,474)	21,665	(14,809)	(47,283)	13,004	(34,279)
Revaluation reserve	(67,113)	4,934	(62,179)	(67,113)	4,934	(62,179)
	263,602	110,838	374,440	252,793	102,177	354,970
Fair value through other comprehensive income reserve	(66,340)	(48,508)	(114,848)	(66,340)	(48,508)	(114,848)
Net deferred tax asset	197,262	62,330	259,592	186,453	53,669	240,122

Deferred tax asset / liability has been computed at the tax rate of 15% (2021: 15%).

Notes to Financial Statements

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31 Earnings per share - basic and diluted

Earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Group & Parent Company	
	2022	2021
	RO	RO
Profit for the year (RO)	**3,656,991**	7,473,562
Weighted average number of shares outstanding during the year	**331,687,171**	265,000,000
Basic earnings per share (RO)	**0.011**	0.028

Weighted average number of shares has been arrived at as given below :

	2022	2021
	RO	RO
265,000,000 shares for six months period from January to June 2022	**132,500,000**	-
398,374,342 shares for six months period from July to December 2022	**199,187,171**	-
Weighted average number of shares outstanding for the period January to December 2022	**331,687,171**	-
Weighted average number of shares outstanding during the period January to December 2021		265,000,000

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

32 Related party transactions

These represent transactions with related parties defined in IAS 24- ‘Related Party Disclosures’.

The Company is controlled by Oman International Development and Investment Company SAOG (OMINVEST), which owns 48.858% (2021: 73.448%) and Riyad Bank which owns 14.348% (2021: Nil) of the Company’s shares.

Notes to Financial Statements

As at 31 December 2022

32 Related party transactions (continued)

	Total	Major shareholders and subsidiaries	Directors	Subsidiaries & associates of major shareholder	Key Senior Executives	Key management personnel of major shareholder	Other related parties
	RO	RO	RO	RO	RO	RO	RO
2022							
Separate and consolidated statement of profit or loss and other comprehensive income							
Gross premium income	11,887,100	9,143,085	-	2,183,928	-	-	560,087
Claims expense	7,885,529	5,170,130	-	1,975,561	-	-	739,838
Interest income on deposits	2,273,082	389,015	-	1,107,823	-	-	776,244
Bonds Interest & Dividend Income	840,485	391,899	-	172,659	-	-	275,927
Reinsurance share of claims Paid	3,201	-	-	3,201	-	-	-
Commission expense	1,114,115	664,690	-	152,349	-	-	297,076
Other expenses	2,141,195	-	-	1,992,406	-	-	148,789
Director sitting fees	36,299	-	32,922	-	3,377	-	-
Directors' remuneration	214,680	-	214,680	-	-	-	-
Other Transactions:							
Short Term Loan (Net of repayments)	11,500,000	-	-	6,500,000	-	-	5,000,000
Long Term Loan repayment	63,560,600	-	-	63,560,600	-	-	-
Investment in Bonds	4,790,800	-	-	-	-	-	4,790,800
Placement of Fixed Deposit	39,711,616	37,406,616	-	2,305,000	-	-	-
Maturity / liquidation of fixed deposit	49,942,590	45,527,590	-	4,415,000	-	-	-
Increase in bank balances	47,703	6,776	-	-	-	-	40,927
Decrease in bank balances	563,727	-	-	563,727	-	-	-

Notes to Financial Statements

As at 31 December 2022

32 Related party transactions (continued)

Group (continued)	Total	Major shareholders and subsidiaries	Directors	Subsidiaries & associates of major shareholder	Key Senior Executives	Key management personnel of major shareholder	Other related parties
	RO	RO	RO	RO	RO	RO	RO
2022							
Separate and consolidated statement of financial position:							
Payable to Directors	222,813	64,680	156,948	-	1,185	-	-
Claims payable to related Parties	8,860,631	7,894,114	-	858,182	-	-	108,335
Commission payable	812,639	664,517	-	9,542	-	-	138,580
Short Term Loan payable	14,500,000	-	-	9,500,000	-	-	5,000,000
Long Term Loan payable	63,560,600	-	-	63,560,600	-	-	-
Payable to related parties	1,686,618	1,672,440	-	14,178	-	-	-
Receivable from related Parties	1,572,827	1,437	-	1,554,936	16,454	-	-
Bank balances	996,274	445,572	-	509,775	-	-	40,927
Fixed deposits balances	59,115,068	29,559,268	-	16,015,000	-	-	13,540,800
Insurance premium receivable from related parties	2,021,465	1,280,815	-	522,558	-	-	218,092
Investment in Bonds	7,945,548	5,245,368	-	2,700,180	-	-	-
Reinsurance balance receivable	11,280	-	-	11,280	-	-	-
Accrued interest receivable	696,234	80,970	-	345,906	-	-	269,358

Notes to Financial Statements

As at 31 December 2022

32 Related party transactions (continued)

Group (continued)	Total	Major shareholders and subsidiaries	Directors	Subsidiaries & associates of major shareholder	Key Senior Executives	Key management personnel of major shareholder	Other related parties
2021	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
Separate and consolidated statement of profit or loss and other comprehensive income							
Gross premium income	3,861,662	120,109	-	3,235,982	-	-	505,571
Claims expense	2,753,989	72,267	-	2,122,280	-	-	559,442
Interest income on deposits	770,728	-	-	770,728	-	-	-
Bonds Interest & Dividend Income	482,703	243,812	-	238,891	-	-	-
Reinsurance share of claims Paid	932	-	-	932	-	-	-
Commission expense	448,674	-	-	180,764	-	-	267,910
Other expenses	293,290	-	-	194,093	-	-	99,197
Director sitting fees (of Parent Company)	21,600	-	21,600	-	-	-	-
Director sitting fees (of Subsidiary Company)	6,634	-	1,687	-	4,947	-	-
Directors' remuneration	150,000	-	150,000	-	-	-	-
Other Transactions:							
Short Term Loan (Net of repayments)	3,000,000	-	-	3,000,000	-	-	-
Investment in Bonds	4,900,180	2,450,000	-	2,450,180	-	-	-
Placement of Fixed Deposit	7,310,000	-		7,310,000	-	-	-
Maturity / liquidation of fixed deposit	3,360,000	-	-	3,360,000	-	-	-
Increase in bank balances	75,088	-	-	75,088	-	-	-
Decrease in bank balances	736,609	-	-	736,609	-	-	-

Notes to Financial Statements

As at 31 December 2022

32 Related party transactions (continued)

Group (continued)	Total	Major shareholders and subsidiaries	Directors	Subsidiaries & associates of major shareholder	Key Senior Executives	Key management personnel of major shareholder	Other related parties
2021	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
Separate and consolidated statement of financial position:							
Payable to Directors	155,069	-	153,500	1,042	527	-	-
Claims payable to related Parties	660,301	5,381	-	534,708	-	-	120,212
Commission payable	303,469	-	-	17,882	-	-	285,587
Short Term Loan payable	3,000,000			3,000,000			
Payable to related parties	177,217	-	-	177,217	-	-	-
Receivable from related Parties	7,768	-	-	-	7,768	-	-
Bank balances	1,073,502	-	-	1,073,502	-	-	-
Fixed deposits balances	17,125,000	-	-	17,125,000	-	-	-
Insurance premium receivable from related parties	538,011	14,601	-	219,188	-	-	304,222
Investment in Bonds	8,945,180	5,245,000	-	3,700,180	-	-	-
Reinsurance balance receivable	14,224	-	-	14,224	-	-	-
Accrued interest receivable	346,035	-	-	346,035	-	-	-

During the year ended 31 December 2021, subsidiary in India (NSSPL) has charged the parent company service fees of RO 651,642. The Parent Company accounted share of profit from subsidiary of RO 56,085. Carrying value of investment is RO 328,206 and due to NSSPL is RO 30,157 as at 31 December 2021.

In 2021, subsidiary - Inayah TPA LLC in UAE has charged the parent company service fees of RO 638,808 and paid rental to the parent company of RO 25,284. The Parent Company has accounted Inayah Share of Profit from subsidiary of RO 30,419. Carrying value of investment is RO 621,553, it's related intangibles are RO 302,561 and due to Inayah TPA LLC is RO 285,144 as at 31 December 2021.

Notes to Financial Statements

As at 31 December 2022

32 Related party transactions (continued)

32.1 Parent

2022	Total RO	Major shareholders and subsidiaries RO	Directors RO	Subsidiaries & associates of major shareholder RO	Key Senior Executives RO	Key management personnel of major shareholder RO	Other related parties RO
Separate and consolidated statement of profit or loss and other comprehensive income							
Gross premium income	**2,868,476**	**150,942**	**-**	**2,183,928**	**-**	**-**	**533,606**
Claims expense	**2,499,451**	**64,642**	**-**	**1,975,561**	**-**	**-**	**459,248**
Interest income on deposits	**1,510,083**	**-**	**-**	**733,839**	**-**	**-**	**776,244**
Bonds Interest & Dividend Income	**840,485**	**391,899**	**-**	**172,659**	**-**	**-**	**275,927**
Reinsurance share of claims Paid	**3,201**	**-**	**-**	**3,201**	**-**	**-**	**-**
Commission expense	**445,345**	**-**	**-**	**152,349**	**-**	**-**	**292,996**
Other expenses	**2,095,426**	**-**	**-**	**1,959,071**	**-**	**-**	**136,355**
Director sitting fees	**36,299**	**-**	**32,922**	**-**	**3,377**	**-**	**-**
Directors' remuneration	**150,000**	**-**	**150,000**	**-**	**-**	**-**	**-**
Other Transactions:							
Short Term Loan (Net of repayments)	**11,500,000**	**-**	**-**	**6,500,000**	**-**	**-**	**5,000,000**
Long Term Loan repayment	**63,560,600**	**-**	**-**	**63,560,600**	**-**	**-**	**-**
Investment in Bonds	**4,790,800**	**-**	**-**	**-**	**-**	**-**	**4,790,800**
Placement of Fixed Deposit	**2,305,000**	**-**	**-**	**2,305,000**	**-**	**-**	**-**
Maturity / liquidation of fixed deposit	**4,415,000**	**-**	**-**	**4,415,000**	**-**	**-**	**-**
Increase in bank balances	**40,927**	**-**	**-**	**-**	**-**	**-**	**40,927**
Decrease in bank balances	**563,727**	**-**	**-**	**563,727**	**-**	**-**	**-**

Notes to Financial Statements

As at 31 December 2022

32 Related party transactions (continued)

Parent (Continued)	Total	Major shareholders and subsidiaries	Directors	Subsidiaries & associates of major shareholder	Key Senior Executives	Key management personnel of major shareholder	Other related parties
2022	RO	RO	RO	RO	RO	RO	RO
Separate and consolidated statement of financial position:							
Payable to Directors	**158,133**	**-**	**156,948**	**-**	**1,185**	**-**	**-**
Claims payable to related Parties	**973,271**	**6,754**	**-**	**858,182**	**-**	**-**	**108,335**
Commission payable	**148,122**	**-**	**-**	**9,542**	**-**	**-**	**138,580**
Short Term Loan payable	**14,500,000**	**-**	**-**	**9,500,000**	**-**	**-**	**5,000,000**
Long Term Loan payable	**63,560,600**	**-**	**-**	**63,560,600**	**-**	**-**	**-**
Payable to related parties	**14,178**	**-**	**-**	**14,178**	**-**	**-**	**-**
Receivable from related Parties	**1,571,390**	**-**	**-**	**1,554,936**	**16,454**	**-**	**-**
Bank balances	**550,702**	**-**	**-**	**509,775**	**-**	**-**	**40,927**
Fixed deposits balances	**29,555,800**	**-**	**-**	**16,015,000**	**-**	**-**	**13,540,800**
Insurance premium receivable from related parties	**769,901**	**29,251**	**-**	**522,558**	**-**	**-**	**218,092**
Investment in Bonds	**7,945,548**	**5,245,368**	**-**	**2,700,180**	**-**	**-**	**-**
Reinsurance balance receivable	**11,280**	**-**	**-**	**11,280**	**-**	**-**	**-**
Accrued interest receivable	**645,037**	**29,773**	**-**	**345,906**	**-**	**-**	**269,358**

During January to December 2022, subsidiary in India (NSSPL) has charged the parent company service fees of RO 739,890. The Parent Company has accounted NSSPL Share of Profit from subsidiary of RO 78,015. Carrying value of investment as on 31.12.2022 is RO 382,737 and due to NSSPL as at 31.12.2022 is RO 34,680.

The Parent Company has accounted RSA Share of Profit from subsidiary of RO 1,591,445 (Excluding Minority share). Carrying value of investment as on 31.12.2022 is RO 98,384,127and due to RSA as at 31.12.2022 is RO 1,555,370.

