OMAN Re

Reinsurance Protection Beyond Expectations

ANNUAL REPORT 2021

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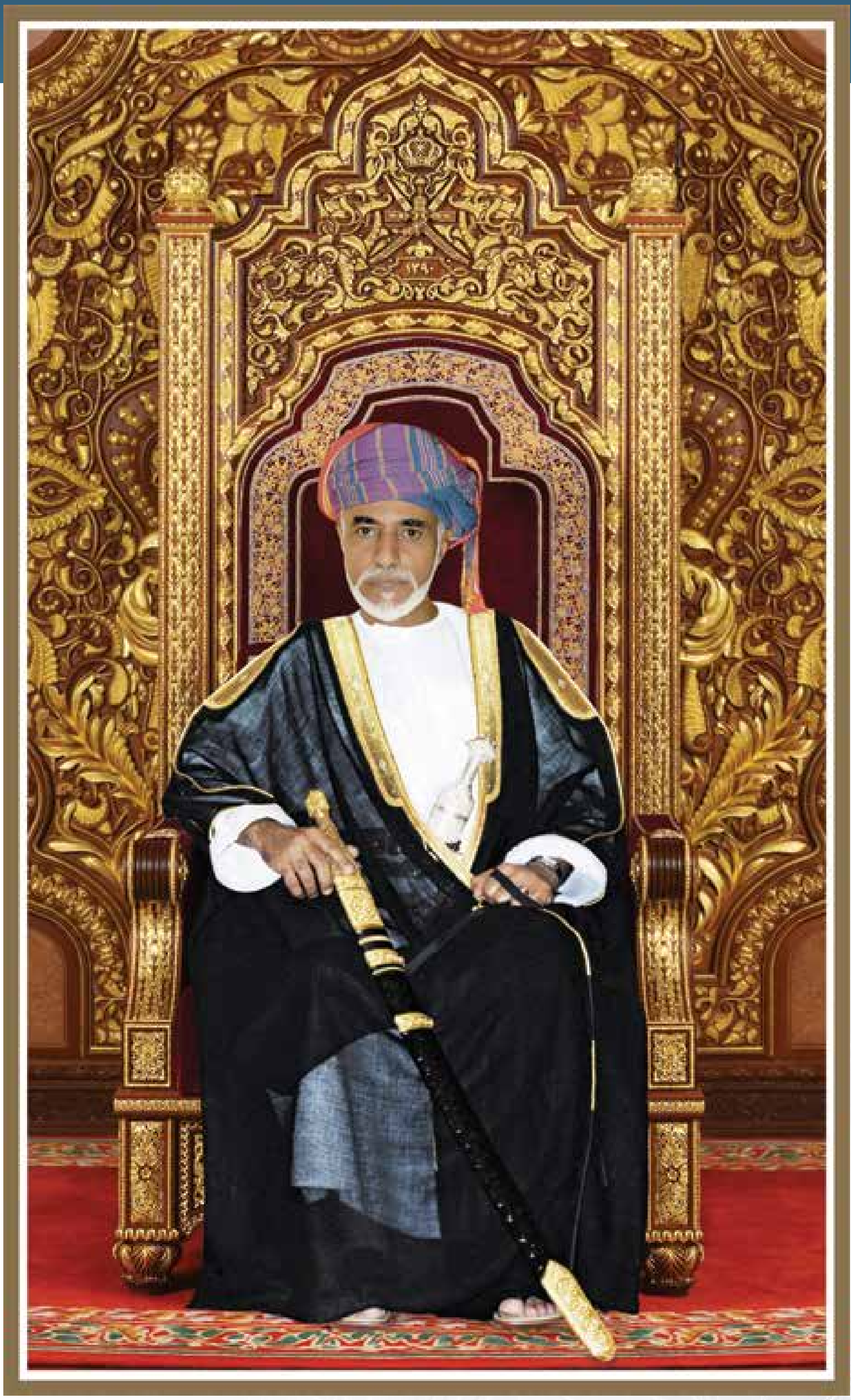
Reinsurance Protection Beyond Expectations

Annual Report 2021

His Majesty Sultan Haitham bin Tarik



His Majesty Sultan Qaboos Bin Said (Late)

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BOARD OF DIRECTORS

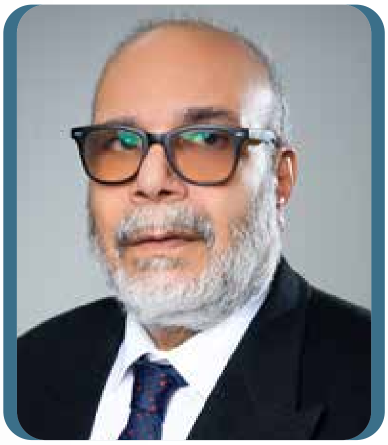
Dr. Juma Bin Ali Al Juma
Chairman

Sheikh Nasser Bin Ali Bin Saud Al Thani
Deputy Chairman

Mr. Kamal Tabaja
Director

Mr. Mohammed El Ailah
Director

Sayyid Mohamed Bin Said Al Busaid
Director



Mr. Gamal Mohamed
Director

Mr. Pramod Kumar Hiran
Director

DIRECTORS REPORT

Dear Shareholder,

After Compliments,

The Board of Directors is pleased to present the Annual Report of Oman Reinsurance Company S.A.O.G. ("Oman Re" or "the Company") along with the audited financial statements for the year ended 31st December 2021.

The Financial Highlights for fiscal year 2021 are summarized below:

	31 December 2021 OMR	31 December 2020 OMR
Gross Written Premium (GWP)	27,605,434	24,773,893
Net underwriting result	2,058,254	1,955,540
Investment and other income	2,106,536	1,882,293
Expenditure – General and Admin Expenses	(2,596,381)	(2,281,759)
Net Profit after tax	1,355,455	1,450,229

2021 had been a challenging year due to the COVID 19 pandemic along with a higher claim activity in the markets where we operate. The major event during the year was Cyclone Shaheen, which wreaked havoc and costed precious human lives along with massive economic losses. In addition to that, COVID 19 and its variants continued to affect the overall economic activity around the globe, mainly affecting our marketing and distribution strategy due to lockdowns and travel restrictions.

Despite these difficult circumstances the Company continued to post impressive revenue generation. The Gross Written Premium (GWP) increased by 11% to reach at OMR 27.6 million compared to OMR 24.8 million of last year. The prudent investment management resulted in an increase of 12% in investment income which reached OMR 2.1 million in 2021 compared to OMR 1.9 million in 2020. The net profit after tax reached at OMR 1.3 million, compared to last year's OMR 1.4 million. The decrease in net profit after tax is mainly on account of lower tax provisions in 2020 due to utilization of carry forward tax losses from prior years.

During the year, the Company also executed the Initial Public Offering (IPO) which was a regulatory requirement on the Company. The total subscription received and allocated in the IPO amounts to OMR 2.6 million. The net equity of the company increased from OMR 25.6 million in 2020 to OMR 29.3 million in 2021 including the additional share capital generated from the IPO.

Business Environment and Key Initiatives during the year 2021

Oman Re's Vision is "Reinsurance Protection beyond Expectations". The Company sees significant potential to achieve its Vision knowing that the MENA region specifically remains an attractive, high-growth market for reinsurance given its relatively low levels of insurance penetration. Furthermore, reinsurers in MENA region are expected to play an increasingly important part in supporting regional governments' economic diversification drives away from oil; Oman Re is no exception.

During the past five years, Oman Re has made notable progress by means of various strategic initiatives, to strengthen its foothold in the Sultanate and in the wider territorial scope where it operates (Afro-Asian countries). Furthermore, support from a highly respected regulatory regime, the Capital Market Authority (CMA) and the stable economic environment of the Sultanate are additional factors in instilling market confidence in the Company, and for the Company to become the preferred reinsurance partner in Oman and the broader region.

As part of its long-term vision to be a key player in the Omani market and to add value to its economy, Oman Re undertook the following key activities during 2021:

- The Company started Fast Track Program for Omani employees of the Company, local partners of Oman Re and members of the Royal Court Affairs in 2019. The Program included 17 assessment-based training courses which were specially designed to equip Omani youth with specialised insurance and reinsurance knowledge and to prepare them to take more senior roles within the insurance and reinsurance industry in Oman. A total of 9 courses under this program were conducted in 2019. During 2020, the Company continued the courses through online platforms and conducted 5 courses. The remaining 3 courses were completed in 2021. Along with 19 team members from Oman Re, over 50 candidates from local partners and the Royal Court Affairs participated in the various courses of the Fast Track Program.
- The Company executed a series of eight Risk Engineering workshops during April to December 2021, which were first of its kind in the Omani market. Along with 16 participants from Oman Re, 25 candidates from the local insurance industry benefited from these interactive workshops held via online mode.
- Considering the increased frequency of natural catastrophe events in Oman in the recent years, Oman Re initiated - a national dialogue with the regulator and Oman Insurance Association in view of mitigation and management of natural catastrophes affecting the Sultanate since 2018. In November 2021, following Cyclone Shaheen, Oman Re conducted in coordination with the Capital Market Authority, a workshop on this subject involving the Omani Insurance Association and all decision makers of the local insurance companies. All participants concorded on the importance of the establishment of a Nat Cat Pool for Omani market. A Steering Committee with representatives from six local companies and chaired by Oman Re was formed and is actively working on the various technical aspects of the reinsurance pool formation. The deployment of the Omani Nat Cat Pool is planned for second half of year 2022. All local insurance companies and the Capital Market Authority expressed their agreement in principle that Oman Re should be the Nat Cat Pool Manager, which will positively reinforce our status as the reinsurance leader in Oman and boost our brand image regionally.
- Since the current insurance law in Oman imposes a Retakful license and does not allow for Retakaful window operation, Oman Re formally approached the CMA for securing exemption to establish Retakaful window within Oman Re. The CMA duly acknowledged the specificity of Retakaful operation and shared with Oman Re in 2021 the draft Retakaful window operation for our comments. Once Oman Re's Retakaful window is obtained, it will contribute to further business expansion in Oman and regionally, especially to personal lines of business.
- Oman Re increased its business from the local market in 2021 despite a more selective underwriting of carefully chosen facultative risks highly exposed to cyclones. In fact, our treaty agreements continue to grow, which denote of better acceptance of Oman Re's brand in the local market. Omani insurance market is now our largest producing country contributing 10% of Oman Re's gross written premiums.

