



Company's Report For the year ended 31st December 2021

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Oman United Insurance Company SAOG, I have the pleasure to present to you the Annual Report, including the audited Financial Statements of the company, and Auditor's Report, along with the Management Discussions & Analysis Report and the Corporate Governance Report for the year ended 31st December 2021.

I am also pleased to highlight to you the following about the global reinsurance market, in addition to the company's financial and operational performance indicators:

GLOBAL REINSURANCE MARKET,

The Sultanate has had to deal with change of climatic conditions and repeated exposure to natural catastrophes. The losses incurred by insurers / re-insurers from 'Cyclone Shaheen' in October'2021 is estimated to be over R.O 62 million through registering of more than 9800 claims distributed over a number of wilayats affected by the tropical cyclone. In view of the above, the reinsurance market is already seeing hardening of terms for reinsurance contracts with numerous restrictions including sub-limited storm, tempest and inundation cover. Facultative reinsurers have tightened terms and the 1st January renewal season has seen reduction of capacities and cover for Oman. We expect cautious selection of risks, and push by reinsurers for increased retentions by the local insurers.

OPERATIONAL PERFORMANCE OF THE COMPANY:

We have put in place all our efforts to derive the full benefits of new opportunities in an extremely competitive insurance market and we shall continue to strive to maintain our leadership role in the industry. As a result of the conservative underwriting policy adopted by the company that depends on risk selection and taking into account the severe pricing competition, the company achieved a gross written premium income amounted to R.O 30.46 million compared to R.O. 30.91 million in the previous year i.e. a decline of 1.5%. The said decline of the premium income is substantially attributable to the overall prevailing economic conditions accompanied with the severe pricing competition and the limited number of new projects that need insurance cover. As a result of our focus on the quality of business rather than the volume of business, and the selective underwriting policy adopted by the management thereof, the gross underwriting profit of all lines of business amounted to R.O. 6.23 million for the year under review compared to R.O. 7.91 million in the previous year, depicting a decline of 21%. To this effect, the underwriting profit margin stood at 20.46% compared to 25.59% in 2020.





FINANCIAL PERFORMANCE OF THE COMPANY:

Due to the ramifications of outbreak of Coronavirus Pandemic (Covid-19) that led to pressures and an overall negative impact on the economies of all countries coinciding with the lower oil prices. Notwithstanding the above, the company was able to achieve a net investment income (after deducting the unrealized investment losses) of R.O 3.8 million as against RO 2.4 million in the previous year depicting a growth of 32%.

While remaining true to our traditional company's values, in respect of maximizing the profits and the company's assets protection and taking into account the stock market volatility, we have reduced our exposure in the equity markets and expanded our investment in the fixed-income instruments significantly.

To this effect, our investments in term deposits and Bonds reached to R.O. 59.25 million representing 90.28% of overall investment portfolio.

Total Assets and Shareholders' Equity

The total assets of the company amounted to RO 108.78 million Compared to R.O 107.31 million in the previous year, registering growth of 1.64%. The total shareholders' equity amounted to R.O 30.83 million compared to R.O 30.46 million in the previous year with a growth rate of 1.20%, despite the regular annual cash dividends distributions over the previous years.

Net Profit:

Despite all above-mentioned challenges in operational and financial activities, the company achieved net profit after tax of R.O 3.96 million as against R.O 4.25 million Last year registering a decline of (7%).

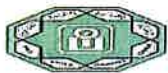
The earning per share stood at 40 Baizes as against 43 Baizes for the year 2020. The Retained Earnings amounted to R.O 6.36 million as against R.O 5.90 registering a growth of 7.8%. The net asset value per share amounted to 308 Baizes in 2021, as against 305 Baizes in 2020 registering a growth of 1%.

DIVIDENDS:

Dear Shareholders: Your company remains committed to delivering added value to your investments. This could be noticed in the Board's keenness to recommend distribution of good profits to shareholders annually. The Board of Directors are delighted to propose a distribution of cash dividends to the Shareholders of 35 Baizes per share for the financial year ended 31 December 2021. The dividend distribution policy has always been maintaining a fine balance between distributing annual profits and retaining a part of it whilst taking into consideration the future growth of the company's business and the possible economic and financial stock markets volatility that might directly affect the company's results.

It is worth mentioning that the contingency reserve has reached the minimum limit required by insurance law at R.O.10 million which is equal to the paid up equity capital and the legal reserve also has already reached to the minimum limit required by commercial company's law of one-third of the share capital. Therefore, no additional provision for these two reserves for this year.





RISK MANAGEMENT:

According to the Audit Committee's recommendations, the Board approves the risk management strategy after reviewing it annually. Risk management has been the critical responsibility of the Board and the Board of directors have been doing their best to achieve compliance on this matter. Therefore, the company has a distinct and consistent control environment across the company and there is an efficient risk management framework put in place to manage our risks.

Corporate governance requirements are increasingly demanding the Board to understand and address the risks and thereby support the embedding of its risk management framework in the company's overall governance and reporting processes. However, the nature of the insurance activity is fraught with many inevitable risks.

VALUES: OUR VALUES ARE THE FOLLOWING:-

- The Company abides by the highest ethical standards of integrity, trust, the strictest privacy and confidentiality when conducting any kind of transaction.
- The management strives to build long-lasting relationships with our customers by satisfying their evolving needs and attempts to meet the requirements of the company's clients by developing and creating new products.
- The Management makes every effort to upgrade our services to reach the highest level of excellence.
- The Company offers a congenial work environment and development opportunities to our staff who are considered the most valuable assets.

CORPORATE GOVERNANCE:

The Company is complied with the provisions laid down by the issued Code of Corporate Governance for Joint Public Companies issued by Circular No.(E/4/2015) of Capital Market Authority, and Code of Corporate Governance for Insurance Companies issued by Circular No. 7/T/2005. The Board of Directors reviewed the strategies and internal control systems and their adequacy during the year. An independent report of Corporate Governance is incorporated within the Annual Report after audit by the statutory auditors.

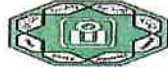
CHALLENGES & CHANGES IN THE LEGISLATIVE AND REGULATORY INFRASTRUCTURE:

Beside the expected slowdown in economies in the region as a result of the continuity of the outbreak of the pandemic COVID 19 , the lower oil prices, the fierce pricing competition and the lack of liquidity in local equity market, the implementation of the Value Added Tax Law in April 2021 by the Oman Investment Authority is another form of change in the legislative and regulatory infrastructure.

In addition to the implementation of new IFRS No. (9) &(17) in 2023 , the aforementioned stringent terms and conditions of reinsurance treaties and rates, altogether may impact the results of the company and its market share.

The Capital Market Authority is exerting its utmost efforts to implement the Mandatory Health Insurance Scheme for the employees of the private sector and residing in the Sultanate (Dhamani). As the legislative and regulatory infrastructure is ready, especially after the issuance of the unified medical insurance policy and the Licensing the Business of Medical Insurance Claims Management Regulation, this project will contribute to enhance the growth of the insurance sector and entering a new stage of development as a result of the expected volume of demand for medical insurance products.





FUTURE OUTLOOK VISION:

In respect of developing operations process, we have been diversifying our business and creating new products. We also focus on growth of retail business (Individual Insurance & their properties) through effective utilization of the available selling outlets through our marketing department and expanding the branches & agencies network. The company also has been using modern technologies to give more facilities to the customers and meanwhile reduce costs

Our ultimate objective is to maximize the profit to our shareholders, protection of the policyholders' rights meanwhile increasing our market share, creating more products and developing staff skills.

OMANIZATION:

The Board is constantly ensure monitoring the Omanization percentages and presently many of the leading positions in the company are occupied by Omanis who have been trained by the company. The Omanization percentage of insurance activity reached to 84%, which exceeds the limit, specified for insurance sector as per the ministerial decision No 113/2018. The management has been taking the necessary actions in order to comply with Omanization percentages in all administrative levels as instructed by Governmental Authorities.

CORPORATE SOCIAL RESPONSIBILITY:

In the AGM meeting held on March 31, 2021, the shareholders approved the allocation of R.O 50,000 for Corporate Social Responsibility. On top of that, the Board of Directors approve donation of R.O 100,000 to Oman Charity Organization to support relief efforts for those affected by Cyclone (Shaheen) that recently hit the Sultanate of Oman. During the year 2021, the total amount spent by the company is R.O 142,372, the allocated amount was spent in accordance with the annual CSR plan approved by the Board of Directors, through which the company delivers its CRS philosophy, policies, and community-based principles. Community segments and social fields targeted by the company as well as the amounts expended will be included in the agenda of the company's AGM to be held on 31st March 2022 and to ratify the aforementioned donation amount.

The Board of Directors also proposes to the AGM allocating an amount of R.O 50,000 (Fifty Thousand Omani Riyals) for the company's plan towards social responsibility in the year 2022. In compliance with the directives of the Capital Market Authority pursuant to Resolution No. 172/2021, a percentage of (20%) of the allocated amount will be deducted for the benefit of the Oman Charitable Organization.

AWARDS OF THE COMPANY IN 2021:

We are pleased to inform our honorable shareholders that the company was rewarded by ALAM AL_EKTISAD Magazine among the best performing companies under the MID Cap Category.





ACKNOWLEDGEMENTS:

In conclusion and on behalf of the Board of Directors, I would like to thank Almighty Allah for another successful financial year in the company's progress. I would like also to thank the shareholders. As usual our thanks are also extended to our customers for their unstinted support, patronage and confidence which they have reposed in the company. We also thank the management of the company and the staff for their loyalty. Our thanks are also extended to our insurance brokers and reinsurers for their full support and cooperation.

Our special thanks and appreciation to the Government of the Sultanate and all other governmental entities and in particular to Capital Market Authority (CMA) for their tremendous support in regulating and developing the insurance market and for their assistance which has led to the smooth functioning of our operations.

Finally, our sincere thanks and gratitude to His Majesty Sultan Haitham bin Tariq for his wise leadership and we all pray to Almighty Allah to shower him with blessings and keep him in good health and give him long life.

Thank you and God bless us all.

SALIM NASSIR AL BUSAIDI
CHAIRMAN

February, 2022





CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST DECEMBER 2021

Our corporate governance philosophy:

The company's corporate governance is a reflection of our value system includes our culture, policies, and relationships with our shareholders and stakeholders. Integrity and transparency are keys to our corporate governance practices to ensure that we gain and retain the trust of our shareholders, policyholders, reinsurance and stakeholders at all times.

The Company's corporate governance framework ensures that we make timely disclosures and share accurate information regarding our financial performance, as well as disclosures of related party transactions. We believe that an active, well-informed and independent board is necessary to ensure the highest standards of corporate governance. The Company's Board of Directors is at the core of our corporate governance practice. The Board oversees the Management's functions and protects the long-term interests of our shareholders, policyholders and stakeholders. The Board comprises of Nine members, of which eight members are independent directors. Two Committees emanated from the Board of Directors, the Executive and Nomination & Remuneration Committee and the Audit Committee, both Committees have a written and published terms of reference and approved by the Board detailing names of the members, its competences, functions and responsibilities in addition to any other provisions relating to its work. The current board was elected in accordance with the requirements of the Commercial Companies Law and the executive regulations for public shareholding companies, at the annual ordinary general assembly meeting held on March 31, 2021

The General Philosophy of the Company

The management of Oman United Insurance Company SAOG (OUI) complies with the principles of the Code of Corporate Governance that set out processes by which OUI is controlled and directed to create efficient enterprises contributing to building a strong, transparent and competitive national economy. OUI also complies with the principles of Corporate Governance of Insurance Companies issued by the Capital Market Authority (CMA).

The main pillars of corporate governance followed by the company are as following:

- **Transparency:** All directors and management exercise due diligence in providing information required by regulators, shareholders, investors and related parties in a timely and appropriate manner to enable such recipients to take decisions and discharge their duties appropriately. Company believes in the principle of transparency and the entitlement of shareholders and the stakeholders to be provided equally with all necessary information on time.
- **Accountability:** All directors are cognizant that they are accountable for their decisions and actions before the shareholders and those they subject themselves to assessment according to best practices.
- **Fairness:** All shareholders, employees and related parties are treated equally by the directors and the executive management without any partiality or concealed interests. Management is determined to promote corporate fairness in supplying information, compliance by all laws regulating the company's operations as we strive to achieve the highest standard of transparency and accountability in disclosure policy. Comprehensive information on the affairs of the company is made available to all directors with a view to enabling them to discharge their duties effectively.
- **Responsibility:** All directors perform their duties honestly with integrity and faithfulness towards the economy, society in general and the company in particular. They exercise prudence, due diligence and



care in performing their duties placing the interests of the company before any personal interests and taking into consideration the social responsibility of the company. The General Management Framework (or standard operating procedures) of the company provides an appropriate environment and ways that allow shareholders to actively participate in the ANNUAL GENERAL ASSEMBLY MEETINGS; and obtain the information which enables them to exercise their rights, get an answer for their queries and participate in the election of appropriate directors.

- **Disclosure:** The Company adopted disclosure policy that ensures fair and timely release of material information about the company and, the information released about the company are correct, straightforward, and comprehensive. The company also abides with the code of ethics of insurance companies issued by Capital Market Authority.

In order to achieve the above-mentioned objectives and to ensure that the information is accurate and reliable, therefore OUIIC has a full set of internal control system.

Executive Management:

The executive management executes the company's general policies in accordance with its strategy and plans; and implements the bylaws, resolutions and procedures adopted by the board of directors. The management also makes available sufficient information on the company affairs to all directors for the purposes of board meetings and consideration of the items listed in the agenda, which will enable them to perform their duties efficiently.

Roles and Responsibilities of Executive Management

- (a) To manage the daily business of the company efficiently and faithfully in accordance with the policies and procedures approved by the board.
- (b) To work relentlessly to deliver the purposes of the company and realize its objectives provided in the articles of association.
- (c) To inform the board of the risks and challenges in a timely manner, as directed in the approved policies and procedures. In case of risks that have not been addressed by any of the approved policies and procedures, the management has to inform the board as soon as possible and in an appropriate manner.
- (d) To bear in mind the protection of shareholders' rights and policyholders rights, company development, profits growth, and the safeguarding of the interests of stakeholders, the economy and community.

The management is held responsible before the board for all their acts and behavior. Members of the management are employed by contracts of which the company setting out their rights and obligations. The management, as directed by the board, enhances the efficiency and skills of the executives to gain the confidence of the board and shareholders. The management exercises its responsibilities and authority according to an organizational structure that approved by the board specifying the hierarchy and responsibilities of each of the executives and their authorities. The management discloses to the board all financial and commercial transactions wherein the executives or any of their first degree relatives have personal interests. The management exerts its best efforts not just to attain its short-term profits and revenues, but to attaining company's sustainability too.