The Company has completed the purchase the minority shares 47.5% of Al Ahilia Insurance Co. SAOG (Al Ahilia) on 29th December 2022. Carrying value of investment as on 31.12.2022 is RO 22,135,000.

During January to December 2022, subsidiary - Inayah TPA LLC in UAE has charged the parent company service fees of RO 752,811 and paid rental of RO 25,916. The Parent Company has accounted Inayah Share of Profit from subsidiary of RO 35,848. Carrying value of investment as on 31.12.2022 is RO 657,401 , it's related intangibles are RO 278,968 and due to Inayah TPA LLC as at 31.12.2022 is RO 209,980.

Notes to Financial Statements

As at 31 December 2022

32 Related party transactions (continued)

32.1 Transactions with related parties of the Parent Company or holders of 10% or more of the Parent company's shares or their family members included in the consolidated statements of profit or loss and other comprehensive income and consolidated statement of financial position are as follows

Parent (Continued)	Total	Major shareholders and subsidiaries	Directors	Subsidiaries & associates of major shareholder	Key Senior Executives	Key management personnel of major shareholder	Other related parties
2021	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
Separate and consolidated statement of profit or loss and other comprehensive income							
Gross premium income	3,861,662	120,109	-	3,235,982	-	-	505,571
Claims expense	2,753,989	72,267	-	2,122,280	-	-	559,442
Interest income on deposits	770,728	-	-	770,728	-	-	-
Bonds Interest & Dividend Income	482,703	243,812	-	238,891	-	-	-
Reinsurance share of claims Paid	932	-	-	932	-	-	-
Commission expense	448,674	-	-	180,764	-	-	267,910
Other expenses	293,290	-	-	194,093	-	-	99,197
Director sitting fees (of Parent Company)	21,600	-	21,600	-	-	-	-
Director sitting fees (of Subsidiary Company)	6,634	-	1,687	-	4,947	-	-
Directors' remuneration	150,000	-	150,000	-	-	-	-
Other Transactions:							
Short Term Loan (Net of repayments)	3,000,000	-	-	3,000,000	-	-	-
Investment in Bonds	4,900,180	2,450,000	-	2,450,180	-	-	-
Placement of Fixed Deposit	7,310,000	-		7,310,000	-	-	-
Maturity / liquidation of fixed deposit	3,360,000	-	-	3,360,000	-	-	-
Increase in bank balances	75,088	-	-	75,088	-	-	-
Decrease in bank balances	736,609	-	-	736,609	-	-	-

Notes to Financial Statements

As at 31 December 2022

32 Related party transactions (continued)

Group (continued)	Total	Major shareholders and subsidiaries	Directors	Subsidiaries & associates of major shareholder	Key Senior Executives	Key management personnel of major shareholder	Other related parties
2021	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
Separate and consolidated statement of financial position:							
Payable to Directors	155,069	-	153,500	1,042	527	-	-
Claims payable to related Parties	660,301	5,381	-	534,708	-	-	120,212
Commission payable	303,469	-	-	17,882	-	-	285,587
Short Term Loan payable	3,000,000			3,000,000			
Payable to related parties	177,217	-	-	177,217	-	-	-
Receivable from related Parties	7,768	-	-	-	7,768	-	-
Bank balances	1,073,502	-	-	1,073,502	-	-	-
Fixed deposits balances	17,125,000	-	-	17,125,000	-	-	-
Insurance premium receivable from related parties	538,011	14,601	-	219,188	-	-	304,222
Investment in Bonds	8,945,180	5,245,000	-	3,700,180	-	-	-
Reinsurance balance receivable	14,224	-	-	14,224	-	-	-
Accrued interest receivable	346,035	-	-	346,035	-	-	-

During the year ended 31 December 2021, subsidiary in India (NSSPL) has charged the parent company service fees of RO 651,642. The Parent Company accounted share of profit from subsidiary of RO 56,085. Carrying value of investment is RO 328,206 and due to NSSPL is RO 30,157 as at 31 December 2021.

In 2021, subsidiary - Inayah TPA LLC in UAE has charged the parent company service fees of RO 638,808 and paid rental to the parent company of RO 25,284. The Parent Company has accounted Inayah Share of Profit from subsidiary of RO 30,419. Carrying value of investment is RO 621,553, it's related intangibles are RO 302,561 and due to Inayah TPA LLC is RO 285,144 as at 31 December 2021.

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As at 31 December 2022

32 Related party transactions (continued)

32.2 Compensation of key management personnel

	Group		Parent Company	
	2022		2021	
	RO		RO	
Short-term benefits	**2,688,064**	1,034,958	**1,464,739**	1,034,958
Employees' end of service benefits & leave salary accrual	**284,470**	76,496	**137,033**	76,496
	2,972,534	1,111,454	**1,601,772**	1,111,454
Number of key management personnel	**17**	8	**8**	8

Outstanding balances at the year end arise in the normal course of business.

33 Operating segment

The Group's operating businesses are organised and managed separately according to the nature of the activities and services provided, with each segment representing a strategic business unit that offers different services. The following table presents premium and profit information and asset and liability information regarding business segments for the year ended 31 December 2022 and 2021. Segment results, assets and liabilities include items directly attributable to a segment as well as those that have been allocated on a reasonable basis.

Notes to Financial Statements

As at 31 December 2022

33 Operating segment (continued)

Primary reporting format - business segments

	Group				Parent		
	Life	General	Adjustments and eliminations	Total	Life	General	Total
2022	RO	RO	RO	RO	RO	RO	RO
Gross premium written	150,638,976	80,437,214	-	231,076,190	146,976,035	17,453,142	164,429,177
Movement in unearned premiums	(5,813,053)	(6,110,765)	-	(11,923,818)	(5,838,296)	1,002,523	(4,835,773)
Gross premiums earned	144,825,923	74,326,449	-	219,152,372	141,137,739	18,455,665	159,593,404
Reinsurance premiums ceded	(27,907,454)	(13,454,572)	-	(41,362,026)	(25,160,299)	(1,466,645)	(26,626,944)
Movement in unearned premiums	896,519	4,014,059	-	4,910,578	862,749	72,215	934,964
Premium ceded to reinsurance earned	(27,010,935)	(9,440,513)	-	(36,451,448)	(24,297,550)	(1,394,430)	(25,691,980)
Net premiums	117,814,988	64,885,936	-	182,700,924	116,840,189	17,061,235	133,901,424
Gross claims expense	(120,150,571)	(46,113,771)	-	(166,264,342)	(115,473,016)	(15,689,818)	(131,162,834)
Reinsurance share of gross claims expenses	21,946,053	4,959,935	-	26,905,988	20,143,155	416,772	20,559,927
Net claims expenses	(98,204,518)	(41,153,836)	-	(139,358,354)	(95,329,861)	(15,273,046)	(110,602,907)
Income from policy fees	97,358	1,018,394	-	1,115,752	97,358	1,018,394	1,115,752
Commission income	3,335,056	1,127,371	-	4,462,427	3,338,129	211,155	3,549,284
Commission expense	(10,441,596)	(10,665,329)	-	(21,106,925)	(10,441,596)	(2,401,268)	(12,842,864)
	(7,009,182)	(8,519,564)	-	(15,528,746)	(7,006,109)	(1,171,719)	(8,177,828)

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As at 31 December 2022

33 Operating segment (continued)

	Group				Parent		
	Life	General	Adjustments and eliminations	Total	Life	General	Total
2022	RO	RO	RO	RO	RO	RO	RO
Net underwriting income	12,601,288	15,212,536	-	27,813,824	14,504,219	616,470	15,120,689
Investment income – net of expected credit losses	3,109,921	5,371,073	(1,705,308)	6,775,686	3,109,921	3,279,723	6,389,644
Other operating income	114,354	146,624	(25,916)	235,062	114,354	(9,047)	105,307
Third party administration fees	(1,288,654)	-	-	(1,288,654)	(2,781,355)	-	(2,781,355)
General and administrative expenses	(10,167,941)	(17,432,125)	25,916	(27,574,150)	(8,456,588)	(4,837,066)	(13,293,654)
Finance cost	(1,579,248)	(51,457)	-	(1,630,705)	(1,579,248)	-	(1,579,248)
Amortisation of intangible asset	(23,596)	(278,394)	-	(301,990)	(23,596)	-	(23,596)
Income tax	(366,132)	(555,162)	-	(921,294)	(280,700)	(96)	(280,796)
Profit for the year	2,399,992	2,413,095	(1,705,308)	3,107,779	4,607,007	(950,016)	3,656,991
Segment assets	176,893,049	427,791,038	(126,221,627)	478,462,460	163,880,074	166,944,252	330,824,326
Segment liabilities	121,566,968	232,213,314	(1,800,030)	351,980,252	114,099,546	104,736,048	218,835,594

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As at 31 December 2022

33 Operating segment (continued)

	Group				Parent		
	Life	General	Adjustments and eliminations	Total	Life	General	Total
2021	RO	RO	RO	RO	RO	RO	RO
Gross premium written	127,099,795	19,359,195	-	146,458,990	127,099,795	19,359,195	146,458,990
Movement in unearned premiums	(6,100,075)	390,818	-	(5,709,257)	(6,100,075)	390,818	(5,709,257)
Gross premiums earned	120,999,720	19,750,013	-	140,749,733	120,999,720	19,750,013	140,749,733
Reinsurance premiums ceded	(22,640,890)	(1,653,894)	-	(24,294,784)	(22,640,890)	(1,653,894)	(24,294,784)
Movement in unearned premiums	845,317	77,183	-	922,500	845,317	77,183	922,500
Premium ceded to reinsurance earned	(21,795,573)	(1,576,711)	-	(23,372,284)	(21,795,573)	(1,576,711)	(23,372,284)
Net premiums	99,204,147	18,173,302	-	117,377,449	99,204,147	18,173,302	117,377,449
Gross claims expense	(101,933,718)	(14,995,316)	-	(116,929,034)	(101,933,718)	(14,995,316)	(116,929,034)
Reinsurance share of gross claims expenses	22,581,754	1,730,671	-	24,312,425	22,581,754	1,730,671	24,312,425
Net claims expenses	(79,351,964)	(13,264,645)	-	(92,616,609)	(79,351,964)	(13,264,645)	(92,616,609)
Income from policy fees	111,768	1,005,790	-	1,117,558	111,768	1,005,790	1,117,558
Commission income	2,468,514	230,532	-	2,699,046	2,468,514	230,532	2,699,046
Commission expense	(9,363,625)	(2,851,361)	-	(12,214,986)	(9,363,625)	(2,851,361)	(12,214,986)
Net underwriting income	13,068,840	3,293,618	-	16,362,458	13,068,840	3,293,618	16,362,458
Investment income – net of expected credit losses	4,301,577	1,550,847	(86,504)	5,765,920	4,301,577	1,550,847	5,852,424
Other operating income	67,755	8,597	(25,284)	51,068	67,755	8,597	76,352
Third party administration fees	(1,033,280)	-	-	(1,033,280)	(2,323,730)	-	(2,323,730)
General and administrative expenses	(9,351,431)	(3,073,494)	25,284	(12,399,641)	(8,167,086)	(3,073,494)	(11,240,580)
Finance cost	(76,855)	-	-	(76,855)	(76,855)	-	(76,855)
Amortisation of intangible asset	(23,596)	-	-	(23,596)	(23,596)	-	(23,596)
Income tax	(939,286)	(233,226)	-	(1,172,512)	(919,685)	(233,226)	(1,152,911)
Profit for the year	6,013,724	1,546,342	(86,504)	7,473,562	5,927,220	1,546,342	7,473,562
Segment assets	152,680,345	44,001,315	(1,265,060)	195,416,600	150,622,112	44,001,315	194,623,427
Segment liabilities	103,992,510	25,312,091	(315,301)	128,989,300	102,884,036	25,312,091	128,196,127

The Group has operations in five major geographic locations in Middle East - Oman, UAE, Kuwait, Saudi and Baharin. The businesses are organised and managed separately, with each segment representing a strategic business unit.

The following table presents premium and profit information and asset and liability information regarding business segments for the year ended 31 December 2022 and 2021.

Notes to Financial Statements

As at 31 December 2022

33 Operating segment (continued)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that have been allocated on a reasonable basis.