  The Company is expected to reinforce its position as a lead reinsurer in Oman in 2022 and in the years ahead. Please find below figures of GWP from Omani market by underwriting year:

	2021	2020	2019	2018
	OMR	OMR	OMR	OMR
Treaty	1,235,359	941,847	594,559	306,291
Facultative	1,476,944	1,050,840	1,474,652	635,286
Total	**2,712,303**	**1,992,687**	**2,069,211**	**941,577**

Corporate Social Responsibility (CSR)

Oman Re is fully committed to a responsible business by contributing back to the society in which it operates. During 2021, Oman Re contributed OMR 10,000 with respect to the Cyclone Shaheen victims.

Under the umbrella of Oman Insurance Association, Oman Re collaborated with the Chartered Insurance Institute (CII) and the Foundation for Insurance and Finance Education (FIFE) to conduct two webinars on professional development awareness as well as pathways to secure international insurance certifications during June and September 2021 respectively via online mode. Over 300 participants collectively registered for these webinars.

The Company will extend its CSR activities during 2022 in respect of education in general and also supporting the underprivileged members of the society. The Company is planning to spend OMR 10,000 with respect to CSR activities in 2022.

Financial Performance

Premium

In the year 2021, the total Gross Written Premium was OMR 27.6 million compared to OMR 24.8 million in 2020, an increase of 11% year on year. Treaty increased by 52% to reach at OMR 14.1 million compared to OMR 9.3 million in 2020; Facultative decreased by 13% to reach at OMR 13.5 million compared to OMR 15.5 million in 2020.

Claims

In the year 2021, total Net Incurred Claims amounted to OMR 11.3 million as against OMR 7.3 million in 2020. The net incurred claims increased by 54% in nominal terms following a planned decision of the Company to increase its business retention. However, in terms of net loss ratio the increase is very small, i.e., from 62% in 2020 to 63% in 2021. The details are given below:

(Amounts in OMR)

Sr. No.	Description	2021	2020
1.	Net claims settled during the year	4,789,045	3,323,221
2.	Movement in net outstanding claims	4,519,736	2,438,196
3.	Movement in net IBNR claims provision	1,990,987	1,589,292
4.	**Net incurred claims**	**11,299,768**	**7,350,709**

Reserves and Provisions

The IBNR (Incurred But Not Reported) reserves of the Company stood at OMR 8.8 million (gross) and OMR 7.2 million (net) at the end of 2021, against OMR 8.4 million (gross) and OMR 5.2 million (net) respectively for 2020.

The Reserves and Provisions for the year 2021 are as per the details given below:

(Amounts in OMR)

Sr. No.	Description	2021	2020
1.	Net Unearned Premium Reserve	9,964,332	7,383,066
2.	Net Outstanding Claims Provision (including IBNR)	22,597,748	16,087,025
	Total	**32,562,080**	**23,470,091**

General and Administrative Expenses

In year 2021, the total expenditure amounted to OMR 2.6 million as against OMR 2.3 million in 2020. Although expenses as nominal amount increased by 14%, the General and Administrative expenses on Gross Written Premium remained at 9% for 2021 and 2020. The details are given below:

(Amounts in OMR)

Sr. No.	Description	2021	2020
1.	General and Administrative expenses	2,596,381	2,281,759
	Total	**2,596,381**	**2,281,759**

Investment Income

The Investment and Other income for the year 2021 was OMR 2.1 million as against OMR 1.9 million in 2020. There was a significant increase of 12% in investment income compared to prior year as per the below mentioned details:

(Amounts in OMR)

Sr. No.	Description	2021	2020
1	Interest income	1,848,628	1,579,722
2	Dividend income	111,237	55,633
3.	Realised gains on sale of investments at fair value through other comprehensive income	184,422	228,160
4.	Unrealised fair value gains/(loss) on investments at fair value through profit or loss	(133)	25,100
5.	Gain/(loss) on sale of equipment	-	49
6.	Custody expenses	(37,618)	(6,371)
	Total	**2,106,536**	**1,882,293**

Share Capital

In line with requirements from the Capital Market Authority (CMA) for licensees, Oman Re's paid up capital at 31st December 2021 stood at OMR 32.6 million (approximately USD 84.7 million), thus fulfilling one of the key licensing / regulatory requirements.

Reinsurance License

During 2019, the Company successfully renewed its Reinsurance License from CMA for a period of five years up to 15th June 2024.

Internal Audit

Internal Audit Department's (IAD) influence promotes action on audit advice and reinforces staff accountability and commitment to results. Its ultimate aim is to enhance Oman Re's risk management and control systems. In 2021, IAD executed the risk-based internal audit plan for 2021, which was approved by the Audit Committee.

Risk and Actuarial

As part of its remit during 2021, the Risk and Actuarial Department (RAD) has been working on embedding the Enterprise Risk Management (ERM) framework throughout the Company, supported by a comprehensive Risk Management Policy. It also monitors adherence to the risk appetite set by the Board by means of Top Risks report and Risk Tolerance Control reports, with the result of developing a risk-based decision-making process throughout the Company.

Future Plans

Based on our Vision, "Reinsurance Protection Beyond Expectations", we aim to position Oman Re as a reinsurer renowned for providing innovative and responsive solutions. Oman Re complies with best corporate governance practices. Through our commitment to the insurance and reinsurance industries, we will continue to build our reputation as a financially strong reinsurer with highly acceptable quality of security.

To achieve our vision, Oman Re will:

- Be guided by clear and sound underwriting principles and guidelines that lay emphasis on quality rather than volume in view of sustained and profitable growth to the satisfaction of our shareholders.
- Be committed to its values of Integrity, Dynamic Culture and Transparency within the workplace and in dealings with clients.
- Seek long-lasting and mutually beneficial partnerships with clients.
- Develop and retain a highly motivated professional team.
- Recognize and reward strong performance; individuals will be appraised for their contribution to the Company and rewarded appropriately.

- Embed and establish systems and procedures so the Company can manage risks and encourage creativity.
- Comply with Corporate Governance rules to ensure transparency and to protect the interests of the shareholders and the reputation of the Company.
- In order to obtain a sound financial rating, the Company will maintain risk-adjusted capitalization at levels sufficient to absorb our growth and follow a disciplined underwriting approach.

Year 2021 marked the second year of our 3-year business planning cycle titled "BROADENING OUR HORIZON FOR PROFITABLE GROWTH". Oman Re focused on the following strategic objectives during 2021 and will continue to do so in the following year:

a) Enhance business profile and expand profitably.
b) Diversification in terms of both geography and lines of business.
c) Promote Oman Re as a regional leader.
d) To manage the credit rating exercise, with the aim of improving the current rating.
e) Proximity to clients through regional operations.
f) Embedding ERM.
g) Strengthening the Human Capital.
h) Invest in optimising efficiencies.

Oman Re Property

The Company has obtained most of the necessary regulatory permits with respect to the approval of design and construction of the property. The Board of Directors are currently reviewing the feasibility of different options with respect to the property and therefore will update the shareholders once a course of action is identified.

Initial Public Offering (IPO)

During 2021, the Company finalized its IPO which was a legal requirement on the Company. The Company received subscription of 30,775,600 shares against the total number of offered shares, i.e., 117,647,049, at an offer price of OMR 0.086 per share comprising a share value of OMR 0.085 per share and offer expense of OMR 0.001 per share. The Company was listed on MSX on 2nd November 2021.

Acknowledgements and Appreciation

The Directors of Oman Re wish to acknowledge the valuable guidance and assistance received from the Capital Market Authority, Ministry of Commerce and Industry, and the support received from clients and business partners. We look forward to receiving their continued support and encouragement.

The Directors also wish to extend their thanks and appreciation and express their gratitude for the continuing commitment and dedication of its strategic shareholders, the Executive Management and employees at all levels. The Directors are thankful to the esteemed shareholders for their support and the confidence placed in the Company and the Board.

On behalf of the Board of Directors, the Executive Management and the Staff Members, we are honoured to express our sincere gratitude to His Majesty Sultan Haitham bin Tarik Al Said for his visionary leadership during these difficult times and we pray to the Almighty God to grant him every strength to continue to lead the Sultanate on the path of sustainable development.

Dr. Juma Bin Ali Al Juma
Chairman of the Board

EXECUTIVE MANAGEMENT

Romel Tabaja
Chief Executive Officer

Khaled Nouiri
Chief Operating Officer

Muzamil Hussain
Chief Financial Officer

BDO

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Sultanate of Oman

REPORT OF FACTUAL FINDINGS
TO THE SHAREHOLDERS OF OMAN REINSURANCE COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority ("CMA") circular no. E/4/2015 dated 22 July 2015, with respect to the Board of Directors' Corporate Governance Report of Oman Reinsurance Company SAOG ("the Company") as at, and for the year ended, 31 December 2021, and its application of the Corporate Governance practices in accordance with the amendments to the CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively referred to as "the Code"). Our engagement was undertaken in accordance with the International Standard on Related Services 4400 *Engagements to Perform Agreed- Upon Procedures Regarding Financial Information*. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1. We obtained the Corporate Governance Report ("the Report") issued by the Board of Directors and checked that the Report includes, as a minimum, all items suggested by the CMA to be covered by the Report as detailed in Annexure 3 of the Code by comparing the Report with such suggested content in Annexure 3; and
2. We obtained the details regarding the areas of non-compliance with the Code identified by the Company's Board of Directors, included in the Report together with the reasons for such non-compliance as identified for the year ended 31 December 2021. The Company's Board of Directors have not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Corporate Governance Report.