Recruitment of the executive management:

Under the Board supervision and approval, the Nomination and Remuneration Committee is responsible for appointing the Chief Management Executive, the Chief Executive Officer (CEO), the Chief Investment Officer (CIO), the Deputy Chief Executive Officer (DCEO), general managers and other senior managers in all departments thereby ensuring their necessary integrity, qualifications, technical know and experience etc. in accordance to the required efficiency measurements for each job taking into account that they satisfy the 'fit and proper' criteria as per the Insurance Companies Law and its executive



regulations. The executive management of the company has the required qualifications, experience and high practical skills. The management of the company is composed of highly competent and professional staff members with a high level of specialization both in its field and carefully chosen by the Nomination and Remuneration Committee formed by the Board of Directors and taking into consideration the selection criteria according to the requirements of each job.

The Company is managed by :

1- Chief Management Executive

- Name: Sayyid Nassir Salim Al Busaidi
- Nationality: Omani
- Academic Qualifications: MBA (Master in Business Administration) in 1995 from University of Carnegie Mellon in United States of America. He received many professional specialized courses in the insurance sector.
- Period of Experience: 30 years
- From 1992 to 1997 (six years) he was occupying the post of Manager of Directorate of Employment in the Ministry of Civil Service.
- He joined OUI in 1997 as Deputy General Manager
- In 1998 he was appointed as General Manager of Oman United Insurance Company S.A.O.G, head of working team of general insurance operations.
- From 2008 to the beginning of 2010 he was occupying the position of CEO
- In 2010, Sayyid Nassir Al Busaidi was promoted to the position of Managing Director of the Company. Thereafter in 2018 he was appointed as Chief Management Executive.

2- Chief Executive Officer

- Name: Mr. R. Muthu Kumar
- Nationality : Indian
- Academic Qualifications: Master of Commerce (M. Com) from India in 1987 and also Member of Chartered Accountants of India since 1990
- Period of Experience: 32 years
- Experience: He has been with the company since 1991 in various capacities/ positions.

3- Deputy Chief Executive Officer

- Name: Mr. N. Sivakumar
- Nationality: Indian
- Academic Qualifications: He is a Chartered Insurer of CII (UK), Fellow of Insurance Institute of India, MBA and ACMA.
- Period of experience: 33 years
- Experience: He has experience in the insurance industry with successful roles as Profit center head and Chief Underwriter with insurance companies of repute. He has been with OUI since 2011.

4- Senior General Manager Branches & Agents

- Name: Sayyid Ibrahim Salim Nassir Al Busaidi
- Nationality: Omani
- Academic Qualifications: Professional Diploma in Insurance from Arab Institute for Banking & Financial Studies – Amman – Jordan
- Period of Experience: 30 years
- Experience: He has been with the company since 1991 in various capacities/ positions



5- General Manager Medical & Life

- Name: Sanjay Kumar Jha
- Nationality: Indian
- Period of Experience: 30 years
- Academic Qualifications: He holds Master's Degree in Physics (Specialization in Electronics) from Delhi University and Post Graduate Diploma in Management from IGNOU, Delhi. He is a Fellow Member of Insurance Institute of India having qualifications both in Life and Non-Life streams. He is also fellow of premier global insurance institutes namely CII (UK) & LOMA (USA). He has earned Chartered Insurer designation from CII (UK).
- Experience: During his 30 years of career, Sanjay had held many important positions in both local insurance companies and MNCs. He had worked with Government of India owned Life Insurance Company (LIC), Bajaj Allianz Life Insurance Company and Future General Life Insurance Company. He has been OUIIC since August 2012.

6- General Manager Administration and Human Resources

- Name: Sayyida Maisura Abdullah Al Busaidi
- Period of experience: 26 years
- Nationality: Oman
- Academic Qualifications: She holds Master of Business Administration, University of Central England in Birmingham, 21 November 2003.
- Licentiate in Art, Journalism and Information, Sultan Qaboos University, November 1995.
- Professional Certificate in Training and development, approved by NEWMAN University, London UK, Organize by Gulf Innovation, 2008.
- Postgraduate Diploma in Business Administration, the University of Birmingham, 19 September 2002.

7- Claims General Manager

- Name: Yahiya Khamis Muftah Al Kharousi
- Nationality: Oman
- Academic Qualifications: Holder of Diploma in Insurance 1995, Muscat Technical Industrial College
- Period of experience: 27 years

Internal Control Systems

As it has been followed in yearly basis and in accordance with the directives of regulatory authorities, the Audit Committee and the Board of Directors have been reviewing the Internal Control Systems (ICS) of the Company regularly from time to time and found them to be effective and sufficient. Nevertheless, the Management continues to update procedures as required and react immediately to any threat that may impact our integrity and performance, whether it is internal or external.

Related Party Transactions

The company adopts the highest degree of transparency and clarity when it comes to related party transactions. All such transactions are subject to review of the audit committee and approved by the board of directors and the shareholders in the ANNUAL GENERAL ASSEMBLY MEETINGS.

The details of transactions which are not under the normal course of business are sent to every shareholder along with the notice to the ANNUAL GENERAL ASSEMBLY MEETING, covering the related party transactions (RPT) details as well as a statement signed by Board of Directors. The said transactions are disclosed in details in the company's annual report.

The details of related party transactions for the year 2021 are included with the notes incorporated with financial statements and other related party transactions which are not laying under the normal course of



the company's business for the year 2021 are attached (individually) to the annual report. All these transactions have been fulfilled in accordance to governing regulations and fall under the normal course of business at arms-length. We also have assigned an independent item for related party transactions that are not classified under normal course of business in the agenda of ANNUAL GENERAL ASSEMBLY MEETING for discussion and approval by shareholders.

Board of Directors: (composition, Roles and Responsibilities)

The company is headed by an effective Board of Directors who are responsible for leading the company, monitoring its business and controlling its operations. The Board has been collectively responsible for the success of the company in achieving its long term objectives. The Board works with the Executive Management, without interfering in their day-to-day duties, to achieve the company's objectives. In all cases, the executive management is responsible before and accountable to the Board.

The directors are severally and jointly liable before shareholders in achieving the company's goals and objectives. They are primarily concerned with the company's interests and give them precedence over other interests including the interests of the shareholders they represent.

The board of directors are not interfering in the daily routine and direct operational matters of the company.

Following are the Board Characteristics:

- All directors are non-executive-
- The number of independent directors exceeds one third of the Board of Directors.
- The Board contains experienced and independent persons that have the ability to look after the company's operational issues wisely and impartiality, taking into account the full independence from major shareholders and management. It is not allowed for any group of people to dominate the board decisions.

Induction Programme to introduce new directors to the company's business

In compliance with the provisions of the Code of Corporate Governance issued by the Capital Market Authority, the company by way of presentation conducted an induction programme to introduce new directors to the business of the company included the financial and operation aspects.

The annual report

The Board has included in its annual report to the ANNUAL GENERAL ASSEMBLY MEETING, a statement outlining the company's ability to continue its activities in line with the general framework of the company. The board also ensured the efficiency and adequacy of the internal control systems in all units and divisions of the company including financial management, and its related operations, obligations management, and risk management. The board emphasizes the same in its report to the shareholders, taking into consideration that, under all circumstances, the board's responsibility for preparing accounts and financial statements and assuring their accuracy is not undermined by the external auditors' responsibility for preparing their reports.

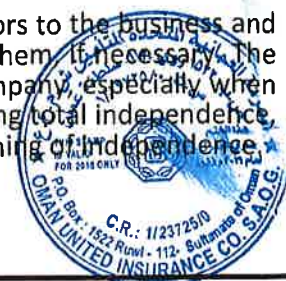
Board's meetings

The Company complies with commercial companies' law No. 18/2019, and the Code of Corporate Governance with regard to the Board's meetings and it's convening conditions.

During the year 2021, the board held six meetings the term between any two meetings didn't exceed 120 days. These meetings have been held through video conferencing in line with the preventive and precautionary measures adopted by the Supreme Committee entrusted with undertaking measures to tackle with the developments resulting from the pandemic of Coronavirus (COVID-19).

Roles and Responsibilities of the Board:

The company conducted an induction programmes whereby introduced new directors to the business and operations of the company, especially the financial and legal aspects and training them if necessary. The board adopts transparency in matters pertaining to the external auditors of the company, especially when engaging them for consultancy. The board is motivated in this regard by safeguarding total independence, in addition to respecting investors' understanding and perspective vis-à-vis the meaning of independence.



The Board approved the delegation of authority that covers the full range of functions such as underwriting authority, claim settlement authority, financial and administrative authority etc. The Board has also approved proper 'Delegation of Authorities' to the managers at different levels of managerial hierarchy, which in its opinion is best suited considering the nature and scale of the operations. The Board has put in place the succession plan for executive management and endeavoring to reduce dependent on specific persons taking compliance with Omanization percentage into account.

The board uses the ANNUAL GENERAL ASSEMBLY MEETINGS to effectively communicate with the shareholders, especially minority shareholders. The purpose is to ensure their participation in ANNUAL GENERAL ASSEMBLY MEETINGS attendance and discussion.

The board of directors established and enforced written policies, procedures and systems of supervision related to disclosure of material information reasonably.

An independent third party appraised the performance of the board impartially and independently. The third party was appointed by the ANNUAL GENERAL ASSEMBLY MEETING in accordance with a benchmark and standards set by the board and approved by the annual general meeting held on 29th March 2018. The Board appraisal process shall also continue for the next term.

The Board of Directors also complies with the functions and responsibilities of the Commercial Companies Law No. 18/2019, the Code of Corporate Governance of Public Joint Stock Companies, and the Code of Corporate Governance for the companies operating in the Insurance Sector issued by the Capital Market Authority.

The Board has effected duties and responsibilities of the Executive Management and established decision making processes according to the company's organizational manual that specifies a full range of roles and responsibilities of Executive Management.

The Board has set up a system of responsibilities that ensure a balance of power and authority and that no one individual has unlimited power of decision making.

The Board has also formed an Audit Committee and set up its Charter and related programs and plans, Internal Audit Charter, Disclosure and Insider Trading Policy, as well as formation of the Executive and Nomination & Remuneration Committee and set up its expected annual action plan, roles and responsibilities, all duly approved by the Board and which are all based on the regulations of the competent authorities and the CMA.

Company Secretary:

The Board of Directors appointed a company secretary with expertise and qualifications that enables him to assist the Board to comply with the provisions of the Code of Corporate Governance, the laws and regulations in force in the Sultanate, and the controls issued by other competent supervisory authorities, as he has a background of knowledge of the legislative environment that governs the organization of operations of public joint-stock companies and has the knowhow in the field of accounting, auditing, corporate secretariat, business administration and executive management for a suitable period.

Election of Board of Directors:

Nomination and election process of the existing Board of Directors of the Company has been carried out by the AGM of the company on 29/3/2018 as per the prevailing rules and conditions prescribed in the Commercial Companies Law, Capital Market Authority and the Company's Articles of Association. The existing Board term expires on March 2021. The Board of Directors consists of competent individuals and their details are as follows:



Board of Directors

S. N	Director Name	Position	Directorship	
			Shareholder/ Non shareholder	Independent / Non Independent
1.	Sayyid Salim Nassir Al Busaidi	Chairman	Shareholder	Non-Independent
2.	Mr. Saud Ahmed Al-Nahari	Dy. Chairman	Non shareholder	Independent
3.	Mr. Nassir Khamis Al Hashar	Member	Non shareholder	Independent
4.	Sayyid Khalid Mahfoudh Al Busaidi	Member	Non shareholder	Independent
5.	Mr. Mohamed Noor Al Zadjali	Member	Non shareholder	Independent
6.	Sayyid Salim Ahmed Al Busaidi	Member	Non shareholder	Independent
7.	Mr. Mustafa Ahmed Salman	Member	Non shareholder	Independent
8.	Mr. Rahul Kar	Member	Non shareholder	Independent
9.	Mr. Hamed Amour Al Hatmi	Member	Non shareholder	Independent

Profile of Board of Directors of Oman United Insurance Company SAOG

Name	Brief Summary of Board Members' Profile
1. Sayyid Salim Nassir Al Busaidi – The Board Chairman and the Chairman of Executive Nomination & Remuneration Committee.	The Chairman is the main prompter and the major shareholder of Oman United Insurance Company SAOG. He holds 33,453,366 shares constitute 34.5% of the overall shares. He is a certificate holder in Civil Aviation from British Government Technical Assistance – 1971. Certificate holder in Civil Aviation Safety, Lebanon – 1972. Honorary Ambassador to State of Louisiana, U.S.A – 1977. He was a holder of Light Aircraft Pilot License. He is a retired Former Minister and previously occupied many positions such as:- Director General of Civil Aviation, Under Secretary of the Ministry of Communications and 12 years as a Minister of Communications. President of State Consultative Council for 4 years. State Advisor for 5 years. Chairman of Gulf Air, Chairman of Oman Arab Bank (S.A.O.C.), Board Director in Oman Investment & Finance Co. (SAOG), Board Director in Gulf Hotels Company Limited (SAOG). Chairman of Saad Establishment for General Trading , and Chairman of Oman Trading for Oil Products L.L.C.
2. Mr. Saud Ahmed Al Nahari Deputy Chairman and Nomination & Remuneration Committee Member.	He is postgraduate Diploma in Port and Shipping Management from UWIST UK. He worked at the Central Bank of Oman, Salalah Branch until 1980 and then joined the Port Services Corporation and occupied different positions such as CEO of Port Services Corporation. He is the deputy Chairman in Omantel SAOG and was Board member in various companies locally and abroad namely Al Hassan Engineering Company and Deputy Chairman of Oman Investment & Finance Company. He was also a Board Member of Ubar GCC fund, Arab Sea Federation and International Association of Ports & Harbors.