2022	Oman RO	UAE RO	Kuwait RO	Saudi RO	Bahrain RO	Subsidiaries RO	Adjustments and eliminations RO	Total RO
Gross premium written	73,738,944	120,059,280	6,067,414	30,050,328	1,160,224	-	-	231,076,190
Movement in unearned premiums	3,041,975	(6,517,471)	6,253	(8,338,480)	(116,095)	-	-	(11,923,818)
Gross premiums earned	76,780,919	113,541,809	6,073,667	21,711,848	1,044,129	-	-	219,152,372
Reinsurance premiums ceded	(5,463,308)	(28,307,598)	(276,042)	(7,182,020)	(133,058)	-	-	(41,362,026)
Movement in unearned premiums	(476,801)	3,882,141	65,823	1,439,415	-	-	-	4,910,578
Premium ceded to reinsurance earned	(5,940,109)	(24,425,457)	(210,219)	(5,742,605)	(133,058)	-	-	(36,451,448)
Net premium earned	70,840,810	89,116,352	5,863,448	15,969,243	911,071	-	-	182,700,924
Gross claims expense	(59,213,886)	(83,450,238)	(4,876,334)	(18,396,608)	(327,276)	-	-	(166,264,342)
Reinsurance share of gross claims expenses	2,568,086	19,478,136	299,554	4,560,155	57	-	-	26,905,988
Net claims expenses	(56,645,800)	(63,972,102)	(4,576,780)	(13,836,453)	(327,219)	-	-	(139,358,354)
Income from policy fees	991,505	90,981	33,266	-	-	-	-	1,115,752
Commission income	251,804	3,564,194	30,203	614,566	1,660	-	-	4,462,427
Commission expense	(4,595,945)	(14,079,537)	(901,972)	(1,522,740)	(6,731)	-	-	(21,106,925)
Net underwriting income	10,842,374	14,719,888	448,165	1,224,616	578,781	-	-	27,813,824
Investment income – net of expected credit losses	6,466,033	1,303,534	(115,295)	810,427	16,295	-	(1,705,308)	6,775,686
Other operating income /(expenses)	181,437	88,178	(8,637)	-	-	-	(25,916)	235,062
Third party administration fees	(107,916)	(2,453,501)	(219,938)	-	-	1,492,701	-	(1,288,654)
General and administrative expenses	(12,309,244)	(9,823,623)	(682,371)	(3,437,275)	-	(1,347,553)	25,916	(27,574,150)
Finance cost	(1,616,786)	(13,919)	-	-	-	-	-	(1,630,705)
Amortisation of intangible asset	(23,596)	(179,866)	-	(98,528)	-	-	-	(301,990)
Income tax	(445,700)	-	(96)	(444,213)	-	(31,285)	-	(921,294)
Profit for the year	2,986,602	3,640,691	(578,172)	(1,944,973)	595,076	113,863	(1,705,308)	3,107,779
Segment assets	293,469,962	222,976,177	11,184,853	71,988,592	3,663,052	1,401,451	(126,221,627)	478,462,460
Segment liabilities	179,087,583	113,438,735	6,017,920	51,640,747	3,233,983	361,314	(1,800,030)	351,980,252

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As at 31 December 2022

33 Operating segment (continued)

2021	Oman RO	UAE RO	Kuwait RO	Subsidiaries RO	Adjustments and eliminations RO	Total RO
Gross premium written	65,103,075	75,849,388	5,506,527	-	-	146,458,990
Movement in unearned premiums	196,662	(4,944,914)	(961,005)	-	-	(5,709,257)
Gross premiums earned	65,299,737	70,904,474	4,545,522	-	-	140,749,733
Reinsurance premiums ceded	(4,496,848)	(19,696,944)	(100,992)	-	-	(24,294,784)
Movement in unearned premiums	623,006	297,825	1,669	-	-	922,500
Premium ceded to reinsurance earned	(3,873,842)	(19,399,119)	(99,323)	-	-	(23,372,284)
Net premium earned	61,425,895	51,505,355	4,446,199	-	-	117,377,449
Gross claims expense	(50,541,633)	(63,474,895)	(2,912,506)	-	-	(116,929,034)
Reinsurance share of gross claims expenses	5,818,925	18,462,469	31,031	-	-	24,312,425
Net claims expenses	(44,722,708)	(45,012,426)	(2,881,475)	-	-	(92,616,609)
Income from policy fees	1,003,074	88,258	26,226	-	-	1,117,558
Commission income	240,873	2,457,787	386	-	-	2,699,046
Commission expense	(4,611,572)	(6,644,682)	(958,732)	-	-	(12,214,986)
Net underwriting income	13,335,562	2,394,292	632,604	-	-	16,362,458
Investment income – net of expected credit losses	4,922,486	793,596	136,342	-	(86,504)	5,765,920
Other operating (expenses) / income	(8,133)	84,440	45	-	(25,284)	51,068
Third party administration fees	(137,642)	(1,995,371)	(190,717)	1,290,450	-	(1,033,280)
General and administrative expenses	(7,659,523)	(3,015,327)	(565,730)	(1,184,345)	25,284	(12,399,641)
Finance cost	(76,805)	(50)	-	-	-	(76,855)
Amortisation of intangible asset	(23,596)	-	-	-	-	(23,596)
Income tax	(1,152,215)	-	(696)	(19,601)	-	(1,172,512)
Profit for the year	9,200,134	(1,738,420)	11,848	86,504	(86,504)	7,473,562
Segment assets	115,832,156	68,128,438	10,662,833	2,058,233	(1,265,060)	195,416,600
Segment liabilities	71,122,700	52,203,491	4,869,936	1,108,474	(315,301)	128,989,300

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33 Operating segment (continued)

Primary reporting format - Geographic Information - Parent

2022	Oman RO	UAE RO	Kuwait RO	Total RO
Gross premium written	64,070,286	94,291,477	6,067,414	164,429,177
Movement in unearned premiums	2,136,832	(6,978,858)	6,253	(4,835,773)
Gross premiums earned	66,207,118	87,312,619	6,073,667	159,593,404
Reinsurance premiums ceded	(3,453,312)	(22,897,590)	(276,042)	(26,626,944)
Movement in unearned premiums	(728,857)	1,597,998	65,823	934,964
Premium ceded to reinsurance earned	(4,182,169)	(21,299,592)	(210,219)	(25,691,980)
Net premium earned	62,024,949	66,013,027	5,863,448	133,901,424
Gross claims expense	(54,722,008)	(71,564,492)	(4,876,334)	(131,162,834)
Reinsurance share of gross claims expenses	2,686,754	17,573,619	299,554	20,559,927
Net claims expenses	(52,035,254)	(53,990,873)	(4,576,780)	(110,602,907)
Income from policy fees	991,505	90,981	33,266	1,115,752
Commission income	211,651	3,307,430	30,203	3,549,284
Commission expense	(3,941,185)	(7,999,707)	(901,972)	(12,842,864)
Net underwriting income	7,251,666	7,420,858	448,165	15,120,689
Investment income – net of expected credit losses	5,715,637	789,302	(115,295)	6,389,644
Other operating income / (expenses)	25,766	88,178	(8,637)	105,307
Third party administration fees	(107,916)	(2,453,501)	(219,938)	(2,781,355)
General and administrative expenses	(8,904,268)	(3,707,015)	(682,371)	(13,293,654)
Finance cost	(1,579,248)	-	-	(1,579,248)
Amortisation of intangible asset	(23,596)	-	-	(23,596)
Income tax	(280,700)	-	(96)	(280,796)
Profit for the year	2,097,341	2,137,822	(578,172)	3,656,991
Segment assets	233,699,853	85,939,620	11,184,853	330,824,326
Segment liabilities	147,136,286	65,681,388	6,017,920	218,835,594

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33 Operating segment (continued)

Primary reporting format - Geographic Information - Parent (continued)

	Oman	UAE	Kuwait	Total
2021	**RO**	**RO**	**RO**	**RO**
Gross premium written	65,103,075	75,849,388	5,506,527	146,458,990
Movement in unearned premiums	196,662	(4,944,914)	(961,005)	(5,709,257)
Gross premiums earned	65,299,737	70,904,474	4,545,522	140,749,733
Reinsurance premiums ceded	(4,496,848)	(19,696,944)	(100,992)	(24,294,784)
Movement in unearned premiums	623,006	297,825	1,669	922,500
Premium ceded to reinsurance earned	(3,873,842)	(19,399,119)	(99,323)	(23,372,284)
Net premium earned	61,425,895	51,505,355	4,446,199	117,377,449
Gross claims expense	(50,541,633)	(63,474,895)	(2,912,506)	(116,929,034)
Reinsurance share of gross claims expenses	5,818,925	18,462,469	31,031	24,312,425
Net claims expenses	(44,722,708)	(45,012,426)	(2,881,475)	(92,616,609)
Income from policy fees	1,003,074	88,258	26,226	1,117,558
Commission income	240,873	2,457,787	386	2,699,046
Commission expense	(4,611,572)	(6,644,682)	(958,732)	(12,214,986)
Net underwriting income	13,335,562	2,394,292	632,604	16,362,458
Investment income – net of expected credit losses	4,922,486	793,596	136,342	5,852,424
Other operating income	(8,133)	84,440	45	76,352
Third party administration fees	(137,642)	(1,995,371)	(190,717)	(2,323,730)
General and administrative expenses	(7,659,523)	(3,015,327)	(565,730)	(11,240,580)
Finance cost	(76,805)	(50)	-	(76,855)
Amortisation of intangible asset	(23,596)	-	-	(23,596)
Income tax	(1,152,215)	-	(696)	(1,152,911)
Profit for the year	9,200,134	(1,738,420)	11,848	7,473,562
Segment assets	115,832,156	68,128,438	10,662,833	194,623,427
Segment liabilities	71,122,700	52,203,491	4,869,936	128,196,127

Notes to Financial Statements

As at 31 December 2022

34 Risk management

34.1 Governance framework

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

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. Further, a company 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. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The Board of Directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

34.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

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

Capital management framework

Regulatory framework

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

The operations of the Group within the Sultanate of Oman are subject to regulatory requirements of the Sultanate of Oman. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions such as solvency requirements and assignment of deposits to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

Notes to Financial Statements

As at 31 December 2022

34 Risk management (continued)

Regulatory framework

In accordance with the Insurance Companies Law of the Sultanate of Oman, the Company is required to maintain a minimum solvency margin at the reporting date in compliance with the solvency requirements. The Company's policy is to deal only with reputed and highly rated reinsurers. The Company has met these requirements for the financial year 2022.

Insurance Authority for United Arab Emirates has also issued financial regulations during 2015 which prescribe requirements for accounting, reporting, investments and solvency requirements. These regulations are to be implemented over a time frame of one to three years. The Group has met these requirements for the financial year 2022.

Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds. The Group also utilises, where efficient to do so, sources of funds such as reinsurance.

The capital requirements are routinely forecast on a periodic basis, and assessed against both the forecast available capital and the expected internal rate of return including risk and sensitivity analyses. The Company has a surplus over the required solvency margin as per the Insurance Company Law.

34.3 Credit risk

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

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

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties.
- The Group's investments carried at amortised cost and debt securities carried at FVOCI are managed by the investment officer in accordance with the investment policy established by the Board of Directors.
- The Group's loan to policy holders is secured against the cash values of the respective policies.
- The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers or intermediaries and monitoring outstanding receivables. Insurance receivables comprise a large number of customers in Oman and UAE. Three major parties account for 18% of the receivables as of 31 December 2022 (2021: 23%).
- The Group's bank balances are maintained with a range of international and local banks which are approved by the Board of Directors.

Notes to Financial Statements

As at 31 December 2022

34 Risk management (continued)

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers or intermediaries and monitoring outstanding receivables. Insurance receivables comprise a large number of customers in Oman and UAE. Three major parties account for 18% of the receivables as of 31 December 2022 (2021: 23%).