Had we performed additional procedures or had we performed an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying Corporate Governance Report of the Company to be included in its annual report for the year ended 31 December 2021 and does not extend to any other areas of the annual report or to the financial statements of the Company, taken as a whole.

BDO

Muscat
14 February 2022

بي دي او ش.م.م
BDO LLC
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PC: 112, Ruwi
Sultanate of Oman
Public Accountants & Management Consultants
محاسبون قانونيون وستشاري ادارة

B. Kapur

Bipin Kapur
Partner
M. No: 043615
Institute of Chartered Accountants of India, New Delhi, India

Oman Reinsurance Company SAOG
Corporate Governance Report

For the year ended 31st December 2021

1. Company Philosophy

The Company is committed to execute all its operations in an environment of highest integrity and quality. We promote a culture of best practices, which are consistent with the Code of Corporate Governance for Insurance Companies. Those best practices give the comfort to our various stakeholders that the Company's brand, image and goodwill is well protected. The Code of Conduct and Ethics implemented in the Company is of the highest standards and it is implemented across all levels of the Company.

The main principles, which the Company applies to ensure that it is compliant with the various regulations are the following:

a) The Board of Directors comprises of 7 Directors, of which 4 are independent directors.

b) The Internal Audit Department is managed by a senior staff member who is independent from the operation and reports directly to the Audit Committee.

c) The Compliance Department is managed by a senior staff member who is independent from the operation and reports directly to the Risk Committee.

d) Holding the Board Meetings and Committees as per stated Laws of the Sultanate of Oman.

2. Annual General Meeting

The Annual General Meeting for financial year ended 31st December 2020 was held on 23rd March 2021 and the following items were discussed and approved:

1. Board of Directors Report of the Company for the financial year ended 31st December 2020.
2. Corporate Governance Report of the Company for the financial year ended 31st December 2020.
3. Auditors' Report and Financial Statements of the Company for the financial year ended 31st December 2020.
4. Related Party Transactions of the Company for the financial year ended 31st December 2020.
5. Ratification of the sitting fees of the Board of Directors and the Committees for the year ended 31st December 2020 and approval of the fees for next year.
6. Appointment of Independent External Auditors for financial year 2021 and fixing their fees.

The following Board Members attended the Annual General Meeting held on 23rd March 2021:

1. Dr. Juma Bin Ali Al Juma;
2. Mr. Pramod Kumar Hiran;
3. Mr. Bader Attari; and
4. Sayyid Mohamed Bin Said Al Busaid.

3. Board of Directors

The composition of the Board of Directors as at 31st December 2021 is as following:

Sr. No.	Name and Position	Category, Independence and Entity represented			Other Directorships
1	Dr. Juma Bin Ali Al Juma	Non-Executive	Independent	Zeretia Holdings, Cyprus	1
2	Sheikh Nasser Bin Ali Bin Saud Al Thani	Non-Executive	Independent	Al-Sari Trading Company, Qatar	1
3	Mr. Gamal Mohamed	Non-Executive	Independent	Zawawi Trading Company LLC, Oman	2
4	Sayyid Mohamed Bin Said Al Busaid	Non-Executive	Independent	Himself	None
5	Mr. Kamal Tabaja	Non-Executive	Non-Independent	Trust International Insurance and Reinsurance Company BSC (C), Bahrain	None
6	Mr. Mohammed El Ailah	Non-Executive	Non-Independent	Qatar General Insurance and Reinsurance Company QPSC, Qatar	None
7	Mr. Pramod Kumar Hiran	Non-Executive	Non-Independent	Omar Zawawi Establishment, Oman	5

3a. Profile of the Current Board of Directors:

Dr. Juma Bin Ali Al Juma
Chairman

Holder of a PhD in Political Sciences, a master's degree in Political Sciences and bachelor's degree in Economics and Political Sciences, Dr. Juma is currently Chairman of the Board of Directors at Al Maha Petroleum Products Marketing Company. From 2001 to 2008, he was Minister of Manpower and more recently from 2010 to 2015, Dr. Juma was Chairman of Board of Directors at Oman Airports Management Company. His previous directorships include Chairman of the Board of Trustees and Chief of the Founding Committee at Muscat University; Chairman of Oman International Bank; Senior Independent Director as well as Independent Non-Executive Director of HSBC Bank, Oman.

Sheikh Nasser Bin Ali Bin Saud Al Thani
Deputy Chairman

Sheikh Nasser has vast experience within the Insurance and Banking sectors and sits on the Boards of several regional organizations. Previously, he was the Chairman and Managing Director of Qatar General Insurance and Reinsurance Company; Chairman and Managing Director of General Takaful Company; and Deputy Chairman at Ahli Bank, Qatar.

Gamal Mohamed
Member

Mr. Gamal Mohamed graduated from college of commerce of Alexandria University in 1977. His core competency lies in the area of taxation with experience with Egyptian Tax Authority and the Secretariat General of Taxation, Sultanate of Oman until his employment with Omar Zawawi Establishment as tax advisor since 2000.

Sayyid Mohamed Bin Said Al Busaid
Member

Sayyid Mohamed Bin Said Al Busaid is the Chief Executive Officer at Al Ekhlas International LLC, Muscat since 2016. With broad experience within the corporate governance and legal affairs, Sayyid Mohamed earlier was an Associate at Al Busaidi Mansoor Jamal – Barristers and Legal Consultants. He was the board member of Muscat University. He holds a Bachelor of Business degree with management concentration and a Master of Laws degree in International Commercial Law.

Kamal Tabaja
Member

Mr. Kamal Tabaja is the Group Chief Operating Officer at Trust Re since 2014 and CEO of Trust Insurance Management (TIM), Bahrain since 2016. Mr. Tabaja is a graduate in Systems and Computer Engineering from Carleton University in Canada and a fellow of the UK-based Chartered Insurance Institute (FCII). He commenced his Reinsurance career with Trust Re in 2002 in the Treaty Department. He moved several positions within the company in the Property and Engineering sections and thereafter led the Energy section. In 2013, Mr. Tabaja was promoted as Group Chief Underwriter to be followed in 2014 to his current position as Group COO, whereby he leads the operations and underwriting teams.

Mohammed El Ailah
Member

Mr. Mohamed El Ailah is the CEO – Insurance at Qatar General Insurance and Reinsurance Company (QGIRCO). With over 20 years of broad experience within the regional insurance space, Mr. El Ailah has held many leadership and Board-level positions throughout his career. He has previously worked as Head of Underwriting and COO – Insurance at QGRICO, and as General Manager at General Takaful Company, Qatar. He was also Board Member at General Takaful Company. Mr. El Ailah holds master's degree in Insurance and Risk Management from Cass Business School of the of City University of London; bachelor's degree in Mechanical Engineering from the American University in Cairo; and he is also an Associate of the Chartered Insurance Institute, UK.

Pramod Kumar Hiran
Member

Mr Pramod Kumar Hiran is a Science graduate, an Associate Member of the Institute of Chartered Accountants of India, and a Member of the Institute of Cost Accountants of India. He has over 27 years of professional experience working with merchant bankers, manufacturing organizations and a leading telecom operator in India. He is associated with OMZEST group for over 6 years and is on the Board of Muscat Finance SAOG, National Detergents Co. SAOG, Oman Agriculture Development Co. SAOC, Akzo Nobel Oman SAOC and Oman Textiles Holding Co. SAOC.

3b. Procedure for Nomination of Directors

The Company follows the provisions of the Commercial Companies Law of Oman, Capital Market Authority's (CMA's) directives and other guidelines in respect of nomination for the membership of the Board of Directors.

3c. Board Meetings:

During the year, 6 meetings of the Board of Directors were held on 10th February, 23rd May, 7th June, 18th August, 6th September and 7th December 2021. Details of members' participation in the Board and Committee meetings along with sitting fees paid are given in the table below:

Name of Director	Position	Board Meetings Attended	Board Committee Meetings Attended	Sitting Fees (OMR)
Dr. Juma Bin Ali Al Juma	Chairman	6	3	7,800
Mr. Shaikh Nasser Bin Ali Bin Saud Al Thani	Deputy Chairman	6	3	7,800
Mr. Talal Al Zain	Ex-Director	1	1	1,600
Mr. Bader Attari	Ex-Director	2	1	2,600
Mr. Sanjeev Badyal	Ex-Director	3	2	4,200
Mr. Kamal Tabaja	Director	5	7	9,200
Mr. Sayyid Mohamed Bin Said Al Busaid	Director	6	7	10,200
Mr. Pramod Kumar Hiran	Director	6	3	7,800
Mr. Gamal Mohamed	Director	6	5	9,000
Mr. Mohamed El Ailah	Director	-	-	

4. Audit Committee of the Board

The main role of the Audit Committee of the Board (ACB) is to:

1. Assist the Board in appointment of external and internal auditors in the context of their independency, compensation and terms of engagement.
2. Assist the Board in overseeing and reviewing the financial statements of the Company.
3. Oversee internal audit function and adequacy of internal controls.
4. Review and recommend to the Board about Company's policies related to all the accounting practices.
5. Any other matter provided in the Code of Corporate Governance for insurance companies.

The Committee comprises of 2 independent and 1 non-independent Directors as at 31st December 2021. Mr. Gamal Mohamad is the Chairman. During the year, 5 meetings were held on 10th February, 6th June, 18th August, 6th September and 6th December 2021.