3. Mr. Nassir Khamis Al Hashar Board Member and Chairman of the Audit Committee	He worked for 6 years in the field of police in UAE. Thereafter he worked in the financial and administrative affairs in public sector and in the private sector in the Sultanate of Oman. Currently he is the Chairman of Al-Hajri Company LLC.
4. Engineer Sayyid Khalid Mahfoudh Al Busaidi Board Member & Audit Committee Member	He holds a master's degree in Engineering - Hydrology. He served as a manager in the Ministry of Regional Municipalities and Water Resources and currently he is the Administrative Advisor to the Minister of Housing and Urban Planning.
5. Engineer Sayyid Salim Ahmed Al Busaidi Board Member& Audit Committee Member	He holds a Bachelor of Civil Engineering from Sultan Qaboos University, with 23 years of experience in the management of major road projects in Muscat. Now he is in the position of Director General of Boshar Municipality.
6. Mr. Mustafa Ahmed Salman Board Member & Audit Committee Member	He holds a BA in Accounting and a certificate of Global Financial Markets. He also acts as an intermediary authorized and licensed broker in MSX. He worked in accounting domain in the government and also worked as a Financial & Administration Manager in Oman Portfolio Company and currently works as CEO and Chairman of United Securities Company LLC. He is a board member in Al Sharqiya Desalination Co. SAOC .
7. Mr. Mohammed Noor Al Zadjali Director. Nomination & Remuneration Committee Member.	Education: Caledonian Collage -De Montfort University - 1998-2001 Computer Engineering Board of director/ Audit committee The Financial Corporation Co. SAOG FINCORP 2006-2008 Partner & Manager in Al Majd Global Developments- 2012- present Partner & Manager at Able Logistics - 2008- till present Chairman Mohammed Noor United LLC - 2006- till present Managing director Rasmia Enterprises- 2001-2005
8. Mr. Rahul Kar Board Member and Nomination & Remuneration Committee Member.	Mr. Rahul Kar has been a Director of the Company since 2012. Mr. Kar is a Chartered Accountant, currently working as the Financial Advisor to the Chairman of Suhail Bahwan Group Holding LLC. Mr. Kar is also a Director and an Audit Committee & Business Risk Compliance Committee member of National Bank of Oman and Director and Audit committee member of Al Jazeera Steel Products Co. SAOG, and Director in National Pharmaceutical Company SAOC
9. Mr. Hamed Amour Al Hatmi - Board Member and Nomination & Remuneration Committee Member.	He holds Master of Business Administration (MBA) Strathclyde University, College of Banking and Financial Studies May 2015, and also hold a Bachelor of Science, College of Commerce & Economics Sultan Qaboos University, May 2005. He has an experience of About 14 years of Financial Service industry and equity markets. He is Senior Investments Analyst in Oman Investment Authority from January 2021 up-to-date. He was working Senior Investments Analyst: Public Authority for Social Insurance (PASI) from November 2013 – February 2019 and he was Head of Brokerage in Al Madina Financial & Investment Services from June 2005 – April 2012.



Attendance of Directors for Board Meetings

Details of board meetings held during the year 2021 and the directors' attendance for those meetings are as follows:

S.N	Board of Directors	Date of Meetings						AGM&EGM 31/3
		1 st 18/2	2 nd 31/3	3 rd 28/4	4 th 29/7	5 th 27/10	6 th 29/12	
1.	Sayyid Salim Nassir Al Busaidi	Yes	Yes	Yes	Yes	No	Yes	Attended
2.	Mr. Saud Ahmed Al-Nahari	Yes	Yes	Yes	Yes	Yes	Yes	Attended
3.	Mr. Nassir Khamis Al Hashar	Yes	Yes	Yes	Yes	Yes	Yes	Attended
4.	Sayyid Khalid Mahfoudh Al Busaidi	Yes	Yes	Yes	Yes	Yes	Yes	Attended
5.	Sayyid Salim Ahmed Al Busaidi	Yes	Yes	Yes	Yes	Yes	Yes	Attended
6.	Mr. Mustafa Ahmed Salman	Yes	Yes	Yes	Yes	Yes	Yes	Attended
7.	Mr. Ahmed Alawi Al Ibrahim	Yes	Yes	Yes	Yes	Yes	Yes	Not attended
8.	Mr. Rahul Kar	Yes	Yes	Yes	Yes	Yes	Yes	Attended
9.	Mr. Mohammed Noor Al Zadjali	Yes	Yes	Yes	Yes	Yes	Yes	Attended
10.	Mr. Hamed Amour Al Hatmai	-	Yes	Yes	Yes	Yes	Yes	-

Details of Directorship held by the Directors in other Joint Stock Companies:

S.N	Name	Details of directorship in other Joint Stock companies	Position
1.	Sayyid Salim Bin Nassir Al Busaidi	None	None
2.	Mr. Saud Bin Ahmed Al-Nahari	Oman Telecommunication Company SAOG	Deputy Chairman
3.	Mr. Nassir bin Khamis Al Hashar	None	None
4.	Mr. Mohamed Bin Noor Al Zadjali	None	None
5.	Sayyid Khalid Bin Mahfoudh Al Busaidi	None	None
6.	Sayyid Salim Bin Ahmed Al Busaidi	None	None
7.	Mr. Mustafa Ahmed Salman	Al Sharqia Desalination Company SAOC	Director
8.	Mr. Ahmed Bin Alawi Abdullah Al Ibrahim	None	None
9.	Mr. Rahul Kar	1. National Pharmaceutical Company SAOC	Director
		2. National Bank of Oman SAOG	Director
		3. Al Jazeera Steel Products Company SAOG	Director

Board and its Sub-Committee Meeting Attendance Fees

Based on the approval of the AGM dated 31 March 2021, it has been resolved to fix the sitting fees for the Board meetings (including sub-committee meetings) at RO. 500/- per meeting.



Board Sub-committees

1. Audit Committee

The board of directors established an audit committee and set out its terms of reference and written framework. The Audit Committee comprises of four independent members to oversee the Company's financial reporting process, their duties include overseeing the system of internal control and functions as per the guidelines of Code of Corporate Governance issued by the Capital Market Authority (CMA). All committee members have finance and accounting expertise that enables them to fulfill their role.

The Committee has regular interactions and communication with senior management, internal audit team and the external auditors to review, amongst other things the accuracy of the annual and interim financial statements, management reports and internal audit reports and the effectiveness of the Company's system of internal control. There is a "Charter" of audit committee that has been prepared and approved by the Board. The committee also evaluates and monitors the adequacy of internal control systems and their efficiency and creates policies for safeguarding the company's assets. The chairperson of the committee is an independent director and not member in any of other committees. The Audit Committee submitted its annual audit plan to the Board based on which it can achieve and discharge its tasks and competencies.

Meetings of Audit committee with External and internal Auditor:

In accordance with the provisions of the code of corporate governance, the audit committee had two meetings with external and internal auditors separately, on 17th February 2022 through video conference and heard their views and to consult them vis-à-vis enhancing the level of corporate governance and compliance. The committee also listens to external auditors and the internal auditor every quarter when discussing the unaudited financial statements.

Roles & Responsibilities of the Audit Committee

- (a) Consideration and review of the internal audit system in annual basis.
- (b) Consideration of the internal audit reports and follows up remedial action with regard to the comments therein.
- (c) Provided recommendations to the board of director's vis-à-vis the appointment and removal of external auditors as well as specifying their fees. The recommendation must bear in mind the independence of such auditors.
- (d) Following up the work of the external auditors and approving any non- audit services which they are assigned during the audit process.
- (e) Consideration of the audit plan in conjunction with the external auditor and comment thereon.
- (f) Consideration and follow up of the comments of the external auditor on the financial statements.
- (g) Consideration of quarterly and annual financial statements prior to their presentation to the board, providing opinion and recommendations.
- (h) Consideration of the adopted accounting policy, providing opinion and recommendations thereon to the board.
- (i) Ascertaining the adequacy and sufficiency of the internal control systems, either through examining the regular reports of internal and external auditors or appointment of external consultants.
- (j) Overseeing the preparation of financial statements including but not limited to the following: Review the reservations and qualifications of external auditors in the draft financial statements, (if any). Discuss accounting principles in general; focusing on any changes in accounting policies and principles that had taken place and their impact on the financial position of the company. Ensure compliance with disclosure requirements prescribed by CMA.



- (k) Reviewing the details of all proposed Related Party Transactions RPTs, and providing appropriate recommendations to the board.
- (l) Devising a risk management plan, obtaining approval by the board and following up its implementation.
- (m) Setting and reviewing regularly the company policies pertaining to risk management, taking into account the company business, changes in market conditions and the company's investment and expansion tendencies and approach.
- (n) Setting up an executive programme for risk management in the company.
- (o) The Audit committee meets with external and internal auditors separately, at least once every quarter, to hear their views and to consult them vis-à-vis enhancing the level of corporate governance and compliance.

Firstly, the composition of the Audit Committee and its meetings in 2021:

On their meeting held on 31/3/2021, the Board resolved to form the audit committee in order to execute the Board directives according to the Board authorities. The Board also prepared and approved the Audit committee's charter, The Committee consists of the following members:-

No.	Director Name	Position in the board	Position in the Committee
1.	Mr. Nassir bin Khamis Al Hashar	Director	Chairman
2.	Sayyid Khalid Bin Mahfoudh Al Busaidi	Director	Member
3.	Mr. Mustafa Ahmed Salman	Director	Member
4.	Sayyid Salim Bin Ahmed Al Busaidi	Director	Member

Secondly, Audit Committee meetings in 2021:

NO.	Name of Directors	Date of Meetings			
		1 st 16/2	2 nd 26/4	3 rd 28/7	4 th 25/10
1.	Mr. Nassir bin Khamis Al Hashar	Yes	Yes	Yes	Yes
2.	Sayyid Khalid Mahfoudh Al Busaidi	Yes	Yes	Yes	Yes
3.	Mr. Mustafa Ahmed Salman	Yes	Yes	Yes	Yes
4.	Sayyid Salim Bin Ahmed Al Busaidi	Yes	Yes	Yes	Yes

2. Executive & Nomination and Remuneration Committee

The board of Directors established a nomination and remuneration committee with the aim of assisting the ANNUAL GENERAL ASSEMBLY MEETING in the nomination of proficient directors and the election the most fit for purpose. Moreover, the committee aims to assist the board in selecting the appropriate and necessary executives for the executive management. The company adopts a transparent method nominate the directors of high competence and caliber, without prejudice to the right of any of the shareholders to stand for election or to nominate whoever they see fit. In the meeting of the Board of Directors held on December 29th, 2021, the name of the committee was changed to the Executive and Nominations and Remunerations Committee.



Firstly, the composition of the Executive and Nomination and Remuneration Committee and its meetings in 2021:

The Executive and Nomination and Remuneration Committee has been formed by the Board of Directors in their meeting held on 13/3/2021 to act according to the directives of the Board of Directors and in line with the authority assigned to them. There is a "Charter" of Executive and Nomination and Remuneration Committee that has been prepared and approved by the Board. The Committee consists of the following members:-

No.	Director Name	Position in the board	Position in the Committee
1.	Sayyid Salim Nassir Al Busaidi	Chairman	Chairman
2.	Mr. Saud Ahmed Al-Nahari	Dy. Chairman	Member
5.	Mr. Mohammed Noor Al Zadjali	Director	Member
4.	Mr. Rahul Kar	Director	Member

Secondly, the Executive and Nomination & Remuneration Committee meetings during the year 2021:

NO.	Name	Meetings Date			
		1 st 25/3	2 nd 14/7	3 rd 5/8	4 th 27/12
1.	Sayyid Salim Nassir Al Busaidi	Yes	Yes	NO	NO
2.	Mr. Saud Ahmed Al-Nahari	Yes	Yes	Yes	Yes
3.	Mr. Rahul Kar	Yes	Yes	Yes	Yes
4.	Mr. Mohammed Noor Al Zadjali	Yes	Yes	Yes	Yes
5.	Mr. Hamed Amour Al Hatmi	Not a member	Yes	Yes	Yes

Sitting Fees and Remuneration to Board of Directors

Below are the details of sitting fees and the Directors remuneration for the year 2021:-

Name of Director	Sitting fees			Sub-Total	Remuneration paid for the year 2020	Total
	Board	Audit	NRC			
Sayyid Salim Nassir Al Busaidi	2,500	NA	1,000	3,500	15,789.472	19,289.472
Mr. Saud Ahmed Al-Nahari	3,000	NA	2,000	5,000	23,684.210	28,684.210
Mr. Nassir Khamis Al Hashar	3,000	2000	NA	5,000	15,789.474	20,789.474
Sayyid Khalid Mahfoudh Al Busaidi	3,000	2000	NA	5,000	15,789.474	20,789.474
Sayyid Salim Ahmed Al Busaidi	3,000	2000	NA	5,000	15,789.474	20,789.474
Mr. Mustafa Ahmed Salman	3,000	2000	NA	5,000	15,789.474	20,789.474
Mr. Rahul Kar	2,500	NA	2,000	4,500	15,789.474	20,289.474
Mr. Mohamed Noor Al Zadjali	3,000	NA	2,000	5,000	15,789.474	20,789.474
Mr. Hamed Amour Al Hatmi	2,500	NA	1,500	4,000	-	4,000
Mr. Ahmed Alawi Al Ibrahim	500	-	-	500	15,789.474	16,289.474
Total	26,000	8,000	8,500	42,500	150,000	192,500

The proposed Remuneration to Board of Directors for the financial year ended 31st December 2021, is RO 150,000. The same is subject to the approval of Annual Ordinary General Meeting scheduled on 31st March 2022.



Salaries, allowances and perquisites, bonus for the five senior Managers in 2021:

Basic salaries, allowances & perquisites, performance bonus and the installment of the gratuity that calculated in accordance with article (39) of Omani labor law, in addition to social insurance paid/accrued during the year 2020, to the top 5 executives of the Company were in the aggregate RO. 622,430 as against (RO 600,606 in 2020). The Company does not provide stock options to any of its Directors or employees. Bonus is paid to employees based on their achievements and contributions made to the Company. The term of labor contract for expatriates is two years and renewable for same period.

Means of communication with shareholders and investors

OUIC has an effective means of communicating with its shareholders and investors. Such means are represented in all readable and visible media as following: -

Local newspapers and specialist magazines: In addition to publication of financials at local newspapers (quarterly and annually) in post Arabic & English, the management usually makes press releases and interviews with special media when required.

Post: OUIC posts a Full set of annual financials along with all relating report to the shareholders and we also used to announce to the shareholders the following note in our quarterly accounts” For additional information required please contact the management who in return shall reply immediately.

Company’s website:

“<http://www.omanutd.com/>” .

The web site also hosts official news releases, if any. The Management Discussion and Analysis Report, which forms part of the Annual Report, also provides meaningful information to the shareholders regarding the Company. Quarterly results of OUIC are published through the Muscat Securities Market (MSX) and company website.