	Group				Parent Company			
	Not past due and considered good	Past due but not impaired	Impaired	Total	Not past due and considered good	Past due but not impaired	Impaired	Total
2022	RO	RO	RO	RO	RO	RO	RO	RO
Cash and bank balances	47,859,748	-	-	47,859,748	19,590,098	-	-	19,590,098
Bank deposits	147,277,552	-	-	147,277,552	42,143,517	-	-	42,143,517
Insurance and reinsurance receivables	56,954,956	24,159,437	8,187,760	89,302,153	42,659,615	10,930,098	3,012,135	56,601,848
Reinsurance share of actuarial / mathematical reserve and unexpired risk reserve	18,082,401	-	-	18,082,401	12,165,379	-	-	12,165,379
Reinsurance share of outstanding claims	23,262,905	-	-	23,262,905	6,498,774	-	-	6,498,774
Other receivables (excluding prepayments)	17,342,727	2,515,608	4,222,883	24,081,218	7,531,726	2,515,608	472,332	10,519,666
Investments carried at amortised cost	13,692,639	-	-	13,692,639	11,176,713	-	-	11,176,713
Debt instruments carried at FVOCI	79,798,691	-	-	79,798,691	38,402,348	-	-	38,402,348
Loans to policyholders	47,587	-	-	47,587	47,587	-		47,587
Total	404,319,206	26,675,045	12,410,643	443,404,894	180,215,757	13,445,706	3,484,467	197,145,930

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34 Risk management (continued)

	Group				Parent Company			
	Not past due and considered good	Past due but not impaired	Impaired	Total	Not past due and considered good	Past due but not impaired	Impaired	Total
2021	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
Bank balances	14,411,011	-	-	14,411,011	13,202,308	-	-	13,202,308
Bank deposits	47,393,330	-	-	47,393,330	47,393,330	-	-	47,393,330
Insurance and reinsurance receivables	40,488,585	8,894,007	2,558,905	51,941,497	40,488,586	8,894,007	2,558,905	51,941,498
Reinsurance share of actuarial / mathematical reserve and unexpired risk reserve	11,230,415	-	-	11,230,415	11,230,415	-	-	11,230,415
Reinsurance share of outstanding claims	6,284,674	-	-	6,284,674	6,284,674	-	-	6,284,674
Other receivables (excluding prepayments)	5,831,737	2,233,880	407,191	8,472,808	5,438,629	2,233,880	407,191	8,079,700
Investments carried at amortised cost	11,197,834	-	-	11,197,834	11,197,834		-	11,197,834
Debt instruments carried at FVOCI	32,719,139	-	-	32,719,139	32,719,139	-		32,719,139
Loans to policyholders	70,204	-	-	70,204	70,204	-	-	70,204
Total	169,626,929	11,127,887	2,966,096	183,720,912	168,025,119	11,127,887	2,966,096	182,119,102

The Group has made adequate provision towards its impaired receivable balances.

Notes to Financial Statements

As at 31 December 2022

34 Risk management (continued)

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

	Past due but not impaired-Group						
	Less than 1 month	1 to 4 months	4 to 7 months	7 to 9 months	9 to 13 months	> 13 months	Total
	RO	RO	RO	RO	RO	RO	RO
2022	**4,115,408**	**8,424,800**	**4,999,820**	**1,658,842**	**1,017,363**	**3,943,204**	**24,159,437**
2021	2,085,697	1,783,291	1,148,924	591,684	757,239	2,527,172	8,894,007

	Past due but not impaired-Parent						
	Less than 1 month	1 to 4 months	4 to 7 months	7 to 9 months	9 to 13 months	> 13 months	Total
	RO	RO	RO	RO	RO	RO	RO
2022	**1,566,736**	**2,783,752**	**1,271,287**	**347,756**	**1,017,363**	**3,943,204**	**10,930,098**
2021	2,085,697	1,783,291	1,148,924	591,684	757,239	2,527,172	8,894,007

Assets classified as 'past due and impaired' are contractual payments which are invoiced for more than 365 days and an impairment adjustment is recorded in the consolidated statement of profit or loss and other comprehensive income. When the credit exposure is adequately secured, arrears more than 365 days might still be classified as "past due but not impaired", with no impairment adjustment recorded.

Debt securities and Bank Deposits

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating from recognized credit rating agencies.

The Group monitors changes in credit risk by tracking published external credit ratings to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings. The Group supplements this by reviewing changes in bond yields together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by Rating Agency Moody's for each credit rating. Loss given default (LGD) parameters are described in detail in note 4 - Key sources of estimation uncertainty.

Balances at bank and bank deposits

The Group held balances at bank and bank deposits with banks and financial institution counterparties, which are rated A1 to Baa3, based on Moody's ratings.

The Company has used both simplified and generalized approach. For Bank Deposits and debt securities, the generalized approach has been used and for the other portfolios, the simplified approach was used. Under the generalized approach the counterparties are required to be classified in stages based on the significant increase in credit risk however, under the simplified approach, no staging is done and lifetime expected credit losses are calculated for all the counterparties.

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As at 31 December 2022

34 Risk management (continued)

	Group				Parent			
	Stage 1	Stage 2	Assets/ ECL under simplified approach	Total	Stage 1	Stage 2	Assets/ ECL under simplified approach	Total
2022	RO	RO	RO	RO	RO	RO	RO	RO
Exposure (carrying value) subject to ECL								
at 1 January 2022								
Due from banks and deposits	150,807,118	-	30,483,451	181,290,569	47,500,135	-	13,240,099	60,740,234
Financial investments – Debt	68,499,850	-	70,235	68,570,085	23,221,976	-	70,235	23,292,211
Other receivables	-	-	11,775,381	11,775,381	-	-	7,938,070	7,938,070
Movement in the exposure (carrying value)								
subject to ECL during the year								
Due from banks and deposits	(3,323,310)	-	16,725,870	13,402,560	57,745,488	-	-	57,745,488
Financial investments – Debt	2,272,266	-	(22,625)	2,249,641	3,709,099	-	(22,625)	3,686,474
Other receivables	-	-	(419,967)	(419,967)	-	-	(605,682)	(605,682)

Notes to Financial Statements

As at 31 December 2022

34 Risk management (continued)

Balances at bank and bank deposits (Continued)

2022	Group				Parent			
	Stage 1	Stage 2	Assets/ ECL under simplified approach	Total	Stage 1	Stage 2	Assets/ ECL under simplified approach	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Exposure (carrying value) subject to ECL								
at 31 December 2022								
Due from banks and deposits	147,483,808	-	47,209,321	194,693,129	105,245,623	-	13,240,099	118,485,722
Financial investments – Debt	70,772,116	-	47,610	70,819,726	26,931,075	-	47,610	26,978,685
Other receivables	-	-	11,355,414	11,355,414	-	-	7,332,388	7,332,388
Opening balance of ECL as at 1 January 2022								
Due from banks and deposits	218,393	-	49,586	267,979	106,805	-	37,791	144,596
Financial investments – Debt	74,401	-	29	74,430	55,442	-	29	55,471
Other receivables	-	-	17,996	17,996	-	-	17,996	17,996
ECL as at 1 January 2022	292,794	-	67,611	360,405	162,247	-	55,816	218,063
Charge for the year (net)								
Due from banks and deposits	(12,143)	-	(7,921)	(20,064)	(12,135)	-	(7,929)	(20,064)
Financial investments – Debt	24,464	-	(7)	24,457	24,463	-	(7)	24,456
Other receivables	-	-	8,169	8,169	-	-	8,169	8,169
ECL charge for the year (net)	12,321	-	241	12,562	12,328	-	233	12,561
Closing balance of ECL as at 31 December 2022								
Due from banks and deposits	206,250	-	41,665	247,915	94,670	-	29,862	124,532
Financial investments – Debt	98,865	-	22	98,887	79,905	-	22	79,927
Other receivables	-	-	26,165	26,165	-	-	26,165	26,165
ECL as at 31 December 2022	305,115	-	67,852	372,967	174,575	-	56,049	230,624

Insurance and reinsurance receivables Reinsurance share of actuarial / mathematical reserve and unexpired risk reserve

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34 Risk management (continued)

Balances at bank and bank deposits (Continued)

	Group				Parent			
	Stage 1	Stage 2	Assets/ ECL under simplified approach	Total	Stage 1	Stage 2	Assets/ ECL under simplified approach	Total
2021	RO	RO	RO	RO	RO	RO	RO	RO
Exposure (carrying value) subject to ECL								
at 1 January 2021								
Due from banks and deposits	41,678,130	-	9,733,898	51,412,028	41,678,130	-	9,733,898	51,412,028
Financial investments – Debt	29,949,478	-	113,913	30,063,391	29,949,478	-	113,913	30,063,391
Other receivables	-	-	5,172,324	5,172,324	-	-	5,172,324	5,172,324
Movement in the exposure (carrying value) subject to ECL during the year								
Due from banks and deposits	5,822,005	-	3,506,201	9,328,206	5,822,005	-	3,506,201	9,328,206
Financial investments – Debt	(6,727,502)	-	(43,678)	(6,771,180)	(6,727,502)	-	(43,678)	(6,771,180)
Other receivables	-	-	2,765,746	2,765,746	-	-	2,765,746	2,765,746
Exposure (carrying value) subject to ECL								
at 31 December 2021								
Due from banks and deposits	47,500,135	-	13,240,099	60,740,234	47,500,135	-	13,240,099	60,740,234
Financial investments – Debt	23,221,976	-	70,235	23,292,211	23,221,976	-	70,235	23,292,211
Other receivables	-	-	7,938,070	7,938,070	-	-	7,938,070	7,938,070
Opening balance of ECL as at 1 January 2021								
Due from banks and deposits	82,034	-	33,664	115,698	82,034	-	33,664	115,698
Financial investments – Debt	69,226	-	40	69,266	69,226	-	40	69,266
Other receivables	-	-	7,405	7,405	-	-	7,405	7,405
ECL as at 1 January 2021	151,260	-	41,109	192,369	151,260	-	41,109	192,369
Charge for the year (net)								
Due from banks and deposits	24,771	-	4,127	28,898	24,771	-	4,127	28,898
Financial investments – Debt	(13,784)	-	(12)	(13,796)	(13,784)	-	(12)	(13,796)
Other receivables	-	-	10,591	10,591	-	-	10,591	10,591
ECL charge for the year (net)	10,987	-	14,706	25,693	10,987	-	14,706	25,693
Closing balance of ECL as at 31 December 2021								
Due from banks and deposits	106,805	-	37,791	144,596	106,805	-	37,791	144,596
Financial investments – Debt	55,442	-	29	55,471	55,442	-	29	55,471
Other receivables	-	-	17,996	17,996	-	-	17,996	17,996
ECL as at 31 December 2021	162,247	-	55,816	218,063	162,247	-	55,816	218,063

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34 Risk management (continued)

34.4 Reinsurance risk

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

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group only deals with reinsurers as mandated under the board approved Reinsurance Management strategy manual.

The Group places business only with reinsurers having a minimum rating of "BBB" from Standard & Poor's or "B+" from A. M. Best except regional reinsurers.

The Group reviews the rating of its major reinsurers on an annual basis and their financial strength ratings as per the latest review done in December 2022 are tabled below:

Reinsurer	Rating	Date	Outlook	Rating Agency
Abu Dhabi National Insurance Company	A	31-Dec-22	Stable	S&P
Active Capital Reinsurance, Ltd	A-	31-Dec-22	Stable	A.M.Best
Arch Syndicate 2012	A+ (Superior)	31-Dec-22	Stable	A.M.Best
Africa Re Underwriting Agency Limited Africa Re	A	31-Dec-21	Stable	AM Best
Allied World Assurance Company (Europe) DAC	A-	31-Dec-21	Stable	S&P
Arab Reinsurance CoOcean Re	A-	31-Dec-21	Stable	AM Best
Arch Reinsurance Europe Underwriting DAC,	A+	31-Dec-21	Stable	AM Best
Asian Reinsurance Corporation	B+	31-Dec-21	Stable	AM Best
AXIS Reinsurance Company	A+	31-Dec-21	Stable	S&P
Barents Re	A (Excellent)	31-Dec-22	Negative	A.M.Best
Berkley Re UK Limited	A+	31-Dec-21	Stable	AM Best
CCR Re	A (Excellent)	31-Dec-22	Stable	A.M.Best
Chaucer MENA Underwriting Limited	A	31-Dec-21	Stable	AM Best
Chord Reinsurance Limited	A	31-Dec-21	Stable	AM Best
Compagnie Centrale De Reassurance	B+	31-Dec-21	Stable	AM Best
Convex Insurance UK Limited	A-	31-Dec-21	Stable	S&P
Deutsche Ruckversicherung Aktiengesellschaft	A+	31-Dec-21	Stable	S&P
Dunav Re a.d.o.,	B+	31-Dec-21	Stable	AM Best
Endurance Worldwide Insurance Limited	A+	31-Dec-21	Stable	S&P
Everest Reinsurance Company	A+	31-Dec-21	Stable	S&P

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34 Risk management (continued)

34.4 Reinsurance risk (continued)

The Group reviews the rating of its major reinsurers on an annual basis and their financial strength ratings as per the latest review done in December 2022 are tabled below:

Reinsurer	Rating	Date	Outlook	Rating Agency
Emirates Insurance Company P.S.C.	A- (Excellent)	31-Dec-21	Stable	A.M.Best
Gen Re	A++ (Superior)	31-Dec-22	Stable	A.M.Best
GIC Re	B++ (Good)	31-Dec-22	Stable	A.M.Best
Group Ark Insurance Ltd	A	31-Dec-22	Stable	AM Best
Hamilton Re Ltd.	A-	31-Dec-22	Stable	AM Best
Hannover Re	A+ (Superior)	31-Dec-22	Stable	A.M.Best
HCC International Insurance Company plc	A+	31-Dec-22	Stable	S&P
Kuwait Reinsurance Company K.S.C.P	A-	31-Dec-22	Stable	AM Best
Labuan Re	A- (Excellent)	31-Dec-22	Stable	A.M.Best
Lancashire Insurance Company Limited	A-	31-Dec-22	Stable	S&P
Liberty Mutual Insurance Europe S.a.r.l.	A	31-Dec-22	Stable	S&P
Lloyd's Syndicate	A- (Excellent)	31-Dec-22	Stable	A.M.Best
Malaysian Re (MNRB Holdings Berhad)	A- (Excellent)	31-Dec-22	Stable	A.M.Best
MAPFRE U.S.A.	A+ (Excellent)	31-Dec-22	Stable	A.M.Best
Munich Re	A+ (Superior)	31-Dec-22	Stable	A.M.Best
Nacional de Reaseguros SA	A	31-Dec-22	Stable	S&P
Ocean International Reinsurance Company Limited (Oman Re)	A-	31-Dec-22	Stable	AM Best
Odyssey Reinsurance Company, France Branch, France	A	31-Dec-22	Stable	AM Best
Partner Reinsurance Europe SE,	A+	31-Dec-22	Stable	AM Best
Reinsurance Group of America-RGA	AA- (Very Strong)	31-Dec-22	Stable	S&P Global
RSA Insurance, United Kingdom	A	31-Dec-22	Stable	S&P
Santam Limited, New Re (Switzerland)	A+	31-Dec-22	Stable	AM Best
Saudi re	A3	27-Dec-22	Stable	Moody›s
SCOR	A- (Stable)	31-Dec-22	Stable	A.M.Best
Seoul Guarantee Insurance Company Limited	A+	31-Dec-22	Stable	S&P
Sirius Point International	A-	31-Dec-22	Stable	S&P
Singapore Re	A- (Excellent)	31-Dec-22	Stable	A.M.Best
Societe Centrale De Reassurance	B++	31-Dec-22	Stable	AM Best
Swiss Re	A+ (Superior)	31-Dec-22	Stable	A.M.Best
Taiping Reinsurance Company Limited	A	31-Dec-22	Stable	S&P
The New India Assurance Company Limited	B++	31-Dec-22	Stable	AM Best

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34 Risk management (continued)

34.4 Reinsurance risk (continued)

The Group reviews the rating of its major reinsurers on an annual basis and their financial strength ratings as per the latest review done in December 2022 are tabled below:

Reinsurer	Rating	Date	Outlook	Rating Agency
Toa Reinsurance Company Ltd (The)	A+	31-Dec-22	Stable	S&P
TransRe Europe S.A., Zurich Branch	A+	31-Dec-22	Stable	AM Best
Trust Insurance Management W.L.L.,	A-	31-Dec-22	Stable	AM Best
Turk Reasurans Anonim Sirketi	A-	31-Dec-22	Stable	AM Best
Validus Reinsurance Limited	A+	31-Dec-22	Stable	S&P
Volante (DIFC) Ltd,	A	31-Dec-22	Stable	AM Best
W. R. Berkley Europe AG	A+	31-Dec-22	Stable	S&P
XL Re Europe SE,	A+	31-Dec-22	Stable	AM Best

Reinsurance ceded contracts do not relieve the company from its obligations to policyholders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.The company's maximum theoretical risk exposure in this connection is RO 42.178,754 (2021: RO 17,515,089).

34.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The Group considers their liquidity position to be satisfactory and also has committed overdraft and short term loan facilities of RO 14,750,000 as at 31 December 2022 (2021: RO 17,506,860) as well as the Group is in a position to generate cash by way of selling quoted investments or liquidating bank deposits in case of urgent cash requirements.

The Group maintains sufficient cash and cash equivalents to cater its day to day working capital needs.

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34 Risk management (continued)

34.5 Liquidity risk (continued)

The table below summarises the maturities of the principal position of the Group's financial assets and financial liabilities at the reporting date, based on contractual payment dates.

2022	Group				Parent			
	Less than one year	More than one year	No fixed term	Total	Less than one year	More than one year	No fixed term	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Financial liabilities								
Gross outstanding claims	70,931,391	8,630,860	-	79,562,251	31,319,829	-	-	31,319,829
Actuarial / mathematical reserve	40,429,244	-	14,886,908	55,316,152	40,424,133	-	14,886,909	55,311,042
Unexpired risk reserve	46,421,943	-	-	46,421,943	6,775,501	-	-	6,775,501
Due to reinsurers	25,449,995	-	-	25,449,995	11,985,821	-	-	11,985,821
Short Term Loan from Bank	77,093,974	-	-	77,093,974	77,093,974	-	-	77,093,974
Other liabilities (excluding contractual staff benefits)	56,786,538	2,519,707	-	59,306,245	31,597,462	2,519,707	-	34,117,169
Total financial liabilities	317,113,085	11,150,567	14,886,908	343,150,560	199,196,720	2,519,707	14,886,909	216,603,336
Financial assets								
Cash and bank balances	47,914,047	-	-	47,914,047	19,631,657	-	-	19,631,657
Bank deposits	126,377,574	20,899,978	-	147,277,552	42,143,517	-	-	42,143,517
Insurance and reinsurance receivables	80,355,960	758,433	-	81,114,393	53,589,712	-	-	53,589,712
Reinsurance share of outstanding claims	19,040,494	4,222,411	-	23,262,905	6,498,774	-	-	6,498,774
Reinsurance share of actuarial / mathematical reserve	7,988,786	-	3,860,914	11,849,700	7,985,295	-	3,860,865	11,846,160
Reinsurance share of unexpired risk reserve	6,232,701	-	-	6,232,701	319,219	-	-	319,219
Other receivables (excluding prepayments) and advances	19,858,336	-	-	19,858,336	10,047,333	-	-	10,047,333
Investment carried at fair value through profit or loss	846,764	-	-	846,764	276,746	-	-	276,746
Investments carried at amortised cost	1,972,819	11,719,820	-	13,692,639	-	11,176,713	-	11,176,713
Investment carried at FVOCI	-	-	86,299,922	86,299,922	-	-	44,922,547	44,922,547
Loans to policyholders	-	-	47,587	47,587	-	-	47,587	47,587
Total financial assets	310,587,481	37,600,642	90,208,423	438,396,546	140,492,253	11,176,713	48,830,999	200,499,965

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34 Risk management (continued)

34.5 Liquidity risk (continued)

2021	Group				Parent			
	Less than one year RO	More than one year RO	No fixed term RO	Total RO	Less than one year RO	More than one year RO	No fixed term RO	Total RO
Financial liabilities								
Gross outstanding claims	28,717,762	-	-	28,717,762	28,717,762	-	-	28,717,762
Actuarial / mathematical reserve	40,424,133	-	9,048,613	49,472,746	40,424,133	-	9,048,613	49,472,746
Unexpired risk reserve	7,778,024	-	-	7,778,024	7,778,024	-	-	7,778,024
Due to reinsurers	8,277,998	-	-	8,277,998	8,277,998	-	-	8,277,998
Short Term Loan from Bank	7,500,000	-	-	7,500,000	7,500,000	-	-	7,500,000
Other liabilities (excluding contractual staff benefits)	22,452,411	1,717,978	-	24,170,389	21,659,238	1,717,978	-	23,377,216
Total financial liabilities	115,150,328	1,717,978	9,048,613	125,916,919	114,357,155	1,717,978	9,048,613	125,123,746
Financial assets								
Cash and bank balances	14,431,408	-	-	14,431,408	13,222,586	-	-	13,222,586
Bank deposits	47,393,330	-	-	47,393,330	47,393,330	-	-	47,393,330
Insurance and reinsurance receivables	49,382,592	-	-	49,382,592	49,382,592	-	-	49,382,592
Reinsurance share of outstanding claims	6,284,674	-	-	6,284,674	6,284,674	-	-	6,284,674
Reinsurance share of actuarial / mathematical reserve	7,985,295	-	2,998,116	10,983,411	7,985,295	-	2,998,116	10,983,411
Reinsurance share of unexpired risk reserve	247,004	-	-	247,004	247,004	-	-	247,004
Other receivables (excluding prepayments)	8,065,617	-	-	8,065,617	7,672,509	-	-	7,672,509
Investment carried at fair value through profit or loss	1,363,031	-	-	1,363,031	1,363,031	-	-	1,363,031
Investments carried at amortised cost	-	11,197,834	-	11,197,834	-	11,197,834	-	11,197,834
Investment carried at FVOCI	-	-	38,110,950	38,110,950	-	-	38,110,950	38,110,950
Loans to policyholders	-	-	70,204	70,204	-	-	70,204	70,204
Total financial assets	135,152,951	11,197,834	41,179,270	187,530,055	133,551,021	11,197,834	41,179,270	185,928,125

* Bank deposits of RO 147,277,552 (2021: RO 47,393,330) also include bank deposits which have maturity date of more than one year amounting to RO 49,504,140 (2021: RO 29,064,431) as these are highly liquid in nature and can liquidated on demand whenever required.

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34 Risk management (continued)

34.6 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group is exposed to market risk with respect to its investments. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees. Market risk comprises three types of risk: market interest rates (interest rate risk), market prices (equity price risk) and foreign exchange rates (currency risk).

Interest rate risk

The Group invests in securities and has deposits that are subject to interest rate risk. The Group's bank deposits of RO 147,483,808 (2021: RO 47,500,135) carry fixed rate of interest and therefore, are not exposed to interest rate risk. The Group holds subordinated interest bearing investments at FVOCI with face value of RO 66,182,145 (2021: RO 21,747,393) which are subject to interest rate reset as per below table

Group	2022			2021		
Year of Reset	Face Value RO	Rate Change	Impact RO RO	Face Value RO RO	Rate Change	Impact RO RO
Year 2022	-	-	-	1,000,000	1%	10,000
Year 2023	**24,041,901**	**1%**	**240,419**	10,826,466	1%	108,265
2024 to 2031	**42,140,245**	**1%**	**421,402**	9,920,927	1%	99,209
Total	**66,182,146**		**661,821**	21,747,393		217,474

Parent	2022			2021		
Year of Reset	Face Value RO	Rate Change	Impact RO RO	Face Value RO RO	Rate Change	Impact RO RO
Year 2022	-		-	1,000,000	1%	10,000
Year 2023	**10,826,466**	**1%**	**108,265**	10,826,466	1%	108,265
2024 to 2031	**14,030,767**	**1%**	**140,308**	9,920,927	1%	99,209
Total	**24,857,233**		**248,573**	21,747,393		217,474

The Group avails short term loans which are on floating interest risk and is thereby exposed to interest rate risk. Change of interest rate on loans availed is not expected to have a material impact on the Group's results.

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34 Risk management (continued)

34.6 Market risk (continued)

Financial Instruments price risk

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

74% (2021: 77%) of the Group's investments at the reporting date are within the Sultanate of Oman.

The following table demonstrates the sensitivity of the investment income to reasonably possible changes in equity prices, with all other variables held constant. The effect of 20% decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Group				Parent			
	Effect on equity		Effect on profit		Effect on equity		Effect on profit	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RO	RO	**RO**	RO	**RO**	RO	**RO**	RO
Financial instruments at FVTPL	**-**	-	**169,353**	272,606	**-**	-	**55,349**	272,606
Financial instruments at FVOCI	**17,259,984**	7,622,190	**-**	-	**8,984,509**	7,622,190	**-**	-

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company enters into major agreements in Omani Rial and US Dollars. As the Omani Rial is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

37% (2021: 48%) of the Group's deposits and cash and bank balances are denominated in foreign currencies, mainly US Dollars, Kuwaiti Dinars and UAE Dirhams. The Group's investments carried at FVTPL and FVOCI amounting to RO 64,140,345 (2021: RO 19,563,789) are denominated in currencies other than Rial Omani.

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35 Insurance risk and financial risk

35.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very 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 Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. In addition, the Group has entered into reinsurance contracts in order to mitigate the impact that large individual claims may have on its net results.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. Long-term insurance contracts (individual life and group credit life written on a single premium basis)

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. Given that the Group's portfolio is small, large individual claims may also significantly impact the gross loss ratio.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with Discretionary Participation Features (DPF), the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The Group also manages mortality and disability risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group currently has a retention limit of RO 10,000 (2021: RO 10,000) on any single life insured, the excess over this amount being reinsured. Medically impaired lives are reinsured at lower levels.

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35 Insurance risk and financial risk (continued)

35.1 Insurance risk (continued)

The Group's exposure to mortality risk in terms of total gross of reinsurance sums at risk are as follows as at 31 December 2022 for the long term individual business.