Details of members' participation in the meetings are given in the table below:

Name of Director	Position	Meetings Attended
Mr. Gamal Mohamed	Chairman	5
Mr. Kamal Tabaja	Member	4
Mr. Sayyid Mohamed Bin Said Al Busaid	Member	4
Mr. Talal Al Zain	Ex-Chairman	1

The ACB discussed and recommended to the Board to approve, if required, the following:

1. Financial statements submitted by the Management
2. Actuarial reports
3. External Auditor's report including Management letter and Management comments
4. Internal Auditor's reports including Management comments
5. Policies and procedures
6. Authorities and responsibilities of the Senior Management and its compliance
7. Any other matter required by regulations

The minutes of the ACB meeting were discussed and approved in the subsequent Board Meeting.

5. Risk Committee of the Board

The purpose of the Risk Committee of the Board (RCB) is to assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation, and mitigation of strategic, operational, and external environment risks. The committee has an overall responsibility for monitoring and approving the risk management framework of the Company.

The RCB comprises of 3 non-independent Directors as at 31st December 2021. Mr. Kamal Tabaja is the Chairman. During the year, 3 meetings were held on 6th June, 6th September and 6th December 2021. Details of members' participation in the meetings are given in the table below:

Name of Director	Position	Meetings Attended
Mr. Kamal Tabaja	Chairman	3
Mr. Pramod Kumar Hiran	Member	3
Mr. Mohammed El Ailah	Member	-
Mr. Sanjeev Badyal	Ex-Member	2
Mr. Bader Attari	Ex-Member	1

The RCB discussed and recommended to the Board to approve, if required, the following:

1. Risk profile and risk management system framework of the Company.
2. Retrocession program and policy presented by the Management.
3. Actuary Report.
4. Adequacy of IBNR provision.
5. Risk Reports presented by the Risk Department.
6. Investment Plan for 2022.
7. Various investment proposals.
8. Rating agency related matters.
9. CMA and other regulatory compliance related matters.
10. Policies and procedures.
11. Any other matter required by regulations.

The minutes of each RCB meeting were discussed and approved in the subsequent Board Meeting.

6. Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) was formed to assist the Board of Directors of the Company in monitoring and managing in the matters of recruitment, compensation, salaries, etc. Also, to provide consultancy to the Company with regards to employing and compensating.

The NRC consists of 3 independent Directors. Shaikh Nasser Bin Ali Bin Saud Al Thani is the Chairman of the Committee. During the year, 3 meetings were held on 7th June, 6th September and 6th December 2021. Details of members' participation in the meetings are given in the table below:

Name of Director	Position	Meetings Attended
Shaikh Nasser Bin Ali Bin Saud Al Thani	Chairman	3
Dr. Juma Bin Ali Al Juma	Member	3
Sayyid Mohamed Bin Said Al Busaid	Member	3

The NRC discussed and recommended to the Board to approve, if required, the following:

1. Human Resources Plan for 2022.
2. Human Resources Policies and Procedures.
3. Discussion of a report on HR matters which included the job vacancies, compensation and benefits, recruitment and resignation of key staff members.
4. Hiring of key positions.
5. Any other matter required by regulation.

The minutes of each NRC meeting were discussed and approved in the subsequent Board Meeting.

7. Profile of Executive Management

Mr. Romel Tabaja, Chief Executive Officer (CEO)
Romel holds a B.Sc. in Banking and Finance from the Lebanese American University in Beirut. Prior to being appointed to the Oman Re team in 2016, he was Deputy CEO at Trust Re for five years. Romel's multifaceted experience comprises a variety of challenging underwriting positions, marketing, managing portfolios as well as general management. He has a Certificate in Reinsurance along with a Diploma in Insurance. He has also completed Executive Management and Financial Programs at INSEAD Business School, France.

Mr. Khaled Nouiri, Chief Operating Officer (COO)
Khaled holds a Master's degree in Insurance and has more than 25 years of non-life reinsurance experience. He enjoys in-depth knowledge of the reinsurance business, both in Treaty and Facultative, within the Afro-Asian region. He has held underwriting, marketing and managerial positions with regional and international reinsurance companies before joining Oman Re as COO in 2016.

Mr. Muzamil Hussain, Chief Financial Officer (CFO)
Muzamil is a Chartered Accountant from Pakistan. He has vast experience in different industries in the fields of Accounting and Finance. He has held managerial positions in big four audit firms and an international reinsurance company prior to joining Oman Re.

The total remuneration including salary, benefits and end of service contributions for the top five executives during the year were OMR 523,196.

The Executive Management of the Company prepares a Business Plan, which sets out the objectives, goals and targets of the company for the respective year and Management Plan to achieve such goals and targets. The Executive Management coordinates with all Departments of the Company's divisions to set their goals based on the overall Business Plan of the Company. The Board of Directors review the Company's Business Plan during the year and by end of the year, the Baord evaluates the performance of the Executive Management and employees in general and decides on the bonus to be paid to the management and the staff based on their respective performances.

8. Communication with Shareholders

In accordance with Article 217 of Commercial Companies' Law No 18/2019 as amended, the Company will be sending the Audited Financial Statements, Board of Directors' and the Corporate Governance Reports, and the Related Party Transactions to the shareholders. Further, the Company will send an invitation to the shareholders to attend the Annual General Meeting with the agenda of the meeting, through registered mail or delivery by hand.

Given below are the details of the shareholders, their shares and percentage of shareholding (more than 5%) as on 31st December 2021:

Sr. No.	Name of the Shareholder	No of Shares	Holding %
1	Qatar General Insurance & Reinsurance Company QPSC	73,750,200	22.296%
2	Trust International Insurance & Reinsurance Company BSC (C)	89,916,700	27.184%
3	Omar Zawawi Establishment	46,500,000	14.058%
4	Zawawi Trading Company LLC	28,500,000	8.616%
5	Ziliano Investments	30,000,000	9.070%
6	Others – holding less than 5%	62,108,700	18.776%
	Total	330,775,600	100.000%

9. Profile of the Statutory Auditors:

In the AGM held on 23 March 2021, the statutory auditors BDO LLC ('BDO') were appointed.

BDO LLC, the statutory auditors of the Company, have been operating in the Sultanate of Oman since 1976. BDO LLC is an independent and legally distinct member firm of BDO International Limited. BDO, globally the fifth largest professional services firm, providing industry focused Assurance, Tax and Advisory services, has over 88,000 employees working in a global network of over 1,800 offices situated in 167 countries and territories.

BDO LLC is accredited by the Capital Market Authority to audit listed public stock companies (SAOGs) in Oman. BDO LLC billed an amount of RO 13,400 towards professional services rendered to the Company for the year 2021 (whole amount for audit and assurance services).

This was as per the recommendation of the Board of Directors' and approved by the Company's Ordinary General Meeting.

10. Business Management & Performance for 2021:

A copy of management discussion and analysis is included in the annual report.

In view of the Management Discussion and Analysis Report, the Board of Directors appreciate the efforts made by the management to achieve profitability during the past year, regardless of the various challenges faced by the global economy and the Omani insurance market in particular.

11. Movements in the share price:

The company was listed at MSX on 1st November 2021 with issue price of 85 baiza plus 1 baiza issue expenses. There was no movement recorded in the share price during 2021 since the closure of the IPO. Market Price Data for the year 2021 – High / Low during each month:

Month	Company Share Price (RO)			MSX Financial Index		
	High	Low	Close	High	Low	Close
Nov-21		Not Applicable		6,560.844	6,335.088	6,371.888
Dec-21		Not Applicable		6,618.500	6,360.528	6,577.923

12. Related party transactions

Related parties comprise of the shareholders, directors, key management personnel, business entities and any party having the ability to control or exercise significant influence in financial and operating decisions. The Company entered into transactions with shareholders (refer note 21 of the Financial Statements) with significant influence, with entities where Directors have an interest (other related parties) and with senior management. The terms of the transactions are mutually agreed (Refer to note 21 of the Financial Statements).

13. Acknowledgement by the Board

We, the Board of Directors, hereby confirm that:

1. The Financial Statements are prepared and presented in accordance with the International Financial Reporting Standards (IFRS). They are audited by the Company's External Auditors.
2. Related party transactions are highlighted in the Financial Statements.
3. The Company has an Internal Audit Department and Compliance Department.
4. There are no material facts or issues, which will affect the Company's ability to continue its operations in the next financial years.
5. The regulators have not imposed any material penalty on the Company during the reporting period.

Dr. Juma Bin Ali Al Juma
Chairman of the Board

Oman Reinsurance Company SAOG
Management Discussion and Analysis Report

For The Year Ended 31 December 2021

Introduction

Oman Reinsurance Company SAOG ("Oman Re" or "Company") is the first reinsurance company to be established in the Sultanate of Oman with the purpose of writing Facultative and Treaty business from local and international markets. Oman Re's current territorial scope includes all Afro-Asian countries, CEE and CIS markets and it writes marine and non-marine lines of business.

Oman Re commenced operations in July 2009 with a paid-up capital of OMR 5,000,000. Capital was gradually increased to OMR 30,000,000. During 2021, the Company received additional OMR 2,615,926 during the Initial Public Offer making the total paid-up capital of the Company to OMR 32,615,926 as at 31 December 2021.

Fitch Ratings has assigned an Insurer Financial Strength (IFS) rating of 'BB+' with stable outlook to Oman Re.

Reinsurance Market Outlook

Based on Willis Re's reinsurance market report of September 2021, which tracks the evolution and performance of the global reinsurance industry, the reinsurers within the international markets have performed well in the first half of year 2021 with a further expansion of their capital base, strong headline underwriting results and Return on Equity (ROE). Underlying ROE, while less strong, were nonetheless noticeably improved.