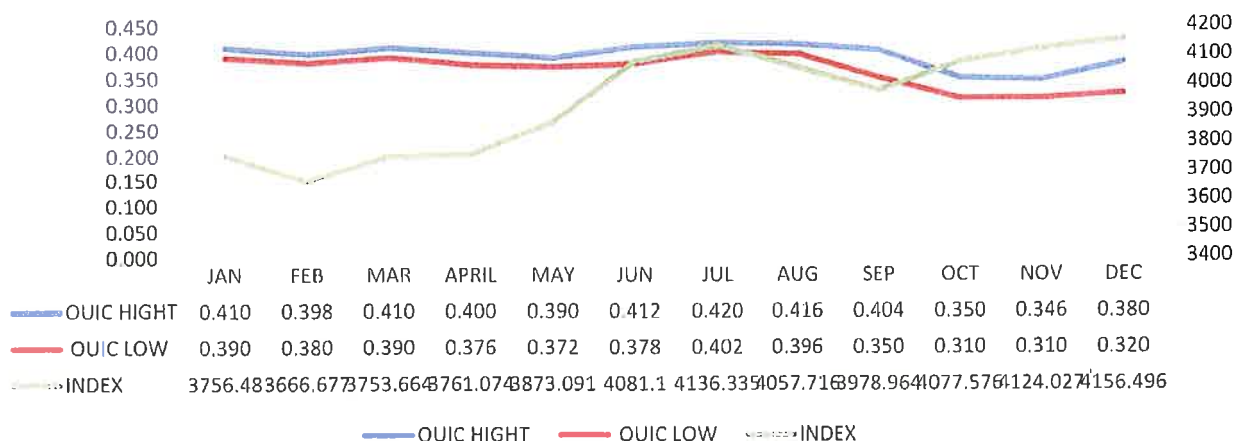
Share Market Price Data 2020

The statement below shows the movement of the highest and lowest share price of the Company during the year 2020 and its performance compared to the MSX index:

Month – 2021	OUIC’S Market Price (RO)		MSX Index (points)	
	High	Low	High	Low
January	0.410	0.390	3756.48	3633.72
February	0.398	0.380	3666.68	3547.96
March	0.410	0.390	3753.66	3612.74
April	0.400	0.376	3761.07	3652.11
May	0.390	0.372	3873.09	3761.40
June	0.412	0.378	4081.10	3854.10
July	0.420	0.402	4136.34	4004.35
August	0.416	0.396	4057.72	3950.14
September	0.404	0.350	3978.96	3911.70
October	0.350	0.310	4077.58	3939.93
November	0.346	0.310	4124.03	4000.35
December	0.380	0.320	4156.50	3967.79



Performance of OUIK's share Market Price Versus MSX Index for the year 2021



Distribution of shareholding

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

Category	Minimum	Maximum	Number of shares	Number of shareholder	Holding percentage of each category	Percentage of shareholders for each category
1	1	1,000	40,609	106	0.04%	20.58%
2	1,001	5,000	355,693	135	0.36%	26.21%
3	5,001	10,000	462,335	63	0.46%	12.23%
4	10,001	20,000	882,474	57	0.88%	11.07%
5	20,001	50,000	2,288,711	62	2.29%	12.04%
6	50,001	100,000	2,444,368	36	2.44%	6.99%
7	100,001	200,000	1,804,683	12	1.80%	2.33%
8	200,001	500,000	5,793,667	18	5.79%	3.50%
9	500,001	1,000,000	7,777,617	11	7.78%	2.14%
10	1,000,001	2,000,000	7,006,791	5	7.01%	0.97%
11	2,000,001	5,000,000	24,384,109	7	24.38%	1.36%
12	5,000,001	10,000,000	13,305,577	2	13.31%	0.39%
13	10,000,001	and above	33,453,366	1	33.45%	0.19%
TOTAL			100,000,000	515	100.00%	100.00%

Non-Compliance, if any by the Company

It gives us pleasure to state that the Company has no violation regarding the requirements of any Supervisory Authority during the year 2021 in accordance with the Code of Corporate Governance and



that there have been no penalties imposed on OUIIC by Muscat Securities Market or any other Supervisory Authority during the past three years.

Risk Management

The Company's risk management processes are adequate in light of the global and local conditions and management do not envisage any significant impact in the company's operations and financial, positions to arise as a result of these global and local development. Management regularly monitor industry sources of information for any indications of liquidity issues with reinsurers and are confident that reinsurers will continue to be willing and able to meet their obligations to the company. The company has complied with the terms and conditions of its reinsurance covers during 2021 and to date.

Board Declaration

The Board of Directors Confirm that the risk management is adequate to tackle with the global conditions and management does not see any substantial effect on the continuity of the company the Directors also confirm the following:

- They are responsible for presentation of the financial statements of the company in accordance with IFRS and CMA disclosure rules and the commercial companies' law No. 18/ 2019 and its amendments.
- They have reviewed the efficiency and adequacy of internal control system and ensure it comply with internal rules and declarations
- They are not aware of any material matters that could affect the company's ability to continue its operation during the year 2021.

Corporate Social Responsibility

Corporate Social Responsibility ("CSR") is linked to the company purposes and activities. The company seeks to exercise its role as good citizen and to mitigate any adverse impact of its activities on the national economy, community or environment at large. The company (represented by the board of directors) has to develop a CSR charter or code. The board tasked the executive management to provide a policy proposal for approval by the board.

The executive management developed an annual plan, through which it will deliver the company's CSR philosophy, policies, and community-based principles. The strategy outlined the allocated budget, available support and participation means, the values and principles which the company seeks to disseminate through the different CSR activities and the Community segments or social fields targeted by the company.

An amount of RO 142,372,005 was disbursed to support community services and social responsibility, as the Annual Ordinary General Assembly, in its meeting held on March 31, 2021, approved an amount of R.O 50,000 for this item, as part of relief to support those affected by the climate conditions due to cyclone (Shaheen) that recently hit the Sultanate of Oman, the company donated an amount of R.O 100,000 to the Oman Charity Organization, in addition to an amount of R.O 14,000 as donations to some of the company's employees affected by cyclone Shaheen, which is presented before the AGM for ratification. Hereinafter a table report on CSR activities detailing such activities, expended amounts



The table below shows the amounts spent within the approved plan to support community services and social responsibility for the financial year ended 31 December 2021, as follows:-

NARRATION		AMOUNT (R.O)
1-	AL NOOR ASSOCIATION FOR BLIND	1,220,500
2-	OMANI ASSOCIATION FOR HEARING IMPAIRMENT	255
3-	DONATION IN THE FAVORE OF OMAN CHARITY ORGANIZATION TO SUPPORT THOSE AFFECTED BY THE CLIMATE CONDITIONS DUE TO CYCLONE (SHAHEEN)	100,000
4-	DONATION TO SUPPORT SOME OUIIC EMPLOYEES WHOSE AFFECTED BY THE CLIMATE CONDITIONS DUE TO CYCLONE (SHAHEEN)	14,000
5-	DONATION OF MEDICAL EARPHONES - COMMUNITY SERVICE - ROYAL OMAN POLICR DIRECTORATE OF SOCIAL WELFARE	10,000
6-	HAMAD HAMOOD AL AMRI & SONS TRAD CO LLC - RAMADAN ITEMS	2,100
7-	JAMAIYAT IHSAN	4,797
8-	DISMANTLE THE DISTRESS OF IMPRISONED INSOLVENT LAWYERS ASSOCIATION	5,000
9-	ASSOCIATION FOR THE WELFARE OF THE HANDICAPPED -	5,000
		142,372,005

- The Board proposes to reserve RO. 50,000 for the initiative Corporate Social Responsibility to be spent for the year 2022.

Professional Profile of the statutory auditors PwC

With offices in 156 countries and more than 295,000 people, PwC is among the leading professional services networks globally. PwC's vision is to be the most trusted and relevant professional services business in the world – one that attracts the best talent and combines the most innovative technologies, to help organisations build trust and deliver sustained outcomes. This refreshed global strategy is termed as The New Equation, and it speaks to the two most fundamental needs clients and organisations are grappling with today.

Established in the Middle East for over 40 years, PwC Middle East has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 7,000 people. (www.pwc.com/me).

PwC is strongly committed to Oman where it is recognised as one of the leading providers of quality business advisory services. We have had a local practice in Oman since 1971 and now have 9 partners, 1 of whom is Omani and 6 directors, 1 of whom is Omani and approximately 134 other members of staff operating from our office in the Sultanate.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.



Professional Fees and terms of the statutory auditors PwC 2021

As per the approval of Annual General Meeting dated 31 March 2021, PwC has been appointed as auditors against the Audit Fees amounted to RO. 28,500 , (Twenty Eight Thousand Five Hundred) for auditing the annual Financial Statements, Quarterly review, Auditing of Annual Return and review of Corporate Governance Report for the year 2021.



Salim Bin Nassir Al Busaidi
Chairman
February 2022



Nassir Bin Khamis Al Hashar
Audit Committee Chairman



R. Muthukumar
Chief Executive Officer





Management Discussion and Analysis Report

INTRODUCTION:

This discussion provides the Company's current financial position & operational results for the year ended 31/12/2021 compared to the previous year(s). This report also contains the outlook based on prevailing macroeconomic conditions & views of the management. This discussion, supplements the financial statement exhibits, schedules and disclosures in the 2021 annual report. During the year, all management efforts were directed to provide quality services to enhance the pleasant customer experience, and thus distribute sustainable cash dividends to shareholders.

FINANCIAL POSITION AS AT 31st DECEMBER 2021:

Management's focus is always on a conservative approach coupled with sustainability & sound financial stability of the Company. Following are the indicators of the soundness of the financial position of the Company as at 31st December 2021.

- Total assets of the Company stood at RO. 108.78 Million as at 31st December 2021.
- Shareholders' equity amounted to RO. 30.83 Million as at 31st December 2021.

The schedule below demonstrates the details of investment portfolio of the Company for the years 2019 to 2021.

Description	2021		2020		2019	
	RO.	%	RO.	%	RO.	%
Fixed income Investments	59,248,817	91.85	59,757,414	90.23	53,521,407	85.40
Investment in Equities	2,488,297	3.86	3,600,534	5.44	6,154,678	9.82
Investment in Immovable properties	2,076,364	3.22	2,142,352	3.24	2,215,979	3.54
Immovable properties (Self occupied)	691,522	1.07	719,146	1.09	776,631	1.24
Total	64,505,000	100	66,219,449	100	62,668,698	100

- In line with our strategies of stability, conservativeness, sustainability and consistent reward to shareholders, we have gradually reduced our exposure from the equity investments and increased our exposure in fixed income instruments.
- From the above table, one can observe that the Company's investments in equities are divested and invested in fixed income securities. Fixed income investments increased from RO 53.52 million in 2019 to RO 59.25 million in 2021, with an increase of 10.71%. Meanwhile, the Company's equity investments decreased from RO 6.15 million in 2019 to RO 2.49 million in 2021, with a decrease of 59.57%.



- It is worth mentioning that, the company was in a position to maintain the fixed income investments in spite of distributing cash dividend of RO 9.5 million, during the last three years and weathering the COVID 19 and cyclone Shaheen losses.
- Moreover, the immovable properties have been accounted based on cost less depreciation method and the combined market value is around RO. 6.6. Million, having an appreciation of about RO. 3.80 Million, which has not been recognized in the accounts.

CONTINGENCY RESERVE:

As per Oman insurance companies' law, insurance companies have to appropriate a certain calculated amount, as contingency reserve to strengthen the Company's balance sheet, from its retained earnings until the reserves equal the Company's paid-up capital. Accordingly, the Company has reached the minimum limit of RO 10 Million (i.e. equivalent to the Company's paid-up capital). Thereby, there may not be any more appropriation unless & until the Company's paid-up capital increases from the present level. This reserve is part of Shareholders' equity. It is pertinent to mention that, this contingency reserve is taken as a liability for calculating solvency margin.

SURPLUS OF SOLVENCY MARGIN:

The Surplus of Solvency Margin is the ability of the company to meet its long-term financial obligations. Company's surplus at 31st December 2021 works-out to be RO. 8.60 Million.

OPERATING PERFORMANCE DURING THE YEAR 2021: -

Firstly: - Impact due to the Pandemic COVID-19 on:-

A. Insurance operation: -

Due to the management's proactive masseurs, there was not any significant impact due to COVID19. We were able to retain most of the renewal policies and get new customers as well.

B. Investment operation: -

Due to Pandemic COVID19, the equity market, in general, got impacted, including MSM. However, due to lower-level exposure in the equity market, we could restrict our impact and manage decently.

Secondly: - Performance of Insurance Operations: -

Considering the pandemic COVID19, fierce competition in the market and hardening reinsurance market conditions globally, the margins are always under pressure. Despite that, company had managed reasonably to maintain the results, by applying selective & conservative underwriting policy. The outcome of the actions is detailed below: -



Description	2021	2020	2019
Gross Written Premium (GWP)	30,458,362	30,908,180	31,160,027
Gross Underwriting Results	6,230,927	7,906,824	8,023,507
Gross Underwriting result Margin (%)	20%	26%	26%

The Company continued with independent appointed external actuary to validate the adequacy of IBNR (Incurred but not reported) and the adequacy of outstanding claims provisions amount. The results have continued to be satisfying. It is important to recognize that the underwriting margins have not been stressed inspite of COVID 19 and cyclone Shaheen events. Our reinsurance program was strong and the impact for OUIIC has been minimal.

Thirdly: - Performance of Investments Operations: -

In compliance with the Investment of the assets of Insurance and Takaful Insurance companies Regulation issued by the Capital Market Authority, the Company's funds invested in well-diversified classes of assets and high-quality liquid investments based on the operational liquidity requirements.

Company's overall investment & other income is detailed below:-

Description	2021	2020	2019
Net Interest Income	2,860,562	2,752,034	2,462,222
Dividend Income	125,374	596,328	463,220
Profit on sale of investments	173,097	101,553	562,903
Other income	656,396	116,961	477,205
Rental income	200,457	249,185	277,558
Change in market value of FVTPL investments	(100,422)	(1,076,832)	(1,246,062)
Impairment on AFS investments	(109,686)	(266,952)	(1,707,932)
Net Investment Income	3,805,778	2,472,277	1,289,114

Fourthly: - Combined Ratio

The combined ratio is an essential tool to measure the performance of an insurance company. It takes into account the income & expenses from the core insurance operations and does not include the income & expenses related to investment operations. Therefore, the combined ratio of less than 100% means that the Company is making profit from the underwriting operations, and the same would be invested to achieve higher investment income.

The table below elaborates on the performance of company and consistency over the years.

Description	2021	2020	2019
Combined Ratio	92%	81.60%	82.72%



Fifthly: - Net Profit

Despite fierce competition and the lackluster performance of MSX, the Company has performed well in core business and investments. The net profit of the Company is detailed below: -

Description	2021	2020	2019
Gross insurance operations results	6,230,927	7,906,824	8,023,507
Net investment & other income	3,805,778	2,472,277	1,289,114
Gross combined operational results	10,036,705	10,379,101	9,312,621
Management expenses (including bad debts provision)	(5,366,045)	(5,157,546)	(4,879,063)
Profit before income tax provision	4,670,660	5,221,555	4,433,558
Income tax provision	(710,849)	(967,228)	(1,029,165)
Net profit after income tax	3,959,811	4,254,327	3,404,393

Sixthly: - Dividend Distribution

The Company follows a prudent policy of dividend distribution and has a record of accomplishment of consistent dividend payments over the last twelve years. The twelve years average is 23.83% and the last five years average is 31.00%.

Seventhly: - Performance Awards

Company has been ranked by AIWA among the top five performing companies in the Sultanate of Oman on a regular basis since 2013. In 2020 & 2021 also the company won the first ranking in the category of 'medium-cap' companies based on the company's performance.

OUTLOOK & STRATEGY:-

Insurance operations:-

We shall continue our conservative approach in the core insurance business by adopting a very selective underwriting strategy and focusing on profit-making business rather than gearing up our top line. In 2021, we experienced high COVID-19 claims, particularly in life segment, which we expect to stabilize during 2022. We assume that mandatory health insurance scheme for the employees of the private sector and residing in the Sultanate (Dhamani) would be implemented in 2022 which would contribute to enhance the growth of the insurance sector and entering a new stage of development as a result of the expected volume of demand for health insurance products. Notwithstanding the severe competition, our company still stands as one of the premier insurance companies in Sultanate of Oman. We are in the process of exploring new selling outlets through mobile application implementation to sell the insurance policies online. The commitment to the 'vision and mission' continues to guide us to enhance our shareholders' value and earn our customers' loyalty and trust.