2022	Total sum at risk at reporting date		
	Number of lives	Before reinsurance	After reinsurance
		RO	RO
Individual life - long term	**42,632**	**267,341,212**	**233,241,168**
Individual and group credit life - long term	**21,375**	**381,568,773**	**145,669,182**

The Group's exposure to mortality risk in terms of total sums at risk are as follows as at 31 December 2021:

2021	Total sum at risk at reporting date		
	Number of lives	Before reinsurance	After reinsurance
		RO	RO
Individual life - long term	30,989	175,325,128	175,323,548
Individual and group credit life - long term	29,331	382,900,818	127,247,846

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior especially with respect to continued payment of premiums. The Group uses international mortality tables or reinsurance risk premium rates as estimates of mortality, given the absence of any published tables for insured lives in Oman.

In carrying out the liability adequacy test the Group uses estimates of the pattern of discontinuance of policies based on its experience in the past. The Group regularly measures and monitors the pattern of lapses and persistency.

(c) Process used to decide on assumptions

Assumptions are generally reviewed once a year at the time of the actuarial valuation. Estimates of expenses are based on an expense study done for the year 2022.

(d) Change in assumptions

The Group did not change its assumptions in the current year which would have a material impact on its profitability.

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As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.1 Insurance risk (continued)

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to below mentioned movement in the assumptions used in the estimation of insurance liabilities.

	Change in variable	**Change in liability 2022 RO**	Change in liability 2021 RO
Change of mortality and / or morbidity rates for risk policies	10% increase in mortality	**94,602**	107,797
	10% decrease in mortality	**(94,688)**	(107,871)
Change in investment returns	50 basis point increase in investment	**(53,304)**	(54,009)
	50 basis point decrease in investment	**56,352**	(55,581)

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values; and change in lapses and future mortality.

Short-duration life insurance contracts

(a) Frequency and severity of claims

These contracts are mainly issued to:

- Employers, providing cover against death, disability or (in the case of group medical policies) health of their employees.
- Financial institutions, providing cover against death of their borrowers.

In the case of group life contracts issued to employers, the risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

For short term group life and group credit life contracts the Group guarantees the premium rate for a period of one year and has a right to change these rates thereafter. In such contracts it therefore minimises its exposure to mortality risk. Mortality risk includes risk of death due to epidemics such as Covid-19.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. Historical data indicates that recession and unemployment in an industry will increase the number of claims for disability benefits as well as reducing the rate of recovery from disability.

The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy.

Notes to Financial Statements

As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.1 Insurance risk (continued)

The Group also mitigates the risk by entering into reinsurance contracts under which the Group cedes risks such as death, accidental death benefit and permanent total disability above RO 10,000.

For its group medical business the risk is mitigated by entering into reinsurance contracts under which the Group reinsures 30% of its UAE and 0% of its Oman medical portfolio on quota share treaty (in 2020 it was reinsured 30% of its UAE and 0% of its Oman medical portfolio on quota share).

The following table reports the year-end aggregated insured benefits for the in-force short-duration group life insurance contracts

	Total sum at risk at reporting date	
	Before reinsurance	**After reinsurance**
2022	**RO**	**RO**
Group life – short term	**2,501,334,625**	**993,523,573**
Group medical – short term	**22,944,243,342**	**19,524,484,522**

	Total sum at risk at reporting date	
	Before reinsurance	After reinsurance
2021	RO	RO
Group life – short term	3,153,669,591	1,285,207,150
Group medical – short term	19,270,058,882	16,183,958,467

(b) Sources of uncertainty in the estimation of future claim payments

Other than for the testing of the adequacy of the liability representing the unexpired risk at the reporting date, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(c) Process used to decide on assumptions

Assumptions are generally reviewed once a year at the time of the actuarial valuation. Estimates of expenses are based on an expense study done for the year 2022.

Short-duration general insurance contracts

For its general insurance business, the Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy.

The parent company mitigates risks by entering into reinsurance treaty arrangements. Retention for casualty business is reinsured on excess of loss arrangements with retention of RO 150,000 per event for Oman and KWD 50,000 for Kuwait (in 2021 it was RO 50,000 per event for both Oman and Kuwait). For other lines of general business in Oman and Kuwait, the retention is limited to 10% to 20% (2021: 10% to 20%), which is further protected by excess of loss arrangements with retention of RO 25,000 (2021: RO 25,000) per event.

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As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.1 Insurance risk (continued)

The parent company did not change its assumptions in the current year which would have a material impact on it's profitability.

Claims development table - Group

The following tables show 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.

Claims development table of past five years for life business - Group

Reported during	2017	2018	2019	2020	2021	2022
Event year	RO	RO	RO	RO	RO	RO
2011& prior	134,760	12,666	55,549	-	(3,626)	-
2012	22,873	18,413	(8,434)	-	(5,675)	-
2013	3,506	6,997	(4,138)	-	(125,908)	-
2014	(22,800)	885	(1,296)	-	(2,499)	-
2015	(286,087)	(60,630)	54,834	1	3	-
2016	5,553,935	(498,947)	(28,173)	80	61	(53)
2017	76,484,787	4,913,530	(115,415)	43,746	11,703	(166,819)
2018	-	87,178,167	6,359,519	287,063	135,319	(74,922)
2019	-	-	98,286,406	6,345,107	(81,067)	(265,678)
2020	-	-	-	87,766,727	5,554,856	481,752
2021	-	-	-	-	95,807,179	3,737,021
2022	-	-	-	-	-	115,365,497
	81,890,974	91,571,081	104,598,852	94,442,724	101,290,346	119,076,798

Claims development table of past five years for life business - Group

Reported during	2017	2018	2019	2020	2021	2022
	RO	RO	RO	RO	RO	RO
Actual claims notified and adjustments for claims notified in the previous years	5,406,186	4,392,913	(6,312,445)	(6,675,998)	5,483,168	3,711,302
Estimate of claims maintained as IBNR in previous year	8,031,794	6,912,065	7,338,508	5,840,149	5,840,149	6,836,116
Surplus / (deficit)	2,625,608	2,519,152	13,650,953	12,516,147	356,981	3,124,814

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35 Insurance risk and financial risk (continued)

35.1 Insurance risk (continued)

Claims development table of past five years for life business - Group

Reported during	2017	2018	2019	2020	2021	2022
Event year	RO	RO	RO	RO	RO	RO
2011& prior	(62,418)	(98,682)	(49,246)	844	7,234	3,362
2012	(74,605)	(123,054)	(53,283)	1,000	(793)	3,259
2013	(71,467)	(84,738)	(81,641)	(2,106)	(41,691)	(250)
2014	(90,990)	(35,243)	(17,137)	(14,712)	(6,381)	(42,368)
2015	39,897	(117,205)	(2,223)	(8,856)	(68,293)	(5,802)
2016	(53,949)	(70,856)	4,942	(38,713)	(16,731)	(75,938)
2017	9,277,989	(160,480)	(404,358)	269,007	(316,543)	31,732
2018	-	18,693,298	(60,115)	(253,504)	91,454	(287,079)
2019	-	-	19,882,521	1,457,004	10,517	(488)
2020	-	-	-	18,339,931	3,270,581	(144,723)
2021	-	-	-	-	20,643,764	3,160,406
2022	-	-	-	-	-	27,632,657
	8,964,457	18,003,040	19,219,460	19,749,895	23,573,118	30,274,768

Claims development table of past five years for life business - Group

Reported during	2017	2018	2019	2020	2021	2022
	RO	RO	RO	RO	RO	RO
Actual claims notified and adjustments for claims notified in the previous years	(316,129)	(374,129)	(288,931)	1,698,895	1,230,459	1,411,650
Estimate of claims maintained as IBNR in previous year	343,989	587,515	705,328	769,268	1,180,259	2,174,069
Surplus / (deficit)	660,118	961,644	994,259	(929,627)	(50,200)	762,419

Notes to Financial Statements

As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.1 Insurance risk (continued)

The movement between the claims development table and incurred claim and gross claims expense in the separate and consolidated statement of profit or loss and other comprehensive income is as follows:

	2022			2021		
	RO			RO		
	Life	General	Total	Life	General	Total
Incurred claim as per claims development table	119,076,798	45,051,089	164,127,887	101,290,343	14,001,505	115,291,848
Movement in IBNR	793,590	1,756,598	2,550,188	643,375	993,811	1,637,186
Miscellaneous differences	280,182	(693,916)	(413,734)	-	-	-
Gross claims expense (note 19)	120,150,570	46,113,771	166,264,341	101,933,718	14,995,316	116,929,034

Claims development table - Parent

The following tables show 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.

Claims development table of past five years for life business

Reported during	2017	2018	2019	2020	2021	2022
Event year	RO	RO	RO	RO	RO	RO
2011& prior	134,760	12,666	55,549	-	(3,626)	-
2012	22,873	18,413	(8,434)	-	(5,675)	-
2013	3,506	6,997	(4,138)	-	(125,908)	-
2014	(22,800)	885	(1,296)	-	(2,499)	-
2015	(286,087)	(60,630)	54,834	1	3	-
2016	5,553,935	(498,947)	(28,173)	80	61	(53)
2017	76,484,787	4,913,530	(115,415)	43,746	11,703	(165,771)
2018	-	87,178,167	6,359,519	287,063	135,319	(511)
2019	-	-	98,286,406	6,345,107	(81,067)	(262,875)
2020	-	-	-	87,766,727	5,554,856	485,892
2021	-	-	-	-	95,807,179	4,099,225
2022	-	-	-	-	-	111,062,716
	81,890,974	91,571,081	104,598,852	94,442,724	101,290,346	115,218,623

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As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.1 Insurance risk (continued)

Claims development table of past five years for life business - Parent

Reported during	2017	2018	2019	2020	2021	2022
Event year	RO	RO	RO	RO	RO	RO
2011& prior	(65,015)	(96,086)	773	344	6,298	123
2012	(74,605)	(60,636)	(7,216)	727	(200)	200
2013	(71,467)	(10,133)	(21,005)	5,110	(42,418)	(50)
2014	(90,990)	36,224	(7,004)	6,293	(11,491)	50
2015	39,897	(26,215)	(38,447)	(1,852)	(74,586)	5,689
2016	(53,949)	(110,753)	31,157	(266)	(14,879)	(1,352)
2017	9,277,990	(106,531)	(293,605)	237,850	(316,277)	46,610
2018	-	9,415,309	46,416	40,101	(146,396)	29,198
2019	-	-	10,467,211	1,410,588	(29,584)	145,908
2020	-	-	-	7,872,720	1,859,992	(115,139)
2021	-	-	-	-	12,771,045	1,300,414
2022	-	-	-	-	-	14,861,612
	8,961,861	9,041,179	10,178,280	9,571,615	14,001,504	16,273,263

The movement between the claims development table and incurred claim and gross claims expense in the separate and consolidated statement of profit or loss and other comprehensive income is as follows:

	2022			2021		
	RO			RO		
	Life	General	Total	Life	General	Total
Incurred claim as per claims development table	115,218,623	16,273,263	131,491,886	101,290,343	14,001,505	115,291,848
Movement in IBNR	254,392	(583,445)	(329,053)	643,375	993,811	1,637,186
Gross claims expense (note 19)	115,473,015	46,113,771	161,586,786	101,933,718	14,995,316	116,929,034

35.2 Insurance risk and financial risk

Financial risk

The Group is exposed to a range of financial risks through its financial assets, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

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As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The framework essentially consists of an investment strategy which provides for investment of funds representing a particular category of insurance liabilities in line with the nature of those liabilities.

The Group periodically produces reports showing the extent of compliance with the investment strategy which is reviewed by management and corrective action taken where necessary to rebalance the portfolio.