Global reinsurance dedicated capital totaled USD 688 billion at the end of the first half, up 4% on the restated 2021 base. Growth came both from the 43 INDEX companies and alternative capital. Focusing on the INDEX companies, which contribute over 80% of the industry's capital:

- The INDEX companies achieved a 5% increase in capital.
- The main driver was a strong level of net income.
- Also, more of this net income was retained than in recent years, with a little less than half returned to shareholders. This is likely due to optimism about the current rating environment and the desire to redeploy capital into organic growth. Some spill-over of last year's restrictions by some European regulators on dividend payments and buy-backs may have also played a role in the lower payouts.
- Robust equity markets also supported the industry's capital growth, and this more than offset weakness in government bond markets.
- Capital raising was subdued in the period, following an active 2020.

In view of AM Best's market segment report of late August 2021, improving market conditions signal change for the reinsurers in the MENA region following several years of persisting soft market conditions, pricing and terms. The MENA reinsurance market has long suffered from weak pricing driven by ample supply, creating challenging operating conditions for the region's reinsurers. The current market hardening, partly a biproduct of global reinsurance trends as well as in response to regional underwriting performance strains, is a clear tailwind for reinsurance providers in the region.

However, challenges persist for MENA regional reinsurers. Ample capacity remains in the market, and the resultant competition may curtail the extent to which the region's reinsurers are able to leverage firming market conditions. Available reinsurance capacity in the MENA region comes from many sources, with global reinsurers, regionally domiciled players, as well as reinsurance groups from Africa and Asia all operating in the market. Furthermore, the economic fall-out from the COVID-19 pandemic adds to the challenges faced by reinsurers operating in the region.

For certain international participants, the appetite to deploy capital in the MENA region is in part driven by the diversification offered, with the region overall exposed to a low level of catastrophe risk. For others, and reinsurers domiciled in the region, it provides growth opportunities, often in following participations on programs led by international markets.

The composition of capacity has been dynamic in recent periods. Several regional and international players have withdrawn from the market, often because they have struggled to generate sufficient returns. Over the past several years, reinsurance market conditions across the region have been characterized by highly competitive pricing, an abundance of capacity, as well as incidences of large losses. Despite these departures, in AM Best's view, there remains more than enough reinsurance capital available in the region for the market's needs.

High profile changes in regional reinsurance capacity include the reduction in operations and run-offs of notable reinsurers over the last two to three years. Prior to these events, a number of additional local reinsurers faced difficulties, failing to generate sufficient returns, and exited the market over several years.

It is clear that reinsurers in the region have taken several steps to strengthen underwriting performance. However, the ongoing fallout of the COVID-19 pandemic remains, in AM Best's view, a prominent headwind for MENA (re) insurance markets.

Despite the challenges posed by the COVID-19 pandemic and the current economic conditions, AM Best expects government-driven expenditure projects to present a longer-term opportunity for (re)insurance markets in the region. Notably, many countries have made commitments to reduce dependence on petrochemicals and to diversify into greener industries.

Regulatory Changes in Key Markets

The shift towards Risk Based Capital (RBC) continued to be a key theme during 2021 for multiple regimes. In addition to that IFRS 17 implementation is now in full swing and it will bring substantial changes in not only in insurance laws and insurance returns but also will have a long-term effect on product development and capacity deployment. Insurance Regulators are expected to come up with guidance on different areas of IFRS 17 that are extremely subjective to ensure that the results across the industry remain comparable.

Financial Highlights

Please find below key financial highlights for the current year and past two years:

	2021	2020	2019
		Amount in OMR	
Gross Written Premium (GWP)	27,605,434	24,773,893	20,413,600
Net Written Premium	20,494,721	13,985,285	9,044,907
Net Underwriting Result (NUR)	2,058,254	1,955,540	1,239,881
Investment and other income (net)	2,106,536	1,882,293	1,502,357
Net profit after tax for the year	**1,355,455**	**1,450,229**	**814,337**
Loss ratio	63.1%	62.1%	66.5%
Commission ratio	25.4%	21.3%	19.3%
Total Assets	104,971,666	94,961,846	76,505,513
Net Equity	**29,260,686**	**25,604,154**	**23,079,289**

The Gross Written Premium (GWP) increased by 11% to reach at OMR 27.6 million compared to OMR 24.8 million of last year. The prudent investment management resulted in an increase of 12% in investment income which reached at OMR 2.1 million in 2021 compared to OMR 1.9 million in 2020. The net profit after tax reached at OMR 1.3 million, compared to last year's OMR 1.4 million. The decrease in net profit after tax is mainly on account of lower tax provisions in 2020 due to utilization of carry forward tax losses from prior years.

2021 had been a difficult year in terms of underwriting due to multiple large losses, which happened during the year including Cyclone Shaheen that caused massive devastation in our home market of Oman. The cyclone contributed OMR 1.26M to Oman Re's gross incurred loss from Property, Engineering and Motor classes. The net impact as at 31st December 2021 stands at OMR 677K. We expect the gross loss to further deteriorate in 2022 but the net impact of the movement on Oman Re will not be material.

The key metrics that drive the overall financial performance are explained below:

Gross Written Premium (GWP)

The Company has a achieved a CAGR of 7.3% during the past 3 years. The main market for the Company is MENA including a special focus on our home market i.e. Sultanate of Oman. The major class of business is Property followed by Energy and Engineering. The split between Treaty and Facultative business is provided below:

	2021	2020	2019
GWP		Amount in OMR	
Treaty	14,080,445	9,270,174	6,239,254
Facultative	13,524,989	15,503,719	14,174,346
Total	**27,605,434**	**24,773,893**	**20,413,600**

Net Underwriting Result (NUR)

The NUR of the Company has remained stable and positive even though the Company absorbed multiple large losses including Cyclone Shaheen during the year. The split of the NUR between Treaty and Facultative is provided below:

	2021	2020	2019
NUR		Amount in OMR	
Treaty	(542,269)	558,433	582,712
Facultative	2,600,523	1,397,107	657,169
Total	**2,058,254**	**1,955,540**	**1,239,881**

Investment and Other Income

The Company follows a prudent investment allocation with a considerable portion of the investments in fixed income and bank deposits. This has provided the Company with a stable and growing investment income over the years. Please find below split of our investment income:

	2021	2020	2019
Investment and Other Income		Amount in OMR	
Interest on bank deposits	1,848,628	1,579,722	1,257,659
Dividend income	111,237	55,633	59,277
Realised gains on sale of investments at fair value through other comprehensive income	184,422	228,160	186,043
Unrealised fair value (losses)/gains on investments at fair value through profit or loss	(133)	25,100	-
Gains on sale of property and equipment	-	49	4,100
Custody expenses	(37,618)	(6,371)	(4,722)
Total	**2,106,536**	**1,882,293**	**1,502,357**

Geographical Expansion

During 2021, the Company received license to write business from its Qatar Financial Centre (QFC) Branch. The QFC Branch will help in the overall expansion of the Company and will allow us to be closer to the markets in which we operate in. The Company will continue to explore strategic locations for expanding its geographical footprint as part of the overall business strategy.

Information Technology (IT)

Over the years, the Company has strengthened its IT systems which included substantial investments on both the hardware infrastructure as well as the software systems. This has yielded us substantial benefits during the past two years where the Company was working at 100% of its capacity during lockdowns and we did not lose any manhours due to COVID restrictions.

During the year, we successfully made modifications to our IT systems to cater for the changes introduced by Value Added Tax (VAT) in Oman. The Company has also started the process for automating its data entry process and expects to finish it during 2022. This will bring major cost efficiencies to the Company.

Internal Control

The Company operates under the "three lines of defence" model segregating the day-to-day business functions from Risk and Compliance function and assurance functions. The importance of internal controls framework and its rigorous implementation comes from the Board of Directors and is instilled in the Company's culture from the top to the bottom. The Internal Audit function, which reports to Board's Audit Committee (AC), executes risk-based audit plan, which are approved by the AC. In addition to that, the AC also has constant engagement with the external auditors of the Company with respect to statutory audits.

Enterprise Risk Management (ERM)

The Company has a comprehensive ERM framework, which is embedded in the overall processes of the Company. Given the size of the Company, the ERM framework is as per the international standards. The Company maintains extensive risk appetite statements, risk tolerance limits and risk registers. The Board's Risk Committee (RC) also reviews the quarterly risk control reports to review the overall status of the Company. The Company also prepares Own Risk Solvency Assessment (ORSA) as part of its business planning cycle and also monitors its capital position by two different types of capital models from two different credit rating agencies.

Acknowledgements

On behalf of the Company, we are honoured to express our sincere gratitude to His Majesty Sultan Haitham bin Tarik Al Said for his visionary leadership during these challenging times and we pray to the Almighty God to protect him and grant him every strength to continue to lead the Sultanate on the path of sustainable development amidst the renewed renaissance.

We would like to thank the Capital Market Authority (CMA) and the Qatar Financial Regulatory Authority (QFCRA) for their valued support and guidance always. I also take this opportunity to thank our shareholders, Board of Directors, all staff members and most importantly our esteemed clients for their continuous support as well as confidence reposed in the Company.