Investments: -

We had been having very conservative approach since 2016 with respect to equity investments in local and other markets. Because of this approach, our investment in equity portfolio came down to the level of RO. 2.5 Million as of December 2021. In fact, due to Covid19 pandemic, decrease in oil price and lower economic activities, we kept away from investing in equity markets in 2020 & 2021.

Considering the current & expected oil price movements and the positive state budget coupled with improved economic activities within the local economy, we will be cautiously optimistic about the local equity market, thereby investing in the local equity shares in a phased manner in line with the Investment of the assets of Insurance and Takaful Insurance companies Regulation. By this approach, we will be diluting the investments from fixed income securities to the equity investments in a gradual manner.

Acknowledgements: -

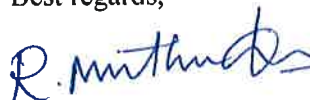
Finally, I would like to thank Almighty Allah for another successful year under the challenging circumstances. On behalf of the management team, I wish to express my profound gratitude to the Board of Directors for their unstinted support over the years and contribute to the company's growth. I also thank our stakeholders, namely shareholders, employees, customers, brokers, agents and reinsurers, for their continuous support during this challenging year.

Our special thanks and appreciation to CMA (regulator of the insurance industry), various other ministries, and Government of the Sultanate departments for their unflinching support.

Lastly, our sincere thanks and gratitude to His Majesty Sultan Haitham bin Tariq for his wise leadership and we all pray to Almighty Allah to shower him with blessings, keep him in good health, and give him long life.

Thank you and God bless us all.

Best regards,



R. Muthukumar
Chief Executive Officer



**OMAN UNITED INSURANCE
COMPANY SAOG**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Principal place of business:
OUIC Building
Al Khuwair Street
Sultanate of Oman

Registered address:
P. O. Box 1522
Ruwi
Postal Code 112
Sultanate of Oman

PricewaterhouseCoopers LLC
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Initial PwC Date 21 FEB 2022

OMAN UNITED INSURANCE COMPANY SAOG

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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Independent auditor's report to the shareholders of Oman United Insurance Company SAOG

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oman United Insurance Company SAOG (the "Company") as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

- Key Audit Matter
- Valuation of outstanding claims ("OC") including claims incurred but not reported ("IBNR")

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report to the shareholders of Oman United Insurance Company SAOG (continued)

Our audit approach (continued)

Key audit matters

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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

Key audit matter	How our audit addressed the key audit matters
<p><i>Valuation of outstanding claims ("OC") including claims incurred but not reported ("IBNR")</i></p> <p>At 31 December 2021, the Company had gross OC amounting to RO 29.19 million and gross IBNR of RO 11.34 million. The reinsurance share of OC amounted to RO 15.66 million and of IBNR amounted to RO 7.05 million at 31 December 2021.</p> <p>We focused on this area because the valuation of OC including IBNR are significant in magnitude, requires use of judgements and estimates and may potentially be significantly impacted by the ongoing COVID-19 pandemic. OC including IBNR are estimates for settlement of claims in future which are impacted by a number of factors which includes the trends in severity of historical claims, frequency of historical claims and changes in government regulations. In particular, the claims arising from death or disability covered under motor insurance contracts involve complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can materially impact the valuation of these liabilities.</p> <p>Please refer notes 2.14.1(d), 2.29(a) and 22 of the financial statements for the accounting policy, disclosures of the related judgements and estimates and other details relating to OC including IBNR.</p>	<p>We obtained an understanding, assessed and tested the design and operating effectiveness of the key controls over the claims processes.</p> <p>We performed the following substantive procedures:</p> <ul style="list-style-type: none"> • Tested the amounts recorded for a sample of claims notified, focusing on those with most significant impact on the financial statements, to assess whether claims are appropriately estimated and recorded; • Tested the completeness and accuracy of the underlying insurance data provided by the management to the Company's actuary; • Evaluated the competence, objectivity and independence of the independent actuary appointed by the management to review the adequacy of IBNR; • PwC's internal actuarial specialist was involved to independently test management actuary's assumptions and estimates of the IBNR reserves, and evaluated the reasonableness of the methodology and assumptions used by comparing them with recognised actuarial practices and by applying their industry knowledge and experience. • Assessed the disclosures made by the directors in the financial statements.

Independent auditor's report to the shareholders of Oman United Insurance Company SAOG (continued)

Other information

The directors are responsible for the other information. The other information comprises the Company's Report, Management Discussion and Analysis Report and Corporate Governance Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Company's Annual Report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report to the shareholders of Oman United Insurance Company SAOG (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

Further, as required by the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, we report that the financial statements have been prepared and comply, in all material respects, with those requirements and provisions.


Kashif Kalam
Muscat, Sultanate of Oman
21 February 2022



OMAN UNITED INSURANCE COMPANY SAOG

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RO	2020 RO
Gross written premiums	3	30,458,362	30,908,180
Reinsurance premium ceded	3	(16,126,593)	(15,059,235)
Net insurance premium revenue		14,331,769	15,848,945
Movement in unearned premium reserve	3	1,554,357	160,136
Net premium earned		15,886,126	16,009,081
Commission income	3	2,440,611	2,420,161
Total insurance revenue		18,326,737	18,429,242
Gross claims paid	3	(17,047,306)	(18,099,991)
Reinsurers' share of claims	3	7,628,294	10,240,417
Net claims paid		(9,419,012)	(7,859,574)
Movement in outstanding claims – net	3	(256,776)	(165,672)
Net claims incurred		(9,675,788)	(8,025,246)
Commission expenses	3	(2,420,023)	(2,497,172)
Total insurance cost		(12,095,811)	(10,522,418)
Net underwriting results	3	6,230,926	7,906,824
Investment income – net	4	2,948,926	2,106,129
Other operating income	5	856,853	366,148
Total net income		10,036,705	10,379,101
General and administration expenses	6	(5,366,046)	(5,157,546)
Profit before taxation		4,670,659	5,221,555
Taxation	7	(710,849)	(967,228)
Profit for the year		3,959,810	4,254,327
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Net change in fair value of available-for-sale investments	11(a)	(89,313)	(49,499)
Total comprehensive income for the year		3,870,497	4,204,828
Earnings per share	8	0.040	0.043

The notes and other explanatory information on pages 9 to 51 form an integral part of these financial statements.

Independent auditor's report - pages 1 to 4.

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OMAN UNITED INSURANCE COMPANY SAOG

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 RO	2020 RO
ASSETS			
Non-current assets			
Property and equipment	9	1,494,477	1,603,240
Investment property	10	2,076,364	2,142,352
Available-for-sale investments	11	734,800	976,624
Deposits	12	35,150,000	41,400,000
Reinsurance contract assets	22	5,684,000	6,861,000
		<u>45,139,641</u>	<u>52,983,216</u>
Current assets			
Financial assets at fair value through profit or loss	13	3,640,082	4,304,329
Insurance and other receivables	15	9,076,932	7,212,165
Deposits	12	21,438,822	17,146,400
Reinsurance contract assets	22	28,715,326	23,726,982
Cash and cash equivalents	16	773,410	1,936,502
		<u>63,644,572</u>	<u>54,326,378</u>
Total assets		<u>108,784,213</u>	<u>107,309,594</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	10,000,000	10,000,000
Share premium		871,519	871,519
Legal reserve	18	3,333,334	3,333,334
General reserve	19	100,000	100,000
Fair value reserve		165,927	255,240
Contingency reserve	20	10,000,000	10,000,000
Retained earnings		6,359,005	5,899,195
Total equity		<u>30,829,785</u>	<u>30,459,288</u>
LIABILITIES			
Non-current liabilities			
Insurance contract liabilities	22	6,594,000	8,141,000
Employees' end of service benefits	23	764,632	846,912
Deferred tax liability	14	128,692	125,481
Lease liabilities	24(a)	276,610	294,082
		<u>7,763,934</u>	<u>9,407,475</u>
Current liabilities			
Bank overdraft	16	-	2,405,907
Insurance contract liabilities	22	52,583,108	48,522,345
Trade and other payables	24	16,808,302	15,470,715
Lease liabilities	24(a)	46,077	68,206
Tax liability	7(c)	753,007	975,658
		<u>70,190,494</u>	<u>67,442,831</u>
Total liabilities		<u>77,954,428</u>	<u>76,850,306</u>
Total equity and liabilities		<u>108,784,213</u>	<u>107,309,594</u>
Net assets per share	26	<u>0.308</u>	<u>0.305</u>

The financial statements on pages 5 to 51 were approved for issue by the Board of Directors on 20 February 2022 and were signed on their behalf by:



Salim bin Nassir Al Busaidi
Chairman



Nassir bin Khamis Al Hashar
Audit Committee Chairman

Independent auditor's report - pages 1 to 4.

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OMAN UNITED INSURANCE COMPANY SAOG

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Share capital RO	Share premium RO	Legal reserve RO	General reserve RO	Fair value reserve RO	Contingency reserve RO	Retained earnings RO	Total Equity RO
At 1 January 2020		10,000,000	871,519	3,333,334	100,000	304,739	10,000,000	4,644,868	29,254,460
Comprehensive income:									
Profit for the year								4,254,327	4,254,327
Other comprehensive income:									
Net change in fair value of available-for-sale investments	11(a)					(49,499)			(49,499)
Total comprehensive income						(49,499)		4,254,327	4,204,828
Transactions with owners:									
Dividend paid	21					255,240		(3,000,000)	(3,000,000)
At 31 December 2020		10,000,000	871,519	3,333,334	100,000	255,240	10,000,000	5,899,195	30,459,288
At 1 January 2021		10,000,000	871,519	3,333,334	100,000	255,240	10,000,000	5,899,195	30,459,288
Comprehensive income:									
Profit for the year								3,959,810	3,959,810
Other comprehensive income:									
Net change in fair value of available-for-sale investments	11(a)					(89,313)			(89,313)
Total comprehensive income						(89,313)		3,959,810	3,870,497
Transactions with owners:									
Dividend paid	21					165,927		(3,500,000)	(3,500,000)
At 31 December 2021		10,000,000	871,519	3,333,334	100,000	165,927	10,000,000	6,359,005	30,829,785

The notes and other explanatory information on pages 9 to 51 form an integral part of these financial statements.

Independent auditor's report - pages 1 - 4.

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Signature Date 21 FEB 2022

OMAN UNITED INSURANCE COMPANY SAOG

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 RO	2020 RO
Cash flow from operating activities			
Cash generated from operating activities	32	242,283	6,012,484
Tax paid	7(c)	(930,289)	(983,721)
Net cash (used in)/ generated from operating activities		(688,006)	5,028,763
Cash flow from investing activities			
Purchase of property and equipment	9	(304,899)	(404,117)
Proceeds from sale of property and equipment		9,296	191
Purchase of investments		-	(395,314)
Proceeds from sale of investments		781,397	1,991,706
Brokerage expenses paid		(1,648)	(4,471)
Liquidation of deposits		16,600,000	7,450,000
Placement of deposits		(14,700,000)	(14,850,000)
Interest received		2,921,301	2,642,536
Dividend received		125,374	596,328
Net cash generated from/ (used in) investing activities		5,430,821	(2,973,141)
Cash flow from financing activity			
Dividend paid	21	(3,500,000)	(3,000,000)
Net change in cash and cash equivalents		1,242,815	(944,378)
(Bank overdraft)/ Cash and cash equivalents at the beginning of the year		(469,405)	474,973
Cash and cash equivalents/(Bank overdraft) at the end of the year	16	773,410	(469,405)

The notes and other explanatory information on pages 9 to 51 form an integral part of these financial statements.

Independent auditor's report - pages 1 - 4.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1 Legal status and principal activities

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

2 Significant accounting policies

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

2.1 Basis of preparation

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

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

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

(a) New and amended standards adopted by the Company

The Company has applied all the standards and amendments applicable for the first time for its annual reporting period commencing from 1 January 2021:

- Interest Rate Benchmark Reform – amendments to IFRS 7, IFRS 4 and IFRS 16 – Phase 2; and
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020). These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions, with the exception of the impact resulting from the adoption of IFRS 17 Insurance contracts and IFRS 9 Financial Instruments.

- IFRS 17 Insurance Contracts – Originally effective date of 1 January 2021, but extended to 1 January 2023 by the IASB;
- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions – Extension of the practical expedient – effective date for annual periods beginning on or after 1 April 2021;
- Number of narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 – effective date for application is 1 January 2022
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities – effective date for application is 1 January 2024; and
- Narrow scope amendments to IAS 1, Practice statement and IAS 8 – effective date for application is 1 January 2023.

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. Key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results, and cash flows of the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted (continued)

Significant efforts are required to enable the production of IFRS 17 compliant financial statements, as the standard requires actuarial model and process development as well as data enhancements. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have an impact on profit and total equity together with presentation and disclosure. Based on the Company's analysis of insurance policies issued, the Company predominantly writes short-term contracts, therefore the premium allocation approach will be applied to the bulk of the insurance business. It is expected that, due to the short contract boundaries for the majority of the Company's business, a fully retrospective approach will be applied with limited application of the modified retrospective approach for contracts with longer contract boundaries. The Company will continue to focus on delivering a solution to calculate opening balances during 2022.

The management, vide Capital Market Authority (CMA) circular referenced as E/4/2019, were informed by the CMA of the timelines to phase-out the implementation of IFRS 17 into three phases. The Insurance Companies and the Re-insurance Companies in Oman have been informed by the CMA, vide circular referenced as E/12/2020, to postpone the implementation of the second and third phase until 30 June 2021 and 31 December 2022 respectively. Accordingly, the first phase for the implementation of the standard was completed by the management as of 31 December 2019. The Company is currently underway implementation of the second phase and is in discussion with potential vendors. The implementation of the second phase is expected to be finalized by end of March 2022.

2.2 Significant event – Cyclone Shaheen

On 3 October 2021, Oman was affected by Tropical Cyclone Shaheen. There was widespread flooding along Oman's northern coast as the storm made landfall, bringing heavy rain and winds prompting evacuations from coastal areas. Despite the exemplary work undertaken by all authorities to coordinate well to keep the damage to minimal, there was damage to motor, houses and general infrastructure. The Company was quick to respond to the catastrophic event and teams were set up to respond to the customer claim submissions and queries. The Company's management visited the affected places after the event to have first hand information and to assess the damage at a closer look. As at year end, the Company overall gross exposure was RO 2.16 million in respect of 157 non-motor and RO 1.2 million in respect of 280 motor claims. The Company has assessed the overall impact to be immaterial to the business.