The following tables reconcile the statement of financial position to the classes and portfolios used in the Group's ALM framework (the table including assets and liabilities relating to non-life contracts as well):

The Company current investment strategy is as follows:

	Asset allocation to different line of business								
	Individual Life			Individual / Group Credit Life			Group life, Medical and General		
	Min	Max	Average	Min	Max	Average	Min	Max	Average
Individual Life									
Investment asset									
Policy loan	0%	10%	5%	0%	0%	0%	0%	0%	0%
Bonds and notes	60%	100%	80%	30%	60%	45%	20%	70%	45%
Short term/Liquid fixed deposit & Bank Balances	0%	20%	10%	40%	60%	50%	40%	60%	50%
Equity local / foreign	0%	10%	5%	0%	10%	5%	0%	10%	5%

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As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

Group 2022	Total RO	Fixed and guaranteed insurance contracts RO	Insurance contracts with DPF RO	Short term insurance contracts RO	Other financial assets and liabilities (Corporate) RO	Other assets and liabilities (Corporate) RO
Long term contracts (reinsurance)						
- Individual life without profits	259,059	253,403	-	5,656	-	-
- Individual life with profits	10,195	-	10,195	-	-	-
- Group credit life without profits	1,894,627	1,894,627	-	-	-	-
	2,163,881	2,148,030	10,195	5,656	-	-
Short term contracts (reinsurance)						
- Group life	585,960	-	-	585,960	-	-
- Medical	9,099,859	-	-	9,099,859	-	-
- Non-life	6,232,701	-	-	6,232,701	-	-
	15,918,520	-	-	15,918,520	-	-
Debt securities:						
Held to maturity:						
- Listed securities	13,692,639	-	2,931,653	10,760,986	-	-
Equity securities:						
At FVTPL:						
- Listed securities	846,764	-	-	-	846,764	-
At FVOCI:						
- Listed securities	86,147,111	-	-	-	86,147,111	-
- Unlisted securities	152,811	-	-	-	152,811	-
Loans and receivables:						
Insurance receivables	81,114,393	-	-	81,114,393	-	-
Reinsurance assets	23,262,905	-	-	23,262,905	-	-
Fixed deposits	147,277,552	2,023,226	-	76,105,355	69,148,971	-
Loans to policyholders	47,587	-	47,587	-	-	-
Cash and bank balances	47,914,047	-	-	-	47,914,047	-
Other assets	59,924,250	-	-	-	21,976,276	37,947,974
Total assets	478,462,460	4,171,256	2,989,435	207,167,815	226,185,980	37,947,974

Notes to Financial Statements
As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

Group	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
2021	RO	RO	RO	RO	RO	RO
Long term contracts (reinsurance)						
- Individual life without profits	403,937	403,890	-	47	-	-
- Individual life with profits	9,545	-	9,545	-	-	-
- Group credit life without profits	2,584,688	2,584,688	-	-	-	-
	2,998,170	2,988,578	9,545	47	-	-
Short term contracts (reinsurance)						
- Group life	848,423	-	-	848,423	-	-
- Medical	7,136,818	-	-	7,136,818	-	-
- Non-life	247,004	-	-	247,004	-	-
	8,232,245	-	-	8,232,245	-	-
Debt securities:						
Held to maturity:						
- Listed securities	11,197,834	-	3,329,556	7,868,278	-	-
Equity securities:						
At FVTPL:						
- Listed securities	1,363,031	-	-	-	1,363,031	-
At FVOCI:						
- Listed securities	38,029,568	-	-	-	38,029,568	-
- Unlisted securities	81,382	-	-	-	81,382	-
Loans and receivables:						
Insurance receivables	49,382,592	-	-	49,382,592	-	-
Reinsurance assets	6,284,674	-	-	6,284,674	-	-
Fixed deposits	47,393,330	2,650,733		19,859,390	24,883,207	-
Loans to policyholders	70,204	-	70,204	-	-	-
Cash and bank balances	14,431,408	-	-	-	14,431,408	-
Other assets	15,952,162	-	-	-	8,065,617	7,886,545
Total assets	195,416,600	5,639,311	3,409,305	91,627,226	86,854,213	7,886,545

Notes to Financial Statements

As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

Parent	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
2022	RO	RO	RO	RO	RO	RO
Long term contracts (reinsurance)						
- Individual life without profits	259,059	253,403	-	5,656	-	-
- Individual life with profits	10,195	-	10,195	-	-	-
- Group credit life without profits	1,894,627	1,894,627	-	-	-	-
	2,163,881	2,148,030	10,195	5,656	-	-
Short term contracts (reinsurance)						
- Group life	582,420	-	-	582,420	-	-
- Medical	9,099,859	-	-	9,099,859	-	-
- Non-life	319,219	-	-	319,219	-	-
	10,001,498	-	-	10,001,498	-	-
Debt securities:						
Held to maturity:						
- Listed securities	11,176,713	-	415,727	10,760,986	-	-
Equity securities:						
At FVTPL:						
- Listed securities	276,746	-	-	-	276,746	-
At FVOCI:						
- Listed securities	44,841,165	-	-	-	44,841,165	-
- Unlisted securities	81,382	-	-	-	81,382	-
Investment in equity accounted subsidiaries	121,559,265	-	-	-	121,559,265	-
Loans and receivables:						
Insurance receivables	53,589,712	-	-	53,589,712	-	-
Reinsurance assets	6,498,774	-	-	6,498,774	-	-
Fixed deposits	42,143,517	2,023,225	2,515,926	24,953,040	12,651,326	-
Loans to policyholders	47,587	-	47,587	-	-	-
Cash and bank balances	19,631,657	-	-	-	19,631,657	-
Other assets	18,812,429	-	-	-	10,102,301	8,710,128
Total assets	330,824,326	4,171,255	2,989,435	105,809,666	209,143,842	8,710,128

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35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

Parent	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
2021	RO	RO	RO	RO	RO	RO
Long term contracts (reinsurance)						
- Individual life without profits	403,937	403,890	-	47	-	-
- Individual life with profits	9,545	-	9,545	-	-	-
- Group credit life without profits	2,584,688	2,584,688	-	-	-	-
	2,998,170	2,988,578	9,545	47	-	-
Short term contracts (reinsurance)						
- Group life	848,423	-	-	848,423	-	-
- Medical	7,136,818	-	-	7,136,818	-	-
- Non-life	247,004	-	-	247,004	-	-
	8,232,245	-	-	8,232,245	-	-
Debt securities:						
Held to maturity:						
- Listed securities	11,197,834	-	3,329,556	7,868,278	-	-
Equity securities:						
At FVTPL:						
- Listed securities	1,363,031	-	-	-	1,363,031	-
At FVOCI:						
- Listed securities	38,029,568	-	-	-	38,029,568	-
- Unlisted securities	81,382	-	-	-	81,382	-
Investment in equity accounted subsidiaries	949,759	-	-	-	949,759	-
Loans and receivables:						
Insurance receivables	49,382,592	-	-	49,382,592	-	-
Reinsurance assets	6,284,674	-	-	6,284,674	-	-
Fixed deposits	47,393,330	2,650,733		19,859,390	24,883,207	-
Loans to policyholders	70,204	-	70,204	-	-	-
Cash and bank balances	13,222,586	-	-	-	13,222,586	-
Other assets	15,418,052	-	-	-	7,672,509	7,745,543
Total assets	194,623,427	5,639,311	3,409,305	91,627,226	86,202,042	7,745,543

Notes to Financial Statements
As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

Group	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
2022	RO	RO	RO	RO	RO	RO
Long term contracts						
- Individual life without profits	2,220,300	573,395	-	1,646,905	-	-
- Individual life with profits	2,989,435	-	2,989,435	-	-	-
- Group credit life without profits	3,597,861	3,597,861	-	-	-	-
	8,807,596	4,171,256	2,989,435	1,646,905	-	-
Short term contracts						
- Group life	1,121,078	-	-	1,121,078	-	-
- Medical	45,387,480	-	-	45,387,480	-	-
- Non-life	46,421,943	-	-	46,421,943	-	-
	92,930,501	-	-	92,930,501	-	-
Outstanding claims						
- Life and medical	27,900,423	-	-	27,900,423	-	-
- Non-life	51,661,827	-	-	51,661,827	-	-
Reinsurance liability	25,449,995	-	-	25,449,995	-	-
Short Term Loan	77,093,974	-	-	-	77,093,974	-
Other liabilities and equity	197,393,419	-	-	7,578,164	48,035,734	141,779,521
	481,237,735	4,171,256	2,989,435	207,167,815	125,129,708	141,779,521

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35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

Group	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
2021	RO	RO	RO	RO	RO	RO
Long term contracts						
- Individual life without profits	1,813,582	797,428	-	1,016,154	-	-
- Individual life with profits	3,409,305	-	3,409,305	-	-	-
- Group credit life without profits	4,841,883	4,841,883	-	-	-	-
	10,064,770	5,639,311	3,409,305	1,016,154	-	-
Short term contracts						
- Group life	1,471,497	-	-	1,471,497	-	-
- Medical	37,936,479	-	-	37,936,479	-	-
- Non-life	7,778,024	-	-	7,778,024	-	-
	47,186,000	-	-	47,186,000	-	-
Outstanding claims						
- Life and medical	16,884,759	-	-	16,884,759	-	-
- Non-life	11,833,003	-	-	11,833,003	-	-
Reinsurance liability	8,277,998	-	-	8,277,998	-	-
Short Term Loan	7,500,000	-	-	-	7,500,000	-
Other liabilities and equity	93,670,070	-	-	6,429,312	17,716,361	69,524,397
	195,416,600	5,639,311	3,409,305	91,627,226	25,216,361	69,524,397

Notes to Financial Statements
As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

Parent	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
2022	RO	RO	RO	RO	RO	RO
Long term contracts						
- Individual life without profits	2,220,300	573,395	-	1,646,905	-	-
- Individual life with profits	2,989,435	-	2,989,435	-	-	-
- Group credit life without profits	3,597,860	3,597,860	-	-	-	-
	8,807,595	4,171,255	2,989,435	1,646,905	-	-
Short term contracts						
- Group life	1,115,967	-	-	1,115,967	-	-
- Medical	45,387,480	-	-	45,387,480	-	-
- Non-life	6,775,501	-	-	6,775,501	-	-
	53,278,948	-	-	53,278,948	-	-
Outstanding claims						
- Life and medical	18,767,323	-	-	18,767,323	-	-
- Non-life	12,552,505	-	-	12,552,505	-	-
Reinsurance liability	11,985,821	-	-	11,985,821	-	-
Short Term Loan	77,093,974	-	-	-	77,093,974	-
Other liabilities and equity	148,338,160	-	-	7,578,164	22,847,123	117,912,873
	330,824,326	4,171,255	2,989,435	105,809,666	99,941,097	117,912,873

Notes to Financial Statements

As at 31 December 2022

35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

Parent	Total	Fixed and guaranteed insurance contracts	Insurance contracts with DPF	Short term insurance contracts	Other financial assets and liabilities (Corporate)	Other assets and liabilities (Corporate)
2021	RO	RO	RO	RO	RO	RO
Long term contracts						
- Individual life without profits	1,813,582	797,428	-	1,016,154	-	-
- Individual life with profits	3,409,305	-	3,409,305	-	-	-
- Group credit life without profits	4,841,883	4,841,883	-	-	-	-
	10,064,770	5,639,311	3,409,305	1,016,154	-	-
Short term contracts						
- Group life	1,471,497	-	-	1,471,497	-	-
- Medical	37,936,479	-	-	37,936,479	-	-
- Non-life	7,778,024	-	-	7,778,024	-	-
	47,186,000	-	-	47,186,000	-	-
Outstanding claims						
- Life and medical	16,884,759	-	-	16,884,759	-	-
- Non-life	11,833,003	-	-	11,833,003	-	-
Reinsurance liability	8,277,998	-	-	8,277,998	-	-
Short Term Loan	7,500,000	-	-	-	7,500,000	-
Other liabilities and equity	92,876,897	-	-	6,429,312	16,923,188	69,524,397
	194,623,427	5,639,311	3,409,305	91,627,226	24,423,188	69,524,397

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35 Insurance risk and financial risk (continued)

35.2 Insurance risk and financial risk (continued)

For long term fixed and guaranteed insurance contracts and long term insurance contracts with a DPF (i.e., where the amount of benefits are pre-determined at the inception of the contract for maturities), the process followed by the company to manage financial risk (in particular risks associated with the mis-match of assets and liabilities, including uncertainty arising from options such as guaranteed surrender values) is to invest the substantial portion of funds in assets which should be described. Estimated cash flows relating to such contracts are as follows:

	Group & Parent	
	Liability as of31 December 2022	**Undiscounted cashflows as at 31December 2022**
	RO	**RO**
Fixed and guaranteed	**601,590**	**640,168**
Contracts with a DPF	**2,989,435**	**3,486,200**
Total	**3,591,025**	**4,126,368**

	Group & Parent	
	Liability as of 31 December 2021	Undiscounted cashflows as at 31 December 2021
	RO	RO
Fixed and guaranteed	819,859	905,889
Contracts with a DPF	3,409,305	3,996,623
Total	4,229,164	4,902,512

36 Fair values

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

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values as of the reporting date.

Fair value measurements recognised in the consolidated statement of financial position

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

- L evel 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- L evel 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to Financial Statements

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36 Fair values (continued)

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values as of the reporting date. There were no level 3 financial instruments measured at fair value.

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments carried at FVTPL and FVOCI	**86,993,875**	**152,811**	**-**	**87,146,686**

2021	Level 1	Level 2	Level 3	Total
Investments carried at fair value through other comprehensive income	39,392,599	81,382	-	39,473,981

There were no transfers between any levels mentioned above.