Romel Tabaja
Chief Executive Officer

Oman Reinsurance Company SAOG
Financial statements for the year ended 31 December 2021

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Oman Reinsurance Company SAOG
Administration and contact details as at 31 December 2021

Commercial registration number	1052000
Board of Directors	Dr. Juma Bin Ali Al Juma - Chairman Sheikh Nasser Bin Ali Bin Saud Al Thani - Deputy Chairman Kamal Tabaja - Board Member Mohammed El Ailah - Board Member Sayyid Mohamed Bin Said Al Busiad - Board Member Gamal Mohammed - Board Member Pramod Kumar Hiran - Board Member
Audit Committee	Gamal Mohammed - Chairman Kamal Tabaja - Member Sayyid Mohamed Bin Said Al Busiad - Member
Nomination and Remuneration Committee	Sheikh Nasser Bin Ali Bin Saud Al Thani - Chairman Dr. Juma Bin Ali Al Juma - Member Sayyid Mohamed Bin Said Al Busiad - Member
Senior Management	Romel Tabaja - Chief Executive Officer Khaled Nouiri - Chief Operating Officer Muzamil Hussain - Chief Financial Officer
Internal Auditor	Tariq Al Busaid
Registered office address	PO Box 1968, PC 114 Muscat Sultanate of Oman
Bankers	Bank Muscat SAOG Oman Arab Bank SAOG Bank Dhofar SAOG National Bank of Oman SAOG Ahli Bank SAOG Bank Nizwa SAOG Bank Sohar SAOG Bank Julius Baer & Co. Ltd.
Auditors	BDO LLC Suite No. 601 & 602 Pent House, Beach One Building Way No. 2601, Shatti Al Qurum PO Box 1176, Ruwi, PC 112 Muscat Sultanate of Oman

BDO

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Sultanate of Oman

Independent Auditor's Report to the Shareholders of Oman Reinsurance Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oman Reinsurance Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Insurance funds consisting of claims incurred but not reported and reinsurers' share of insurance funds

The estimation of insurance funds including claims incurred but not reported (IBNR) and reinsurers' share of insurance funds involves a significant degree of judgement. These liabilities are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not. A range of methods may be used to determine these liabilities. Underlying these methods are a number of assumptions relating to the expected settlement amount and settlement patterns of claims.

The basis of the Company's estimation of insurance funds is presented in the accounting policies section at Note 4(i) to the financial statements. Further, attention is drawn to the critical accounting estimates and judgements, disclosures of outstanding claims and the insurance risk management set out in Notes 5(vi), 5(x) and 5(xii) to the financial statements, respectively.

Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of insurance liabilities. The key assumptions that drive the calculations include loss ratios and estimates of the frequency and severity of the claims.

BDO

Independent Auditor's Report to the Shareholders of
Oman Reinsurance Company SAOG (continued)

Key Audit Matters (continued)

Insurance funds consisting of claims incurred but not reported and reinsurers' share of insurance funds (continued)

Our audit procedures in this area included, among others :

- examining the process used by management to estimate the insurance funds including IBNR and reinsurance assets;
- understanding and testing the operating effectiveness of controls in the claims handling and reservation process,including control over completeness and accuracy of the claims estimates recorded;
- performing substantive tests on the amounts recorded for a sample of claims notified by verifying appropriate documentation, such as reports from loss adjusters and, where relevant, the inspection of the Company's correspondence with lawyers for claims under investigation;
- reviewing management's reconciliation of the underlying Company data recorded in the insurance policy administration systems with the data used in the actuarial reserving calculations, key assumptions used and the results of the insurance liability adequacy test;
- assessing the independence, experience and competency of the Company's actuary to perform the year-end valuation and obtained an understanding of the work performed by the Company's appointed actuary;
- involving our actuarial specialist team members to apply appropriate industry knowledge and experience and comparing the methodology, models and assumptions used against recognised and acceptable actuarial practices;
- reviewing the ratios of reinsurers' share of insurance funds to related insurance funds to identify any variance from reinsurance treaty arrangements; and
- reviewing the adequacy of the disclosures.

Revenue recognition

Gross premiums written comprise the total premiums receivable for the entire period of cover provided by contracts entered into during the accounting period, and recognised on the date on which the policy commences. At the end of each period, a proportion of net retained premiums is provided for to cover portions of risk which have not expired as at the reporting date.

For general insurance contracts, unexpired risk reserve is calculated based on 1/365 method for all classes of business.

We determined this to be a key audit matter because it involves complex computations and due to the materiality of the amounts involved. The accounting policy and disclosures on revenue are set out in Note 4(i)(i) to the financial statements.

Our audit procedures in this area included, among others :

- assessing whether the Company's revenue recognition policies complied with IFRSs and the Insurance Companies Law of the Sultanate of Oman and tested the implementation of those policies, specifically considering whether the premiums on insurance policies are accounted for on the date of inception of the policies by testing a sample of revenue items to insurance contracts with a specific focus on transactions which occurred near the reporting date;

BDO

Independent Auditor's Report to the Shareholders of
Oman Reinsurance Company SAOG (continued)

Key Audit Matters (continued)

Revenue recognition (continued)

- performing procedures, including an assessment of the general IT controls over premium recording and collection, and testing their operating effectiveness;
- comparing the unearned premiums reserve account balance as reported in the financial statements to the reserve balance computed by the Company's actuary;
- involving our actuarial specialist to evaluate the methodology, models and assumptions used against recognised and acceptable actuarial practices;
- recalculating, on a sample basis, the unearned premium reserve based on the remaining period of insurance contracts existing as of the reporting date; and
- testing a sample of journal entries posted to the revenue accounts to identify any unusual or irregular items, and testing the reconciliations between the policy master file and financial ledgers.

Other Information included in the Company's 2021 Annual Report

Management is responsible for the other information. The other information comprises the Director's report, Management Discussion and Analysis Report and Report on Corporate Governance but does not include the financial statements and our auditor's report 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.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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 and Regulations of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

BDO

Independent Auditor's Report to the Shareholders of
Oman Reinsurance Company SAOG (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide Those Charged With Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged With Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations 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

We report that, these financial statements as at, and for the year ended, 31 December 2021, in all material respects, comply with the applicable provisions of the Commercial Companies Law and Regulations, Insurance Companies Law of the Sultanate of Oman and the Rules and Guidelines on Disclosure issued by the Capital Market Authority.

BDO
Muscat
14 February 2022

B. Kapur
Bipin Kapur
Partner
M. No: 043615
Institute of Chartered Accountants of India, New Delhi, India

Oman Reinsurance Company SAOG
Statement of financial position as at 31 December 2021
(Expressed in Omani Rial)

	Notes	2021	2020
ASSETS			
Non-current assets			
Property and equipment	6	137,643	109,536
Intangible assets	7	163,913	35,186
Investment property	8	1,900,000	1,900,000
Investment property under development	9	184,592	184,592
Investments at fair value through other comprehensive income	10	19,788,547	17,377,803
Non-current portion of bank deposits	22	12,288,000	6,000,000
Total non-current assets		34,462,695	25,607,117
Current assets			
Investments at fair value through profit or loss	11	576,615	871,000
Insurance and other receivables	12	8,360,858	6,884,831
Accrued income	13	11,870,135	10,390,102
Deferred policy acquisition costs	20	3,081,338	2,702,382
Reinsurers' share of insurance funds	18	29,898,209	32,428,370
Current portion of bank deposits	22	11,165,268	11,953,268
Cash and cash equivalents	23	5,556,548	4,124,776
Total current assets		70,508,971	69,354,729
Total assets		104,971,666	94,961,846
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	32,615,926	30,000,000
Legal reserve	15	478,729	343,183
Investment fair value reserve	10	(102,368)	47,849
Contingency reserve	16	4,216,914	2,997,005
Accumulated losses		(7,948,515)	(7,783,883)
Total capital and reserves		29,260,686	25,604,154
Non-current liabilities			
Employees' benefit liabilities	17	243,373	188,961
Deferred tax liability, net	24	68,358	-
Total non-current liabilities		311,731	188,961
Current liabilities			
Technical provisions	18	62,460,289	55,898,461
Reinsurers' premium and other payables	19	12,581,149	12,316,554
Deferred commission income	20	357,811	953,716
Total current liabilities		75,399,249	69,168,731
Total liabilities		75,710,980	69,357,692
Total equity and liabilities		104,971,666	94,961,846
Net assets per share	30	0.088	0.085

The financial statements, were approved and authorised for issue by the Board of Directors on 14 February 2022 and were signed on their behalf by:

Director Director CEO CFO

The attached notes 39 to 69 form part of these financial statements.

Oman Reinsurance Company SAOG

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

(Expressed in Omani Rial)

	Notes	2021	2020
Income			
Gross premiums written	26	27,605,434	24,773,893
Net underwriting results	26	2,058,254	1,955,540
Investment and other income, net	25	2,106,536	1,882,293
		4,164,790	3,837,833
Expenses			
General and administrative expenses	27	(2,596,381)	(2,281,759)
Foreign exchange losses (net)		(119,351)	(74,584)
		(2,715,732)	(2,356,343)
Profit before tax for the year		1,449,058	1,481,490
Income tax expense	24	(93,603)	(31,261)
Net profit after tax for the year		1,355,455	1,450,229
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Investments at fair value through other comprehensive income			
Valuation gains on equity investments at fair value through other comprehensive income	10	262,032	11,227
Deferred tax charge on valuations on equity investments at fair value through other comprehensive income	24	(184,120)	-
Items that will or may be reclassified to profit or loss:			
Investments at fair value through other comprehensive income			
Valuation (losses)/gains on debt instruments at fair value through other comprehensive income	10	(99,700)	1,063,409
Deferred tax charge on valuations on debt investments at fair value through other comprehensive income	24	(43,410)	-
Other comprehensive income for the year		(65,198)	1,074,636
Total comprehensive income for the year		1,290,257	2,524,865
Earnings per share - basic and diluted	29	0.004	0.005

Oman Reinsurance Company SAOG
Statement of changes in shareholders' equity for the year ended 31 December 2021
(Expressed in Omani Rial)