2.3 Applicability of IFRS 9

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

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

Amendments to IFRS 4 'Insurance Contracts' regarding the implementation of IFRS 9, 'Financial Instruments'

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

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

- the insurer has not previously applied any version of IFRS 9, and
 - the insurer's activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2018. The following tests have to be satisfied:
- The carrying amount of liabilities arising from contract within the scope of IFRS 4 is significant compared to the total carrying amount of all its liabilities; and

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****2 Summary of significant accounting policies (continued)****2.3 Applicability of IFRS 9 (continued)**

- the total carrying amount of an insurer's liabilities connected with insurance as compared to the total carrying amount of all its liabilities:
- i. if the percentage is greater than 90%, the insurers activities are predominantly connected with insurance;
 - ii. if the percentage is less than or equal to 90%, but greater than 80% and the insurer does not engage in a significant activity unconnected with insurance, its activities are predominantly connected with insurance. Otherwise, the activities are not predominantly connected with insurance; and
 - iii. if the percentage is less than or equal to 80%, the insurers activities are not predominantly connected with insurance.

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

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

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

2.4 Foreign currency**(a) Functional and presentation currency**

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

(b) Transactions and balances

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

2.5 Revenue recognition**(a) Premiums earned**

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

(b) Commissions earned and paid

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

(c) Interest income

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

(d) Dividend income

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

2 Summary of significant accounting policies (continued)

2.5 Revenue recognition (continued)

(e) Rental income

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

2.6 Income tax

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

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

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

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

2.7 Property and equipment

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

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

2 Summary of significant accounting policies (continued)

2.8 Investment property

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

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

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

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

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

2.9 Financial instruments

2.9.1 Classification, recognition and measurement

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

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

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

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

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

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

(b) Available-for-sale investments

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****2 Summary of significant accounting policies (continued)****2.9 Financial instruments (continued)****2.9.1 Classification, recognition and measurement (continued)***(b) Available-for-sale investments (continued)*

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

(c) Loans and receivables

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

2.9.2 Derecognition

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

2.9.3 Trade and settlement date accounting

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

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

2.10 Impairment and uncollectability of financial assets

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

2 Summary of significant accounting policies (continued)

2.10 Impairment and uncollectability of financial assets (continued)

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

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

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

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

2.11 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 Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Impairment of non-financial assets

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

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

2.13 Insurance and other receivables

Insurance and other receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses, if any. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****2 Summary of significant accounting policies (continued)****2.14 Insurance and reinsurance contracts**

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

2.14.1 Insurance contracts**(a) Recognition and measurement**

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

(i) Short term insurance contracts

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

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

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

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

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

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

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

These contracts insure events associated with human life (for example death, or disability) over a long duration.

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

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

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

(b) Policy acquisition costs

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

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**NOTES TO THE FINANCIAL STATEMENTS
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2 Summary of significant accounting policies (continued)

2.14 Insurance and reinsurance contracts (continued)

2.14.1 Insurance contracts (continued)

(c) Liability adequacy test

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

(d) Claims

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

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

The Company does not discount its liability for unpaid claims.

(e) Salvage and subrogation reimbursements

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

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

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

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

2.14.2 Reinsurers contracts held

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

2 Summary of significant accounting policies (continued)

2.14 Insurance and reinsurance contracts (continued)

2.14.2 Reinsurers contracts held (continued)

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

2.15 Cash and cash equivalents

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

2.16 Legal reserve

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

2.17 General reserve

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

2.18 Contingency reserve

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

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

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

2.19 Employees' end of service benefits and leave entitlements

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

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

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

The estimates included in the calculation of Employee benefits' liability as at 31 December 2021 includes the discount rate assumed which is 6.5% which is assumed on the basis of the expected rate of return on the 30 years government bond and future salary growth rate of 5.25% which is assumed based on the past pattern (note 23).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****2 Summary of significant accounting policies (continued)****2.20 Trade and other payables**

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

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

2.21 Directors' remuneration and sitting fees

The Directors' remuneration and fees is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority.

The Annual General Meeting shall approve the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed RO 150,000 in one year. The sitting fees for each Director shall not exceed RO 10,000 in one year.

2.22 Share capital

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

2.23 Earnings per share

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

2.24 Provisions

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

2.25 Dividend distribution

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

2.26 Operating segment

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

2.27 Lease liability

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****2 Summary of significant accounting policies (continued)****2.28 Right-of-use asset**

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

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

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

2.29 Critical accounting estimates and judgements

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

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

(a) Outstanding claims

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The management uses the initial value of the claim provided by the loss reports from the independent loss adjusters and management's best estimate for the expected ultimate cost of claims reported at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

(b) Impairment of available-for-sale investments

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

(c) Impairment of receivables

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

3 Net underwriting result

	2021			2020		
	General business RO	Life RO	Total RO	General business RO	Life RO	Total RO
Revenue						
Gross written premiums	27,059,121	3,399,241	30,458,362	26,056,783	4,851,397	30,908,180
Reinsurance premium ceded	(14,021,618)	(2,104,975)	(16,126,593)	(11,894,124)	(3,165,111)	(15,059,235)
Net retained premium	13,037,503	1,294,266	14,331,769	14,162,659	1,686,286	15,848,945
Movement in unearned premium reserve (net)	1,041,357	513,000	1,554,357	(229,864)	390,000	160,136
Commission income	2,248,852	191,759	2,440,611	1,941,203	478,958	2,420,161
Total insurance revenue	16,327,712	1,999,025	18,326,737	15,873,998	2,555,244	18,429,242
Costs						
Gross claims paid	12,558,595	4,488,711	17,047,306	12,767,146	5,332,845	18,099,991
Reinsurance share of claims	(4,425,704)	(3,202,590)	(7,628,294)	(6,362,369)	(3,878,048)	(10,240,417)
Net claims paid	8,132,891	1,286,121	9,419,012	6,404,777	1,454,797	7,859,574
Movement in outstanding claims reserve (net)	332,393	(75,617)	256,776	198,616	(32,944)	165,672
Net claims incurred	8,465,284	1,210,504	9,675,788	6,603,393	1,421,853	8,025,246
Commission expenses	2,033,013	387,010	2,420,023	1,981,375	515,797	2,497,172
Total insurance cost	10,498,297	1,597,514	12,095,811	8,584,768	1,937,650	10,522,418
Net underwriting result	5,829,415	401,511	6,230,926	7,289,230	617,594	7,906,824

The underwriting result before reinsurance recoveries are analysed as follows:

	2021		2020	
	Net retained premium RO	Underwriting result before reinsurance recoveries RO	Net retained premium RO	Underwriting result before reinsurance recoveries RO
Motor	11,910,575	2,395,877	13,087,867	6,112,713
Fire	158,088	1,450,243	110,553	1,489,972
Marine	102,331	1,018,191	58,796	457,181
Household and others	866,509	2,386,926	905,443	5,544,538
Life and medical	1,294,266	935,593	1,686,286	1,036,974
Total	14,331,769	8,186,830	15,848,945	14,641,378

The net claims ratios are as follows:

	2021 %	2020 %
Motor	61	47
Fire	54	89
Marine	72	123
Household and others	61	45
Life and medical	67	68

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

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4 Investment income – net

	2021 RO	2020 RO
Profit on sale of financial assets at fair value through profit or loss	171,025	68,534
Fair value loss on financial assets at fair value through profit or loss [note 13(a)]	(100,422)	(1,076,833)
Interest income	2,860,563	2,752,034
Dividend income	125,374	596,328
Profit on sale of available-for-sale investments	3,720	37,489
Brokerage on purchase and sale of shares	(1,648)	(4,471)
Impairment loss on available-for-sale investments [note 11(a)]	(109,686)	(266,952)
	<u>2,948,926</u>	<u>2,106,129</u>

5 Other operating income

	2021 RO	2020 RO
Rental income from investment property	200,457	249,185
Other income	656,396	116,963
	<u>856,853</u>	<u>366,148</u>

6 General and administration expenses

	2021 RO	2020 RO
Salaries and employee related costs [note 6(a)]	3,647,408	3,448,104
Office related expenses	369,829	321,808
Depreciation (note 9)	249,497	279,937
Provision for doubtful insurance and other receivables [note 15(a)]	200,000	290,000
Directors' remuneration and sitting fees [note 25(a)]	192,500	187,000
Repairs and maintenance	188,562	163,008
Corporate social responsibility	142,372	79,261
Depreciation on right-of-use assets (IFRS 16) [note 24(b)]	88,997	89,139
Business promotion	80,015	85,369
Depreciation on investment property (note 10)	65,988	73,628
Rent	38,889	40,548
Board secretary fees	7,700	8,400
Miscellaneous	94,289	91,344
	<u>5,366,046</u>	<u>5,157,546</u>

(a) Salaries and employee related costs

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

	2021 RO	2020 RO
Salaries and allowances	3,300,723	3,141,037
Social security costs	234,649	218,522
End of service benefits (note 23)	112,036	88,545
	<u>3,647,408</u>	<u>3,448,104</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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7 Taxation

	2021 RO	2020 RO
<i>Current tax</i>		
- For the year	707,638	937,789
<i>Deferred tax</i>		
- For the year (note 14)	3,211	29,439
Tax expense	710,849	967,228

(a) The Company's assessments up to 2017 has been completed by the Oman Taxation Authorities at the Ministry of Finance. The Board of Directors believes that additional taxes, if any, in respect of open tax assessments would not be significant to the Company's financial position as at 31 December 2021.

(b) The Company is liable to income tax, in accordance with the income tax laws of the Sultanate of Oman, at the rate of 15% on profits. (2020-15%)

Reconciliation of income tax expense

	2021 RO	2020 RO
Accounting profit for the year	4,670,659	5,221,555
Tax liability at the rate of 15% (2020 - 15%)	700,599	783,233
Non-deductible expenses	76,763	261,016
Tax exempt income	(45,018)	(104,268)
Others	(21,495)	27,247
Tax expense	710,849	967,228

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

	2021 RO	2020 RO
At 1 January	975,658	1,021,590
Charge for the year	707,638	937,789
Paid during the year	(930,289)	(983,721)
At 31 December	753,007	975,658

8 Earnings per share

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

	2021	2020
Profit for the year (RO)	3,959,810	4,254,327
Average number of shares outstanding during the year (number of shares)	100,000,000	100,000,000
Earnings per share (RO)	0.040	0.043

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9 Property and equipment

- (a) Details of movements in property and equipment are set out on pages 49 and 50.
- (b) Land and buildings with a carrying value of RO 312,455 (2020- RO 320,180) have been mortgaged to a commercial bank for the bank facilities provided.
- (c) In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, the head office building of the Company with a carrying value of RO 379,067 (market value of RO 860,000) is under lien with the Capital Market Authority (Insurance Division) [2020 - RO 398,969 (market value of RO 1,000,000)].

10 Investment property

	2021 RO	2020 RO
Cost		
At 1 January and 31 December	<u>3,229,916</u>	<u>3,229,916</u>
Accumulated depreciation		
At 1 January	1,087,564	1,013,936
Charge for the year (note 6)	<u>65,988</u>	<u>73,628</u>
At 31 December	<u>1,153,552</u>	<u>1,087,564</u>
Net book value at 31 December	<u>2,076,364</u>	<u>2,142,352</u>

- (a) The fair value of investment property on 30 December 2021, was estimated at RO 4,300,000 based on an open market value assessed by Al Habib, an independent professionally qualified third-party valuer.
- (b) In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, the above investment property of the Company with a carrying value of RO 2,076,364 is under lien with the Capital Market Authority (Insurance Division) (2020 - RO 2,142,352).
- (c) Investment property related expenses for the year ended 31 December 2021 amounts to RO 135,088 (2020 - RO 142,728).

11 Available-for-sale investments

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

	2021 RO	2020 RO
At 1 January	976,624	1,655,444
Unrealised loss	(89,313)	(49,499)
Impairment losses (note 4)	(109,686)	(266,952)
Disposals	<u>(42,825)</u>	<u>(362,369)</u>
At 31 December	<u>734,800</u>	<u>976,624</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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11 Available-for-sale investments (continued)

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

	Fair value 2021 RO	Cost 2021 RO	Fair value 2020 RO	Cost 2020 RO
Overseas – unquoted	-	-	655	655
Local – unquoted	221,359	71,429	198,073	71,429
Overseas – quoted	-	-	46,162	42,826
Local – quoted	513,441	497,444	731,734	606,474
	<u>734,800</u>	<u>568,873</u>	<u>976,624</u>	<u>721,384</u>

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

31 December 2021	% of Portfolio	Number of securities	Fair value RO	Impaired cost RO
Local quoted securities:				
Sembcorp Salalah	34	2,400,000	175,200	175,200
SMN Power SAOG	30	3,587,000	154,241	154,241
Shell Oman	36	200,000	184,000	168,000
31 December 2020	% of Portfolio	Number of securities	Fair value RO	Impaired cost RO
Local quoted securities:				
Sembcorp Salalah	31	2,400,000	237,600	256,800
SMN Power SAOG	38	3,587,000	294,134	200,872
Shell Oman	26	200,000	200,000	168,000

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

	2021 RO	2020 RO
Sultanate of Oman	734,800	929,807
Qatar	-	46,162
United States of America	-	655
Total	<u>734,800</u>	<u>976,624</u>

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

	2021 RO	2020 RO
Rial Omani	734,800	929,807
Qatari Rial	-	46,162
US Dollar	-	655
	<u>734,800</u>	<u>976,624</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
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11 Available-for-sale investments (continued)

(g) An impairment charge of RO 109,686 (2020 - RO 266,952) was recognised in the profit or loss during the year based on notification received from the investment manager on identified non-performing private equity investments and also based on significant or prolonged decline in the quoted market price for quoted investments.

(h) In accordance with the law governing the operations of insurance companies in the Sultanate of Oman, quoted securities included above at a market value of RO 89,120 (2020 - RO 96,870) are under lien with the Capital Market Authority (Insurance Division). Under the terms of the legislation, the Company can only utilise these assets with the prior approval of the Capital Market Authority (Insurance Division).

12 Deposits

(a) Deposits in the amount of RO 56,100,000 (2020 - RO 58,000,000) are placed with commercial banks in the Sultanate of Oman, carrying interest ranging from 3% to 5.5% (2020 - 3.25% to 6%) per annum. Accrued interest recognised, as at 31 December 2021, amounts to RO 488,822 (2020 - RO 546,400). The carrying amount of Deposits with accrued interest, as at 31 December 2021, amounts to RO 56,588,822 (2020 - RO 58,546,400).

(b) In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority (Insurance division) certain specific bank deposits included in the statement of financial position amounting to RO 40,050,000 (2020 - RO 37,550,000). Under the terms of the legislation, the Company can only utilise these deposits with the prior approval of the Capital Market Authority (Insurance division).

(c) The Company has kept a deposit of RO 50,000 (2020 - RO 50,000) which is under lien with Omani Unified Bureau for Orange Card Company SAOC in the Sultanate of Oman, against settlement of claims.