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Annexure I

Pre-transition Disclosure for IFRS 17

For the purposes of this annexure, the term "company" refers to a group company.

Standards issued but not yet effective

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

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

IFRS 17 Insurance Contracts

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

1 Structure and status of the Implementation project

A Timeline

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

- Phase I : Gap Analysis and Impact Assessment
- Phase II : Design: Polices and decisions
- Phase III : IFRS System Implementation, Dry Run, Go Live and Training
- Phase IV : Accounting system changes and Financials preparation

Gap Analysis and Impact Assessment	Design: Polices and decisions	IFRS 17 System Implementation, Dry Run, Go Live and Training	Accounting system changes and Financials preparation
2019-2020	2021 -2022	Q3 2022 to Q1 2023	Q1 2023

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B Governance structure

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

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

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

Internal Auditor and External Auditor – The Company has Internal Audit department which carries out Internal audits as per Audit Committee approved annual plan. The shareholders have appointed "KPMG"as external auditors of the Company. Both the internal auditors and external auditors of the Company will review the IFRS 17 implementation and results as a part of their audit or review of FY 2023 accounts.

C Key areas remaining to be completed

- **System integration**

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

- **Resourcing**

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

2 Significant Judgements and Accounting Policy Choices

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

A Contracts within/outside the scope of IFRS 17

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

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As at 31 December 2022

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

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

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

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

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

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

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

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

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

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

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

IFRS 17 also applies to investment contracts with discretionary participation features, provided the entity also issues insurance contracts.

B Combination/Unbundling of Contracts

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

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

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

Separation of Embedded Derivatives

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

Separation of Investment Component

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

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

In its Individual Life portfolio the Company offers Savings polices which have investment component and Bonus features. Based on below analysis of the portfolio, the investment component does not require unbundling because:

- The investment pool is not ring fenced i.e the savings polices do not have a clearly identified pool of underlying investments,
- The returns from investments are not are not directly shared with the policyholders and do not directly vary with variance in returns. Bonus are declared by the company to policyholders some of which are guaranteed while some are based on annual declaration based on actuarial and management assessment of the portfolio and investment returns.
- The Company does not charge any separate management fees for the investments in order to separate the service component from the investment component.

Separation of non-insurance service components

The Company charges policy fees as a part of the premium charged to customers for documentation expenses and services such as roadside assistance, emergency assistance charges, etc. The company was accounting this income under IFRS 15 and has now decided to account these under IFRS 17 as these services are not separable and are part of the insurance services provided. As a result, it is not considered distinct and hence no unbundling is required.

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

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C Level of Aggregation

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

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

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

1. Defining portfolios

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

a. the similarity of risks, and

b. contracts being managed together.

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

a. Similarity of risks

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

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

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

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

b. Managed together

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

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

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2 Dividing profitability groups into annual cohorts

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

3 Identifying profitability Groups

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

a. Contracts onerous at initial recognition.

b. Contracts with no significant possibility of becoming onerous subsequently; and

c. Contracts not included in (a) or (b) above.

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

The Company's profitability assessment should be performed at lowest level which is the analyst class. The Company shall establish the groups at initial recognition and shall not reassess the composition of the groups subsequently.

For long term Life Risk and Savings product lines, sets of contracts usually correspond to policyholder pricing. Groups that the Company determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Company monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the level of these pricing for Groups with no information available at a more granular level.

Under Premium Allocation Approach (PAA), it is assumed that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise.

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

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

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

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Insurance Portfolios	Line of Business	Analyst Class	Groups
Health	Medical	Group Medical	**Onerous** OR **Remaining** based on Onerosity assessment
		Individual Medical	
General	Motor	Motor comprehensive-PL	
		Motor comprehensive-CL	
		Motor Third Party-PL	
		Motor Third Party-CL	
	Non-Motor	Property	
		Engineering	
		Marine	
		Liability	
		Others	
		Travel	
Life	Short term Life	Group Life	
		General Personal Accident	
	Long term Life	Group Credit Life	
		Individual Credit Life	
		Individual Life	

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

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

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

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

1. Defining portfolios

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

Treaty reinsurance

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

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

portfolios. These reinsurance portfolios and groups would naturally align with the portfolios and groups of the underlying gross contracts.

2 Dividing groups into annual Cohorts

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

3 Identifying profitability Groups

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

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

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

D Measurement – Overview

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

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

E Significant Judgements and Estimates

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

PAA eligibility assessment approach

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

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

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

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

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

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

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

An assessment was performed separately for the underlying insurance and reinsurance contracts held, which have coverage periods exceeding one year.

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

Fulfilment cash flows

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

Liability for Remaining Coverage (LFRC)

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

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

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

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

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

Liability for Incurred Claims (LFIC)

The Fulfilment Cashflows for LFIC comprise the following:

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

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

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

Discount Rates

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

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

The Company uses the Bottom-Up approach to determine the required discount rates. The Company relied on the treasury yield curves from the US market and adjusted for the Country Risk Premium plus Illiquidity premium. US rates are derived using the risk-free rates. The long-term Country Risk Premium was used to arrive at the yield curves and Illiquidity premium was considered in line with Solvency II factor based approach.

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The calculation engine adopted by the Company has the capability to adjust LFRC and LFIC for the time value of money, if required, and accommodates the required yield curves.

Risk Adjustment (RA)

The purpose of the risk adjustment is to measure the effect of uncertainty in the cash flows that arise from insurance contracts, other than uncertainty arising from financial risk. The methodology was based on a mix of results of Company's own experience variability and the Value at Risk ("VaR") approach in line with Solvency II. The Appointed Actuary calibrated the parameters of the distribution based on the experience and credibility of the historical data. The level of percentile has been decided by the Company and can be amended at a later stage if required. The diversification benefit has been allowed for in the estimation of RA driven by the mix of business and the expected correlations between them.

Initial measurement - Groups of contracts not measured under the PAA Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a Group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a Group of contracts is onerous) arising from:

a. the initial recognition of the FCF;
b. the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows; and
c. cash flows arising from the contracts in the Group at that date.

A negative CSM at the date of inception means the Group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

For Groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

For insurance contracts acquired, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

a. the initial recognition of the FCF; and
b. cash flows arising from the contracts in the Group at that date, including the fair value of the Groups of contracts acquired as at the acquisition date as a proxy of the premiums received.

Subsequent measurement - Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a Group of insurance contracts issued at the is the sum of:

a. the LRC, comprising:
   i. the FCF related to future service allocated to the Group at that date; and
   ii. the CSM of the Group at that date; and

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b. the LIC, comprising the FCF related to past service allocated to the Group at the reporting date.

The carrying amount at the end of each reporting period of a Group of reinsurance contracts held is the sum of:

c the remaining coverage, comprising:

i. the FCF related to future service allocated to the Group at that date; and

ii. the CSM of the Group at that date; and

d the incurred claims, comprising the FCF related to past service allocated to the Group at the reporting date.

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a. changes that relate to current or past service are recognised in profit or loss; and

b. changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and

d. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments a.-c. are measured using the locked-in discount rates as described in the section Interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;

b. changes in the FCF relating to the LIC; and

c. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For investment contracts with DPF that are measured under the GMM and provide the Company with discretion as to the timing and amount of the cash flows to be paid to the policyholders, a change in discretionary cash flows is regarded as relating to future service and accordingly adjusts the CSM. At inception of such contracts, the Company specifies its commitment as crediting interest to the policyholder's account balance based on the return on a pool of assets less a spread. The effect

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of discretionary changes in the spread on the FCF adjusts the CSM while the effect of changes in assumptions that relate to financial risk on this commitment are reflected in insurance finance income or expenses.

When no commitment is specified, the effect of all changes in assumptions that relate to financial risk and changes thereof on the FCF is recognised in insurance finance expenses.

The Company does not have any products with profit contracts are falling under the category of VFA (Variable Fee approach) . The Company also does not have any products with complex guarantees and does not use derivatives to economically hedge the risks.

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period (which the Company defines as three-month interim), the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

a. The effect of any new contracts added to the Group.

b. For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.

c. Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.

d. The effect of any currency exchange differences.

e. The amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

For a Group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a Group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognised in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognised in the insurance service result.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates). If more contracts are added to the existing Groups in the subsequent reporting periods, the Group revises the locked- in discount curves by calculating weighted-average discount curves over the period that contracts in the Group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the Group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the Changes in fulfilment cash flows section.

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Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the Group of insurance contracts based on coverage units.

For contracts issued, the Company determines the coverage period for the CSM recognition as follows:

a. for term life and universal life insurance contracts, the coverage period corresponds to the policy coverage for mortality risk;
b. for direct participating contracts and for investment contracts with DPF, the coverage period corresponds to the period in which insurance service including the investment component is expected to be provided; and

The total number of coverage units in a Group is the quantity of coverage provided by the contracts in the Group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

a. the quantity of benefits provided by contracts in the Group;
b. the expected coverage duration of contracts in the Group; and
c. the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the Group.

The Company uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

The Company determines coverage units as follows:

a. for term life and universal life insurance contracts, coverage units are determined based on the policies' face values that are equal to the fixed death benefit amounts;
b. for direct participating contracts, coverage units are based on the fixed death benefits amounts (during the insurance coverage period) plus policyholders' accrued bonus;

The Group reflects the time value of money in the allocation of the CSM to coverage units in the run-off period.

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

Coverage units for the proportionate term life reinsurance contracts are based on the insurance coverage provided by the reinsurer and are determined by the ceded policies' fixed face values within the reinsurance contract boundary.

The coverage period for these contracts is determined based on the coverage of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

Onerous contracts - Loss component

When adjustments to the CSM exceed the amount of the CSM, the Group of contracts becomes onerous and the Company recognises the excess in insurance service expenses and records it as a loss component of the LRC.

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When a loss component exists, the Company allocates the following between the loss component and the remaining component of the LRC for the respective Group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

a. expected incurred claims and expenses for the period;

b. changes in the risk adjustment for non-financial risk for the risk expired; and

c. finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in a. and b. above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

- **Reinsurer Default Provision**

  As per the Standard, the Company should incorporate in the estimates of future cashflows all reasonable and supportable information available without undue cost or effort, about amount, timing, and uncertainty of those cashflows. This includes the effect of non-performance by the issuer of the reinsurance contracts held. The Company has applied expected credit loss method for arriving at the reinsurance default provision on the Closing Reinsurance Incurred Claims.

  During the implementation of Phase 3 of IFRS9, the Company had taken the option to defer the application of Expected Credit loss on Trade receivables until the implementation of IFRS17. Accordingly, the company has applied expected credit loss method for arriving at the default provision on the Premium Receivables from Customers.

- **VAT treatment**

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

F Accounting Policy Choices

- **Length of cohorts**

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

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

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

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

b. the effect of financial risk and changes in financial risk.

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

- **Disaggregation of Risk Adjustment**

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

- **Expenses**

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

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

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

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

Administrative costs: These include general administrative expenses directly attributable to the insurance servicing activity such as costs of billing premiums, handling policy changes and all fixed and variable overheads (e.g., accounting, HR, IT, building depreciation, rentals). These costs will be allocated to portfolios and groups of contracts using methods that are systematic, rational, and consistently applied to all costs that have similar characteristics. Under the PAA model, the deferred part of these costs relating to contracts issued forms part of the Liability for remaining coverage (LFRC) and the amortization for each reporting period is included within Insurance service expenses.

Specifically excluded costs: IFRS 17 sets out specific cash flows that should be excluded from the insurance contract measurement. These costs includes:

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

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

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

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- **Deferral of Acquisition Cost**

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

G Presentation and Disclosure

- **Presentation**

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

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

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

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Gross Earned Premiums
- Reinsurer's Share of Earned Premiums
- Net Earned Premiums
- Gross insurance claims
- Reinsurer's share of Claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

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

- **Disclosures**

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

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

- Risk Framework:

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

- Confidence Interval
- Cost of Capital
- Scenario-based

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

- **Sensitivity analysis:**
The Company awaits guidance from Regulators on the subject.

H Transition

- **Choice of Method**

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

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

a. If information is not available to be able to separate contracts issued more than one year apart into annual cohorts, these can be aggregated together.

b. Annual cohorts are bucketed from at least two years immediately before the transition date.

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

- **Impact of the transition**
The Company is in the process of accessing the full quantitative impact on the Company of applying the IFRS17 implementation. It is however expected to be significant to the Company.

The effect of adjustments arising from the implementation of IFRS17 including the application of Expected Credit Loss on Trade and Reinsurance Receivables due to the retrospective application of the standard will be adjusted in the opening retained earnings as at 1st January 2022 in the financials for the reporting period commencing from 1st January 2023 and will not affect the income statement.