	Notes	Share capital	Legal reserve	Investment fair value reserve	Contingency reserve	Accumulated losses	Total
As at 1 January 2020		30,000,000	198,160	(975,461)	1,691,799	(7,835,209)	23,079,289
Net profit after tax for the year		-	-	-	-	1,450,229	1,450,229
Net change in fair value of investments at fair value through other comprehensive income	10	-	-	1,074,636	-	-	1,074,636
Realised gains on sale of equity investments at fair value through other comprehensive income	10	-	-	(51,326)	-	51,326	-
Transferred to legal reserve	15	-	145,023	-	-	(145,023)	-
Transferred to contingency reserve	16	-		-	1,305,206	(1,305,206)	-
As at 31 December 2020		30,000,000	343,183	47,849	2,997,005	(7,783,883)	25,604,154
Net profit after tax for the year		-	-	-	-	1,355,455	1,355,455
Additional shares issued through Initial Public Offer ("IPO")	14	2,615,926	-	-	-	-	2,615,926
Transfer of IPO related costs to equity	14	-	-	-	-	(249,651)	(249,651)
Net change in fair value of investments at fair value through other comprehensive income, net of deferred tax	10	-	-	(65,198)	-	-	(65,198)
Realised gains on sale of equity investments at fair value through other comprehensive income	10	-	-	(85,019)	-	85,019	-
Transferred to legal reserve	15	-	135,546	-	-	(135,546)	-
Transferred to contingency reserve	16	-	-	-	1,219,909	(1,219,909)	-
As at 31 December 2021		32,615,926	478,729	(102,368)	4,216,914	(7,948,515)	29,260,686

Oman Reinsurance Company SAOG

Statement of cash flows for the year ended 31 December 2021
(Expressed in Omani Rial)

	Notes	2021	2020
Operating activities			
Net profit before tax for the year		1,449,058	1,481,490
Adjustments for:			
Depreciation on property and equipment	6	70,102	63,734
Amortisation of intangible assets	7	63,486	14,246
Interest income on bank deposits	25	(1,848,628)	(1,579,722)
Dividend income	25	(111,237)	(55,633)
Gains on sale of debt investments at fair value through other comprehensive income	25	(184,422)	(228,160)
Profit on sale of property and equipment		-	(49)
Provision for employees' benefit liabilities	17	71,370	55,727
Unrealised fair value losses/(gains) on investments at fair value through profit or loss	11	133	(25,100)
		(490,138)	(273,467)
Working capital changes			
Insurance and other receivables		(1,476,027)	(1,582,473)
Accrued income		(1,272,175)	(1,535,020)
Deferred policy acquisition costs		(378,956)	(148,791)
Deferred commission income		(595,905)	(437,203)
Reinsurers' share of insurance funds		2,530,161	(8,249,063)
Technical provisions		6,561,828	14,433,274
Reinsurers' premium and other payables		11,820	1,871,706
Cash generated from operating activities		4,890,608	4,078,963
Employees' benefit liabilities paid	17	(16,958)	(23,297)
Net cash generated from operating activities		4,873,650	4,055,666
Investing activities			
Purchase of investments at fair value through other comprehensive income	10	(6,535,303)	(7,231,082)
Purchase of investments at fair value through profit or loss	11	(1,153,500)	(845,900)
Costs incurred on investment property under development	9	-	(59,400)
Interest income received on bank deposits		1,599,385	1,349,072
Dividend income received on equity instruments	25	111,237	55,633
Purchase of property and equipment	6	(98,209)	(21,611)
Proceeds from sale of property and equipment		-	80
Proceeds from sale of investments at fair value through other comprehensive income		4,512,698	4,464,849
Proceeds from sale of investments at fair value through profit or loss	11	1,447,752	-
Cost of acquisition of intangible assets	7	(192,213)	(3,185)
Net movement in bank deposits		(5,500,000)	538,000
Net cash used in investing activities		(5,808,153)	(1,753,544)
Financing activities			
Increase in share capital through IPO	14	2,615,926	-
Share issue expenses	14	(249,651)	-
Net cash from financing activities		2,366,275	-
Net increase in cash and cash equivalents		1,431,772	2,302,122
Cash and cash equivalents, beginning of the year		4,124,776	1,822,654
Cash and cash equivalents, end of the year	23	5,556,548	4,124,776

Disclosure as required by IAS 7 "Statement of Cash Flows" has been shown in Note 35 to the financial statements.

Oman Reinsurance Company SAOG
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Omani Rial)

1 Legal status and principal activities

Oman Reinsurance Company SAOG ("the Company") is a publicly listed Omani joint stock company (SAOG) registered with the Ministry of Commerce, Industry and Investment Promotion, in accordance with the provisions of the Commercial Companies Law and Regulations and the Insurance Companies Law of the Sultanate of Oman. The Company was registered on 4 August 2008 and obtained a license to operate reinsurance business on 2 July 2009 from the Capital Market Authority (CMA). The Company is principally engaged in underwriting reinsurance business including fire, engineering, accident, medical, motor and aviation classes. The Company had changed its legal structure from a closed Omani joint stock company (SAOC) to an SAOG during the financial year 31 December 2021 through an Initial Public Offering (IPO).

The Company's principal place of business is located at Al Khuwair, Muscat, Sultanate of Oman. During the year ended 31 December 2021, the Company registered and has started operations through a Branch in Qatar. The Branch is registered in the Qatar Investment and Financial Center (QIFC). These financial statements include the combined operations and assets and liabilities of the Comoang and the Branch.

The financial statements was approved for issue by the Board of Directors on 14 February 2022.

2 Basis of preparation

(a) Statement of compliance

The financial statements has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), the requirements of the Commercial Companies Law and Regulations of the Sultanate of Oman and the Rules and Guidelines on Disclosure issued by the CMA and the Insurance Companies Law.

(b) Basis of presentation

The financial statements have been prepared under the historical cost convention and going concern assumption, modified for certain assets and liabilities which are stated at their fair values as required by the IFRS. The preparation of financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

(c) Functional currencies

The financial statements are presented in Omani Rials (RO) which is the functional and reporting currency for the Company.

3 Adoption of new and revised IFRS

Standards, amendments and interpretations effective and adopted in the year 2021

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first-time and have been adopted in the preparation of the financial statements for the year ended 31 December 2021:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
Amendments to IFRS 4, 7, 9 and 16	Interest rate Benchmark Reform - Phase 2	1 January 2021
Amendments to IFRS 16	Leases: COVID-19 Related Rent Concessions	1 June 2021

Interest rate Benchmark Reform - Phase 2 (Amendments to IFRS 4, 7, 9 and 16)

The amendments provide temporary relief which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company as these are not applicable. The Company intends to use the practical expedients in future periods if they become applicable.

3 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations effective and adopted in the year 2021 (continued)

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

On 31 March 2021, the IASB issued another amendment to IFRS 16: COVID-19 Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment to COVID-19 Related Rent Concessions. However, this amendment had no impact on the financial statements of the Company, as the Company's current leases fall under the exemption allowed in accordance with IFRS 16.

Standards, amendments and interpretations issued but not yet effective in the year 2021

The following new/amended accounting standards and interpretations have been issued, but are not mandatory and have not been adopted in preparing the financial statements for the year ended 31 December 2021:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
Amendments to IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 1, 9, 16 and IAS 41	Annual Improvements to IFRS 2018-2020	1 January 2022
Amendments to IFRS 3	References to Conceptual Framework	1 January 2022
Amendments to IAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred tax relating to Assets and Liabilities arising from a Single Transactions	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

Except for IFRS 17, the Company does not expect these amendments issued but not yet effective, to have a material impact on the financial statements of the Company.

IFRS 17 "Insurance Contracts"

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 "Insurance Contracts".

IFRS 17, "Insurance Contracts" requires entities to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of three groups:

- a group of contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and

Oman Reinsurance Company SAOG
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Omani Rial)

3 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations issued but not yet effective in the year 2021 (continued)

IFRS 17 "Insurance Contracts" (continued)

- a group of the remaining contracts in the portfolio, if any.

The Company is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio would fall into different groups only because law or regulation constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics, the Company may include those contracts in the same group.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

At the date of initial application of the standard, those entities already applying IFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the standard.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purposes of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The Company plans to adopt the new standard on the required effective date (see above).

The Company has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure. However, as the Company has not yet completed the impact assessment, the likely impact on the profits and total equity has not yet been determined.

Early adoption of amendments or standards in the year 2021

The Company did not early-adopt any new or amended standards in the year ended 31 December 2021.

4 Summary of significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

(a) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Cost includes all costs directly attributable to bringing the asset to working condition for their intended use.

Depreciation is calculated in accordance with the straight-line method to write-off the cost of each asset to its estimated residual value over its useful economic life.

Depreciation has been calculated from the date of acquisition for the following number of years:

Oman Reinsurance Company SAOG
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Omani Rial)

4 Summary of significant accounting policies

(a) Property and equipment (continued)

Description	Years
Motor vehicles	4
Furniture and fixtures	4
Office equipment	4

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written-down immediately to its recoverable amount.

Gains or losses on disposals of items of property and equipment are determined as the difference between the sales proceeds and their carrying amounts and are taken into account in determining the operating results for the year.

(b) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Intangible assets of the Company include expenses relating to purchase of computer software licenses which are capitalised. Purchase costs for software licenses that are directly attributable to the systems used and controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

Computer software is amortised over a period of 4 years.

(c) Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

(i) Classification

The financial assets are classified in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

b) those to be measured at amortised cost.

Oman Reinsurance Company SAOG
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Omani Rial)

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

Financial assets (continued)

(i) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in the Company's statement of profit and loss or other comprehensive income. For investments in equity instruments, the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and other comprehensive income as incurred.

The Company has classified fair value measurements on a recurring basis using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies debt instruments at fair value through other comprehensive income based on the below:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR).

Equity instruments

If the Company elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognised in the statement of profit or loss and other comprehensive income as other income when the Company's right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income. The Company has elected to present fair value gains or losses on equity investments in the other comprehensive income.

(iii) De-recognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Oman Reinsurance Company SAOG
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Omani Rial)

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

Financial assets (continued)

(iv) Income recognition

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income is recognised using the EIR, which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognised using the original EIR.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The classification depends on the business model for managing the financial liabilities and the contractual terms of the cash flows.

(i) Classification

The financial liabilities are classified in the following measurement categories:

a) those to be measured as financial liabilities at fair value through profit or loss; and

b) those to be measured at amortised cost.