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

	2021 RO	2020 RO
Within one year – included in current assets	20,950,000	16,600,000
Accrued interest – included in current assets	488,822	546,400
Between two to three years	25,550,000	37,850,000
Three years and above	9,600,000	3,550,000
	<u>56,588,822</u>	<u>58,546,400</u>

13 Financial assets at fair value through profit or loss

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

	2021 RO	2020 RO
At 1 January	4,304,329	6,509,162
Purchases	-	395,314
Unrealised losses (note 4)	(100,422)	(1,076,833)
Disposals	(563,825)	(1,523,314)
At 31 December	<u>3,640,082</u>	<u>4,304,329</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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13 Financial assets at fair value through profit or loss (continued)

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

	Market value 2021 RO	Cost 2021 RO	Market value 2020 RO	Cost 2020 RO
Local quoted				
Banking	17,318	-	454,587	612,690
Investment	44,338	20,000	147,643	298,339
Services	1,586,640	2,985,627	1,960,153	2,985,626
Industrial	105,201	229,021	54,733	292,226
	<u>1,753,497</u>	<u>3,234,648</u>	<u>2,617,116</u>	<u>4,188,881</u>
Overseas quoted				
Services	-	-	6,794	61,680
Investment	1,886,585	1,998,304	1,680,419	1,998,304
	<u>1,886,585</u>	<u>1,998,304</u>	<u>1,687,213</u>	<u>2,059,984</u>
	<u>3,640,082</u>	<u>5,232,952</u>	<u>4,304,329</u>	<u>6,248,865</u>

At 31 December 2021, financial assets at fair value through profit or loss, amounting to RO 3,640,082 (2020 – RO 4,304,329) are measured using level 1 of fair value hierarchy.

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

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

	% of Portfolio	Number of Securities	Market Value RO	Cost RO
MSM quoted securities 2020				
Sembcorp Salalah Power and Water Company SAOG	23	10,000,000	990,000	1,877,010
Shell Oman Marketing SAOG	19	813,130	813,130	823,369
National Bank of Oman	10	2,756,248	441,000	612,689
Overseas quoted securities 2020				
Bank Dhofar perpetual bonds	39	52,000	1,680,419	1,998,304

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**NOTES TO THE FINANCIAL STATEMENTS
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13 Financial assets at fair value through profit or loss (continued)

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

	2021 RO	2020 RO
Sultanate of Oman	1,753,497	2,617,116
United Kingdom	1,886,585	1,680,419
Other GCC Countries	-	6,794
	<u>3,640,082</u>	<u>4,304,329</u>

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

	2021 RO	2020 RO
Rial Omani	1,753,497	2,617,116
US Dollar	1,886,585	1,687,213
	<u>3,640,082</u>	<u>4,304,329</u>

(f) In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, quoted securities included above at a market value of RO 1,498,080 (2020 - RO 1,904,741) are under lien with the Capital Market Authority (Insurance Division). Under the terms of the legislation, the Company can only utilise these assets with the prior approval of the Capital Market Authority (Insurance Division).

14 Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2020 - 15%). Deferred tax in the statement of financial position and deferred tax charge in the statement of comprehensive income are as follows:

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

	1 January 2020 RO	(Charge)/ credit to statement of comprehensive income RO	31 December 2020 RO
Deferred tax			
Fair value movements in overseas investments	12,437	(8,726)	3,711
Property and equipment	(108,479)	(20,713)	(129,192)
Deferred tax liability - net	<u>(96,042)</u>	<u>(29,439)</u>	<u>(125,481)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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15 Insurance and other receivables

	2021 RO	2020 RO
Insurance and other receivables [note (b) below]	6,523,382	6,026,799
Due from reinsurers [note (c) below]	2,894,141	1,795,800
Deposits retained on ceded reinsurers business	422,447	411,758
Prepayments	395,495	363,633
VAT recoverable	340,085	-
Other receivables	154,947	179,922
Accrued interest	9,989	13,150
	<u>10,740,486</u>	<u>8,791,062</u>
Less: provision for doubtful insurance and other receivables [note (a) below]	<u>(1,663,554)</u>	<u>(1,578,897)</u>
	<u>9,076,932</u>	<u>7,212,165</u>

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

	Insurance receivables RO	Due from reinsurers RO	Total RO
At 1 January 2021	1,151,397	427,500	1,578,897
Provision during the year	200,000	-	200,000
Write off during the year	(115,343)	-	(115,343)
At 31 December 2021	<u>1,236,054</u>	<u>427,500</u>	<u>1,663,554</u>
	Insurance receivables RO	Due from reinsurers RO	Total RO
At 1 January 2020	861,397	427,500	1,288,897
Provision during the year	290,000	-	290,000
At 31 December 2020	<u>1,151,397</u>	<u>427,500</u>	<u>1,578,897</u>

(b) Insurance receivables

	2021 RO	2020 RO
Gross insurance and other receivables [note (i) below]	6,523,382	6,026,799
Less: provision for doubtful insurance and other receivables [note (i) below]	<u>(1,236,054)</u>	<u>(1,151,397)</u>
	<u>5,287,328</u>	<u>4,875,402</u>

(i) Break-up of gross insurance and other receivables

	2021 RO	2020 RO
Neither past due nor impaired [note (ii) below]	3,154,550	2,583,035
Past due and not impaired [note (iii) below]	2,132,778	2,292,367
Past due and impaired [note (iv) below]	<u>1,236,054</u>	<u>1,151,397</u>
	<u>6,523,382</u>	<u>6,026,799</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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15 Insurance and other receivables (continued)

(b) *Insurance receivables* (continued)

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

	2021 RO	2020 RO
Companies	1,056,187	458,596
Brokers	1,451,736	1,460,073
Banks and Ministries	532,954	545,968
Agents	56,912	78,311
Individuals	56,761	40,087
	<u>3,154,550</u>	<u>2,583,035</u>

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

	2021 RO	2020 RO
181 – 365 days	1,576,767	1,402,714
Above 365 days	556,011	889,653
	<u>2,132,778</u>	<u>2,292,367</u>

(iv) As at 31 December 2021 insurance receivables past due and impaired relate to debtors specifically identified by the Company considering the past history of repayment and their current repayment capabilities.

(c) *Due from reinsurers*

Receivable from reinsurers:

	2021 RO	2020 RO
Gross receivable (note (i))	2,894,141	1,795,800
Less: provision for impairment	<u>(427,500)</u>	<u>(427,500)</u>
	<u>2,466,641</u>	<u>1,368,300</u>

(i) Details of gross exposures of receivable from reinsurers are set out below:

	2021 RO	2020 RO
Neither past due nor impaired	2,333,647	1,326,270
Past due and not impaired	132,994	42,030
Past due and impaired	427,500	427,500
	<u>2,894,141</u>	<u>1,795,800</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
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16 Cash and cash equivalents

	2021 RO	2020 RO
Bank balances	756,010	1,919,102
Cash in hand	17,400	17,400
Cash and cash equivalents	<u>773,410</u>	<u>1,936,502</u>
Bank overdraft balance	-	(2,405,907)
Cash and cash equivalents for the purpose of statement of cashflows	<u>773,410</u>	<u>(469,405)</u>

17 Share capital

	2021 RO	2020 RO
Authorised (150,000,000 shares)	<u>15,000,000</u>	<u>15,000,000</u>
Issued and fully paid (100,000,000 shares)	<u>10,000,000</u>	<u>10,000,000</u>

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

	Percentage of holding		Number of shares	
	2021	2020	2021	2020
Sayyed Salim Bin Nassir				
Al-Busaidi and family	<u>35%</u>	<u>35%</u>	<u>34,800,096</u>	<u>34,672,206</u>
Oman Investment Authority	<u>12%</u>	<u>-</u>	<u>12,188,588</u>	<u>-</u>

18 Legal reserve

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

19 General reserve

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

20 Contingency reserve

In accordance with Article 10 (bis) (2)(c) and 10 (bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business and 1% of the life assurance premiums for the year in case of life insurance business has to be transferred to Contingency Reserve. However, the Company has not made additional transfer during the year as the amount reach to the maximum amount required under the Insurance law, being equivalent to the paid up capital of RO 10,000,000 was reserved in prior years. The reserves shall not be used except by prior approval of the Capital Market Authority.

21 Proposed dividend

(a) The Board of Directors have proposed a cash dividend in respect of the year 2021 which is 35 baizas per share (2020 - 35 baizas per share) totaling to RO 3,500,000 (2020 - RO 3,500,000).

(b) The Company transferred RO 3,500,000 to Muscat Depository bank account towards dividend payable for 2020. The unclaimed dividend payable in respect of the dividend for the year 2020 of RO 14,067 has been transferred to the Investors' Trust Fund during the year.

NOTES TO THE FINANCIAL STATEMENTS
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22 Insurance liabilities and reinsurers assets

	2021 RO	2020 RO
Gross		
Non-current		
Actuarial reserve (for long term insurance contracts) [note (b) below]	6,594,000	8,141,000
Current		
Short term insurance contracts:		
- Outstanding claims reported and loss adjustment expenses [note (a) below]	29,185,720	25,193,763
- Claims incurred but not reported (IBNR) [note (a) below]	11,342,745	10,555,742
- Provision for unearned premium reserve (UPR) [note (b) below]	12,054,643	12,772,840
	<u>52,583,108</u>	<u>48,522,345</u>
Total insurance liabilities	<u>59,177,108</u>	<u>56,663,345</u>
Recoverable from reinsurers		
Non-current		
Actuarial reserve (for long term insurance contracts) [note (b) below]	(5,684,000)	(6,861,000)
Current		
Short term insurance contracts:		
- Outstanding claims reported and loss adjustment expenses [note (a) below]	(15,657,429)	(12,609,017)
- Claims incurred but not reported (IBNR) [note (a) below]	(7,054,745)	(5,580,973)
- Provision for unearned premium reserve (UPR) [note (b) below]	(6,003,152)	(5,536,992)
	<u>(28,715,326)</u>	<u>(23,726,982)</u>
Total reinsurers share of insurance liabilities	<u>(34,399,326)</u>	<u>(30,587,982)</u>
Net		
Non-current		
Actuarial reserve (for long term insurance contracts) [note (b) below]	910,000	1,280,000
Current		
Short term insurance contracts:		
- Outstanding claims reported and loss adjustment expenses [note (a) below]	13,528,291	12,584,746
- Claims incurred but not reported (IBNR) [note (a) below]	4,288,000	4,974,769
- Provision for unearned premium reserve (UPR) [note (b) below]	6,051,491	7,235,848
	<u>23,867,782</u>	<u>24,795,363</u>
Total insurance liabilities – net	<u>24,777,782</u>	<u>26,075,363</u>

(a) Insurance claims and loss adjustment expenses:

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

22 Insurance liabilities and reinsurers assets (continued)

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

	Gross (RO)	Reinsurer's share (RO)	Net (RO)
31 December 2020			
Opening outstanding claims	30,638,280	(17,457,419)	13,180,861
Opening IBNR	8,628,261	(4,415,279)	4,212,982
Total at the beginning of the year	39,266,541	(21,872,698)	17,393,843
Insurance claims paid during the year (note 3)	(18,099,991)	10,240,417	(7,859,574)
Increase in liabilities from current and prior period claims	14,582,955	(6,557,709)	8,025,246
Total at the end of the year	35,749,505	(18,189,990)	17,559,515
Claims outstanding	25,193,763	(12,609,017)	12,584,746
IBNR	10,555,742	(5,580,973)	4,974,769
Total at the end of the year	35,749,505	(18,189,990)	17,559,515

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

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

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

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

	Gross RO	Reinsurer's share RO	Net RO
31 December 2020			
Opening unearned premium reserve	12,154,166	(5,133,182)	7,020,984
Mathematical reserve	9,573,000	(7,918,000)	1,655,000
Total at the beginning of the year	21,727,166	(13,051,182)	8,675,984
Gross written premium during the year (note 3)	30,908,180	(15,059,235)	15,848,945
Net(release)/increase during the year	(31,721,506)	15,712,425	(16,009,081)
Total at the end of the year	20,913,840	(12,397,992)	8,515,848
Unearned premium reserve	12,772,840	(5,536,992)	7,235,848
Mathematical reserve	8,141,000	(6,861,000)	1,280,000
Total at the end of the year	20,913,840	(12,397,992)	8,515,848

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

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**NOTES TO THE FINANCIAL STATEMENTS
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22 Insurance liabilities and reinsurers assets (continued)

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

(ii) The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at the end of 2021 and 2020 are not material.

23 Employees' end of service benefits

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

The movement in end of service benefit as at 31 December 2021 and 31 December 2020 is stated below:

	2021 RO	2020 RO
At 1 January	846,912	892,029
Charge for the year [note 6(a)]	112,036	88,545
Paid during the year	(194,316)	(133,662)
At 31 December	<u>764,632</u>	<u>846,912</u>

Valuation methodology and assumptions

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

Discount rate	6.5%
Future salary growth rate	5.25%
Number of employees	59
Average age	52
Average number of years of service	16.32
Method of valuation	Projected unit credit (PUC)

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

The valuation discount rate was set based on the expected rate of return on the 15 years government bond, The Omani government issues bonds with terms up to 10 years, the relationship between the US government bonds yields and the Omani government bonds yield was used to extrapolate the Omani government bonds yield curve and obtain the expected yield on the 30 years bonds.

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

As per the actuarial valuation report, the provision for end of service benefit, as at 31 December 2021, is RO 706,064 (2020 - RO 807,303). The Company had 9 employees above 60 years of age as at 31 December 2021. If they continue to remain in service during the year ended 31 December 2022, the provision for the year ended 31 December 2021 increases by RO 5,800. The Company has not adjusted the provision for employees end of service benefits computed as per local labor laws as the actuarial valuation was not materially different.

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**NOTES TO THE FINANCIAL STATEMENTS
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3 Employees' end of service benefits (continued)

Sensitivity analysis

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

	Percentage change %	Actuarial provision as at 31 December 2021 RO	Percentage of change %
Discount rate	+0.5%	691,679	-2.04%
Discount rate	-0.5%	721,183	2.14%
Salary increase	+0.5%	721,293	2.16%
Salary decrease	-0.5%	691,445	-2.07%
Mortality	+20%	706,231	0.02%
Mortality	-20%	705,897	-0.02%
Early retirement	+20%	707,857	0.25%
Early retirement	-20%	704,106	-0.28%

24 Trade and other payables

	2021 RO	2020 RO
Due to reinsurers	5,822,308	4,994,361
Deposits retained on ceded reinsurers business	4,625,737	4,347,251
Accounts payable	3,371,389	3,540,004
Accrued expenses	1,212,674	1,128,660
Government tax and emergency fund payable	482,188	490,876
VAT payable	356,390	-
Directors' remuneration	150,000	150,000
Income received in advance	109,575	114,473
Other payables	678,041	705,090
	16,808,302	15,470,715

(a) Lease liabilities:

	2021 RO	2020 RO
At 1 January	362,288	209,522
Additions made during the year	39,773	240,394
Payment made during the year	(79,374)	(87,628)
As at 31 December	322,687	362,288
Of which are:		
Current liabilities		
At 1 January	68,206	82,077
Additions made during the year	-	5,660
Payments made during the year	(22,129)	(19,531)
As at 31 December	46,077	68,206
Non-current liabilities		
At 1 January	294,082	127,445
Additions made during the year	39,773	234,734
Payments made during the year	(57,245)	(68,097)
As at 31 December	276,610	294,082

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

5 Related parties

(a) Transactions

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

Revenue from insurance policies underwritten

	2021 RO	2020 RO
Premiums written		
- entity related to a significant shareholder	27,578	73,249
- other related parties	68,443	47,409
	<u>96,021</u>	<u>120,658</u>

Claims paid in respect of insurance policies underwritten

	2021 RO	2020 RO
Claims paid		
- entity related to a significant shareholder	35,317	19,692
- other related parties	684,188	285,758
	<u>719,505</u>	<u>305,450</u>

Purchase of goods and services

	2021 RO	2020 RO
Rent and related expenses included in general administration expenses		
- entity related to a significant shareholder	25,590	27,120
Purchases of services - insurance commission		
- entity related to a significant shareholder	13,912	15,051
Commission on purchase and sale of investments		
- other related parties	1,637	3,270

Remuneration to directors (note 6)

	2021 RO	2020 RO
Proposed directors' remuneration	150,000	150,000
Directors' sitting fees	42,500	37,000
	<u>192,500</u>	<u>187,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

25 Related parties (continued)

(b) Key management compensation

	2021 RO	2020 RO
Short term employment benefits	706,865	684,605
Social security costs	7,920	7,920
Employees' end of service benefits	40,526	34,939
	<u>755,311</u>	<u>727,464</u>

(c) Year end balances

	2021 RO	2020 RO
Receivable from related parties		
- entity related to a significant shareholder	5,049	-
- entity related to directors	46,167	85,272
	<u>51,216</u>	<u>85,272</u>

No provision for impairment is established in 2021 and 2020 in respect of amounts due from related entities.

(d) Payables to related parties:

	2021 RO	2020 RO
Entity related to a significant shareholder	-	1,473
Other related party	3,222	9,952
	<u>3,222</u>	<u>11,425</u>

26 Net assets per share

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

	2021	2020
Net assets (RO)	<u>30,829,785</u>	<u>30,459,288</u>
Number of shares outstanding at 31 December – number of shares	<u>100,000,000</u>	<u>100,000,000</u>
Net assets per share (RO)	<u>0.308</u>	<u>0.305</u>

27 Contingent liabilities

At 31 December 2021, there were contingent liabilities in respect of guarantees amounting to RO 93,683 (2020 - RO 229,768) given in the normal course of business from which it is anticipated that no material liabilities will arise.

Legal claims

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

28 Capital commitments

At 31 December 2021, there were contracted authorised capital commitments amounting to RO 75,075 (2020 - RO 61,215) towards computer system upgradation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

29 Operating segments

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

The Company has the following operating segments:

- a) **General insurance:** General business includes insurance and re-insurance of motor, fire, general accident, marine cargo, hull, workmen compensation, engineering and aviation.
- b) **Life insurance:** Life business relates to the insuring of the life of an individual, group life and group medical.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

29 Operating segments (continued)

2020	General Insurance RO	Life insurance RO	Total RO
Insurance revenue (net of reinsurance)	15,873,998	2,555,244	18,429,242
Insurance cost (net of reinsurance)	(8,584,768)	(1,937,650)	(10,522,418)
Segment results	7,289,230	617,594	7,906,824
Allocated investment and other income	1,576,778	202,152	1,778,930
Segment expenses	(2,877,876)	(358,836)	(3,236,712)
Segment profit	5,988,132	460,910	6,449,042
Unallocated expenses			(1,920,834)
Unallocated investment and other income			693,347
Profit before taxation			5,221,555
Taxation			(967,228)
Profit for the year			4,254,327
Segment assets	58,911,989	25,478,827	84,390,816
Unallocated assets			22,918,778
Total assets			107,309,594
Segment liabilities	59,691,067	15,788,143	75,479,210
Unallocated liabilities			1,371,096
Total liabilities			76,850,306

Geographical information

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

30 Financial assets by category

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
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30 Financial assets by category (continued)

31 December 2020	Loans and receivables RO	Fair value through profit or loss RO	Available-for- sale RO	Total RO
Financial assets				
Available-for-sale investments	-	-	976,624	976,624
Deposits	58,546,400	-	-	58,546,400
Financial assets at fair value through profit or loss	-	4,304,329	-	4,304,329
Insurance and other receivables, excluding prepayments	6,848,532	-	-	6,848,532
Cash and cash equivalents	1,936,502	-	-	1,936,502
Total	67,331,434	4,304,329	976,624	72,612,387

31 Risk management

(a) Governance framework

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

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

(b) Capital management framework

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

(c) Regulatory framework

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

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

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

Incase of general insurance, a surplus of RO 2.284 million as at 31 December 2021 (2020 - RO 8.140 million)

Incase of life and medical insurance, a surplus of RO 6.321 million as at 31 December 2021 (2020 - RO 0.468 million)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****31 Risk management (continued)***(d) Asset liability management (ALM) framework*

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

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

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

31.1 Insurance risk

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

The Company's objectives in managing risks are: to take a conservative approach to underwriting, which means review of all aspects about a risk prior to acceptance; retaining experienced and knowledgeable underwriters; and having underwriting authorities in place which are checked by internal audits. The Company ensures that risks are mitigated with first class reinsurers security, pre-underwriting surveys and claims history reviews. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 2.29 to these financial statements.

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

31 Risk management (continued)

31.1 Insurance risk (continued)

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

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

Frequency and amounts of claims

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

General insurance

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Property

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

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

Marine

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of age of vessels, shipping routes covered, and for marine cargo, the nature of the commodity, destinations and accumulations.

Travel

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

Engineering

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

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

Workmen compensation

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

**NOTES TO THE FINANCIAL STATEMENTS
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31 Risk management (continued)

31.1 Insurance risk (continued)

Life insurance

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

Group credit life

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

Group life and group medical

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

Outstanding claims

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

31.2 Financial risk factors

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

(a) *Market risk*

(i) *Foreign currency risk*

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

(ii) *Price risk*

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
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31 Risk management (continued)

31.2 Financial risk factors (continued)

(a) *Market risk (continued)*

(ii) *Price risk (continued)*

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

31 December 2021	Change in variable	Impact on net profit RO	Impact on equity RO
Market indices			
MSX and Irish market	+5%	182,004	-
MSX and Irish market	-5%	(182,004)	-
MSX	+5%	-	25,672
MSX	-5%	-	(25,672)
31 December 2020	Change in variable	Impact on net profit RO	Impact on equity RO
Market indices			
MSX, Bahrain and Irish market	+5%	215,216	-
MSX, Bahrain and Irish market	-5%	(215,216)	-
MSX and Qatar market	+5%	-	38,895
MSX and Qatar market	-5%	-	(38,895)

(iii) *Interest rate risk*

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

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

The Company's interest rate risk based on contractual arrangements at 31 December 2021 was as follows (all in RO):

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

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**NOTES TO THE FINANCIAL STATEMENTS
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31 Risk management (continued)

31.2 Financial risk factors (continued)

(a) *Market risk (continued)*

(iii) *Interest rate risk (continued)*

	Up to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total	Effective interest rate %
2020						
Financial assets						
Deposits	12,394,804	6,692,789	44,376,087	-	63,463,680	3.25 – 6.00
Bonds with banks	1,998,304	-	-	-	1,998,304	6.85
	<u>14,393,108</u>	<u>6,692,789</u>	<u>44,376,087</u>	<u>-</u>	<u>65,461,984</u>	

(b) *Credit risk*

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

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

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

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

	2021 RO	2020 RO
Financial assets		
Cash and cash equivalents	756,010	1,919,102
Insurance and other receivables, excluding prepayments	8,681,437	6,848,532
Available-for-sale investments	734,800	976,624
Financial assets at fair value through profit or loss	3,640,082	4,304,329
Deposits	<u>56,588,822</u>	<u>58,546,400</u>
	<u>70,401,151</u>	<u>72,594,987</u>

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

Reinsurers risk

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

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**NOTES TO THE FINANCIAL STATEMENTS
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31 Risk management (continued)

31.2 Financial risk factors (continued)

(b) Credit risk (continued)

Reinsurers risk (continued)

At 31 December 2021, RO 2,265,187 of reinsurers receivables were due from five reinsurers (2020 - RO 1,125,192 from five reinsurers).

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

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

Rating	2021 RO	2020 RO
Unrated foreign reinsurers	321,493	220,675
AA-	613,574	457,354
A-	117,415	190,405
A	437,216	170,603
Unrated local companies	-	10,419
Other rated companies	1,404,443	746,344
	<u>2,894,141</u>	<u>1,795,800</u>

Insurance receivable

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

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

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

At 31 December 2021, RO 2,940,284 of insurance receivables were due from top five parties (2020 - RO 2,738,380 from top five parties).

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31 Risk management (continued)

31.2 Financial risk factors (continued)

(b) Credit risk (continued)

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

	2021 RO	2020 RO
Counterparties		
Banks and ministries	807,827	606,397
Corporates	2,075,575	1,486,930
Brokers and their clients	3,479,228	3,730,127
Agents	59,705	115,790
Individuals	101,047	87,555
Gross total insurance receivables	6,523,382	6,026,799

Credit risk on other financial instruments

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

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

	2021 RO	2020 RO
Deposits	56,588,822	58,546,400
Insurance and other receivables, excluding prepayments	8,681,437	6,848,532
Cash and cash equivalents	756,010	1,919,102
	66,026,269	67,314,034

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and the directors ensure that sufficient funds are available to meet any commitments as they arise. The Company considers their liquidity position to be satisfactory and also has committed undrawn overdraft facilities of RO 3,370,000 (2020 - RO 3,165,000)

At 31 December 2021, the Company's solvency margin (as determine in accordance with the Oman Insurance regulations) indicates RO 8.605 liquidity higher than the regulatory requirement at that date (2020 - RO 8.608).

At 31 December 2021, the Company's current liabilities are in excess of the Company's current assets by RO 6,545,922. The Company's management believes that the net current liability position does not pose any risk to the Company's Going concern since the Company has RO 35.15 million of long-term deposits placed with Banks with an option of pre-maturity. The Company can liquidate these deposits for meeting the working capital crunch.

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31 Risk management (continued)

31.2 Financial risk factors (continued)

(c) Liquidity risk (continued)

Following are the contractual maturities of financial liabilities:

	Up to twelve months RO	One to five years RO	Total RO
31 December 2021			
Financial liabilities			
Insurance contracts	52,583,108	6,594,000	59,177,108
Trade and other payables (excluding income received in advance)	16,989,166	-	16,989,166
Lease liabilities [note 24(a)]	46,077	276,610	322,687
Total liabilities	69,618,351	6,870,610	76,488,961
31 December 2020			
Financial liabilities			
Insurance contracts	48,522,345	8,141,000	56,663,345
Trade and other payables (excluding income received in advance)	15,356,242	-	15,356,242
Lease liabilities [note 24(a)]	68,206	294,082	362,288
Bank overdraft (note 16)	2,405,907	-	2,405,907
Total liabilities	66,352,700	8,435,082	74,787,782

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

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

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

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

31.3 Fair value estimates

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

- Level 1: quoted prices (unadjusted) in active markets.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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31 Risk management (continued)

31.3 Fair value estimates (continued)

	Level 1 RO	Level 3 RO
31 December 2021		
Available-for-sale investments – unquoted	-	221,359
Available-for-sale investments – quoted	513,441	-
Financial assets at fair value through profit or loss	<u>3,640,082</u>	<u>-</u>
Total	<u>4,153,523</u>	<u>221,359</u>
31 December 2020		
Available-for-sale investments – unquoted	-	198,728
Available-for-sale investments – quoted	777,896	-
Financial assets at fair value through profit or loss	<u>4,304,329</u>	<u>-</u>
Total	<u>5,082,225</u>	<u>198,728</u>

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

32 Cash generated from operating activities

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

	2021 RO	2020 RO
Profit before taxation	4,670,659	5,221,555
Adjustments for:		
Depreciation	255,708	318,676
Depreciation on investment property	65,988	73,628
Depreciation on right of use assets (IFRS 16)	88,997	89,139
Reversal of depreciation on derecognition of assets	68,417	-
Profit on sale of investments - net of brokerage	(173,098)	(101,552)
Gain on disposal of property and equipment	(8,756)	(649)
Dividend income	(125,374)	(596,328)
Fair value loss on financial assets at fair value through profit or loss	100,422	1,076,833
Impairment of available-for-sale investments	109,686	266,952
Interest income	(2,860,562)	(2,752,034)
Employees' end of service benefit expense	<u>112,036</u>	<u>88,545</u>
Cash flows before payment of employees' end of service benefit, taxation and working capital changes	<u>2,304,123</u>	<u>3,684,765</u>
Employees' end of service benefits paid	(194,316)	(133,662)
Working capital changes:		
Insurance and other receivables	(1,867,927)	586,278
Trade and other payables	1,297,984	1,869,567
Insurance contracts (net of reinsurance)	<u>(1,297,581)</u>	<u>5,536</u>
Cash generated from operating activities	<u>242,283</u>	<u>6,012,484</u>

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Property and equipment (note 9)

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

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

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Property and equipment (note 9) (continued)

	Freehold land RO	Buildings on freehold land RO	Leasehold improvements RO	Plant and equipment RO	Furniture and fixtures RO	Office equipment RO	Vehicles RO	Right of use asset RO	Total RO
Cost									
At 1 January 2020	463,902	1,285,808	445,652	350,019	576,475	1,477,435	260,475	287,500	5,147,266
Additions	-	-	16,499	-	2,360	144,864	-	240,394	404,117
Disposals	-	-	-	(65,491)	(5,190)	(14,819)	-	(19,312)	(104,812)
At 31 December 2020	463,902	1,285,808	462,151	284,528	573,645	1,607,480	260,475	508,582	5,446,571
Accumulated depreciation									
At 1 January 2020	-	973,079	320,906	347,169	531,552	1,081,203	202,432	84,445	3,540,786
Charge for the year:									
- General and administration	-	18,746	80,783	2,725	22,993	127,912	26,778	-	279,937
- Underwriting results	-	38,739	-	-	-	-	-	-	38,739
- Leasehold improvements IFRS 16	-	-	-	-	-	-	-	88,681	88,681
Disposals	-	-	-	(65,491)	(5,190)	(14,819)	-	(19,312)	(104,812)
At 31 December 2020	-	1,030,564	401,689	284,403	549,355	1,194,296	229,210	153,814	3,843,331
Net book value									
At 31 December 2020	463,902	255,244	60,642	125	24,290	413,184	31,265	354,768	1,603,240

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