(ii) Measurement

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortised cost like borrowings are accounted at the fair value determined based on the EIR method after considering the directly attributable transaction costs.

The Company classifies all its financial liabilities subsequently at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

The EIR method calculates the amortised cost of a debt instrument by allocating interest charged over the relevant EIR period. The EIR is the rate that exactly discounts estimated future cash outflows (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables, etc.

The Company's financial liabilities, such as other payables, are measured at amortised cost.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

(d) Impairment of non-financial assets

The carrying amount of the Company's assets or its cash generating unit, other than financial assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Oman Reinsurance Company SAOG
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Omani Rial)

4 Summary of significant accounting policies (continued)

(e) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when 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. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

(f) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and bank deposits with less than 3 months to maturity.

(g) Provisions

A provision is recognised in the statement of financial position when the Company has a 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.

(h) Employees' benefit liabilities

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law and recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

For non-Omani employees, provision is made for amounts payable under the Oman Labour Law, based on the employees' accumulated periods of service at the statement of financial position date. This provision is classified as a non-current liability.

Employee entitlements to annual leave and air passage are recognised when they accrue to the employees and an accrual is made for the estimated liability for annual leave and air passage as a result of services up to the reporting date. The accruals relating to annual leave and air passage is disclosed as a part of current liabilities.

(i) Reinsurance contracts

The core business of the Company is undertaking reinsurance business which comprises proportional and non-proportional reinsurance. Reinsurance is a business in which the Company gives protection to direct insurance companies by means of reinsuring risk insured by them.

Facultative reinsurance covers individual risks and is done on individual case basis, while treaty business is concerned with the whole portfolio of specific lines of business of the direct insurance company. The Company reinsures fire, engineering, accident, medical, motor, marine and aviation business under facultative and treaty contracts.

(i) Premiums earned

Gross premium written is recognised as revenue when written business is confirmed, incepting in the financial year in which it arises, as well as adjustments arising in the current financial year for premiums receivable relating to business written in prior years, including an estimation of underwritten premiums that are not yet received from the ceding companies and in proportion with the period of coverage.

Oman Reinsurance Company SAOG
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Omani Rial)

4 **Summary of significant accounting policies (continued)**

(i) **Reinsurance contracts (continued)**

(i) Premiums earned (continued)

The Company enters into contracts with retrocessionaires for minimising its financial exposure from ceded insurance risks. The retro-ceded premiums and recoveries on claims incurred are deducted from the gross premiums written and incurred claims respectively. This arrangement results in reinsurance assets and liabilities which include amounts recoverable from retrocessionaires for paid and outstanding losses, ceded unearned premiums and reinsurance balances payable.

Amounts due to retrocessionaires are estimated in a manner consistent with the related reinsurance contracts. The amounts receivable from retrocessionaires are calculated with reference to the incurred claims associated with the retroceded business. Retroceded premiums are recognised in the revenue account as the reinsurance business is confirmed.

(ii) Commission earned

This represents commission earned on ceded reinsurance. Commission earned is recognised when reinsurance business is confirmed.

(iii) Policy acquisition costs

All commissions and other acquisition costs related to securing reinsurance contracts and renewing existing reinsurance contracts are recognised as expenses when incurred. Policy acquisition costs, which correspond to the proportion of gross premium written that is unearned at the reporting date is deferred as deferred policy acquisition costs.

(iv) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of liability. Any deficiency is immediately charged to the statement of profit or loss and other comprehensive income.

(v) Unearned premium

Unearned premiums are those proportions of the premiums accounted for in the financial year, but which relate to periods of risks that extend beyond the end of the financial year. The provision for unearned premium is calculated in proportion to the period of the policy.

(vi) Claims

Claims, comprising amounts payable to insurance and reinsurance companies, are charged to statement of profit or loss and other comprehensive income as incurred. Claims comprise estimated amounts payable in respect of claims reported to the Company and those not reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

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4 Summary of significant accounting policies (continued)

(i) Reinsurance contracts (continued)

(vi) Claims (continued)

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by underwriting years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decision and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

(vii) Retrocession contracts held

The benefits to which the Company is entitled under its retrocession contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers (classified within insurance and other receivables), as well as the reinsurance portion of gross claims outstanding including IBNR and unearned premium 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 retrocession contract. Reinsurance liabilities are primarily premiums payable for retrocession contracts and are recognised as an expense when due, net of commission income which represents income earned from reinsurance companies.

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

(j) Deferred policy acquisition costs / deferred commission income

The costs attributable to the acquisition of insurance policies are capitalised as an intangible asset under deferred policy acquisition costs. These are subsequently amortised over the period of the policies as premium is earned.

Commission income received is recorded as a liability under deferred commission income and is recognised as income over the period of policies in line with the retrocessionairs premium ceded.

(k) Leases - the Company as a lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(l) Dividend income

Dividend income is recognised when the right to receive dividend is established, unless collectability is in doubt.

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4 Summary of significant accounting policies (continued)

(m) Insurance and reinsurance receivables and accrued income

Insurance and reinsurance receivables are non derivative financial assets with dixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Company's receivables comprise insurance and other receivables, accrued income, reinsurers' share of insurance funds and cash and cash equivalents in the statement of financial position.

(n) Directors' remuneration

The Company follows the Commercial Companies Law and Regulations of the Sultanate of Oman, and other latest relevant directives issued by the Capital Market Authority (CMA), in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

(o) Operating segments

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 Company's chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discreet financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(p) Foreign currencies

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss and other comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the end of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date when the carrying value was determined.

(q) Income tax

Income tax is provided for in accordance with the fiscal regulations of the Sultanate of Oman.

Current tax is recognised in the statement of profit or loss and other comprehensive income as the expected tax payable on the net taxable income for the year, using tax-rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated adopting a tax-rate that is the rate that is expected to apply to the periods when it is anticipated the liabilities will be settled, and which is based on tax-rates (and laws) that have been enacted at the statement of financial position 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 unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(r) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on certain methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(s) Other income

Other income is accounted for on the accruals basis, unless collectability is in doubt.

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4 Summary of significant accounting policies (continued)

(t) Share capital

Issued (share) capital is the amount of nominal value of share held by the shareholders. It is the face value of the shares that have been issued to the shareholders.

During issuing its own equity shares, the Company incurs various costs which may include, but not limited to, registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are reviewed and accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense in the statement of profit or loss.

5 Critical accounting estimates and key source of estimation uncertainty

Preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates require judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates. The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

(i) Economic useful lives of property and equipment

The Company's property and equipment are depreciated on a straight-line basis over their economic useful lives. The economic useful lives of property plant and equipment are reviewed periodically by management. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

(ii) Economic useful life of intangible assets

Intangible assets are amortised on a straight-line basis over their economic useful lives. The economic useful lives of intangible assets are reviewed periodically by management. The review is based on the current condition of the intangible assets and the estimated period during which they will continue to bring economic benefit to the Company.

(iii) Going concern

The management reviews the financial position of the Company on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.

(iv) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(v) Taxation

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

(vi) Liability adequacy test

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

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5 Critical accounting estimates and key source of estimation uncertainty (continued)

(vii) Fair value measurements

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. The classification of an item into the level 1, level 2 and level 3 hierarchy is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(viii) Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

a) growth in earnings before interest, tax, depreciation and amortisation (EBITDA), calculated as adjusted operating profit before depreciation and amortisation;
b) timing and quantum of future capital expenditure;
c) long-term growth rates; and
d) selection of discount rates to reflect the risks involved.

(ix) Provision for impaired insurance receivables

The Company reviews its insurance receivables on an annual basis to assess whether a provision for impaired receivables should be recorded in the statement of profit or loss and other comprehensive income. In particular, considerable judgment by management is required in the estimation of the amount and the timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

(x) Unearned premium reserve

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurers share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the nature and type of reinsurance contract written by the Company.

Reinsurance contract liabilities are derecognised when the contract is expired, discharged or cancelled by any party to the insurance contract.

(xi) Accrued income

The Company makes estimates of accrued income. Accrued income includes estimates of pipeline premiums, net of commission which are premiums written but not booked as at the reporting date. The Company assesses at the end of each reporting period the pipeline premium, net of commission, by analysing the signed premium and the booked premium.

(xii) The ultimate liability arising from claims made under reinsurance contracts

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such 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 IBNR at the reporting date. The management uses the initial value of the claim provided by the cedent companies for the expected ultimate cost of claims reported at the reporting date. However, for the IBNR, the Company is relying on an independent actuary to perform reserve review for the IBNR based on historical data of claims and premium development. 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.

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6 Property and equipment

(a) The movement in property and equipment is as set out below:

2021	Motor vehicles	Furniture and fixtures	Office equipment	Total
Cost				
At 1 January 2021	37,260	206,439	171,140	414,839
Additions during the year	31,364	22,063	44,782	98,209
At 31 December 2021	68,624	228,502	215,922	513,048
Accumulated depreciation				
At 1 January 2021	14,373	152,806	138,124	305,303
Charge for the year	15,196	30,139	24,767	70,102
At 31 December 2021	29,569	182,945	162,891	375,405
Net book amount				
At 31 December 2021	39,055	45,557	53,031	137,643

2020	Motor vehicles	Furniture and fixtures	Office equipment	Total
Cost				
At 1 January 2020	37,260	201,372	154,841	393,473
Additions during the year	-	5,067	16,544	21,611
Disposals during the year	-	-	(245)	(245)
At 31 December 2020	37,260	206,439	171,140	414,839
Accumulated depreciation				
At 1 January 2020	5,058	118,122	118,603	241,783
Charge for the year	9,315.00	34,684	19,735	63,734
Relating to disposals	-	-	(214)	(214)
At 31 December 2020	14,373	152,806	138,124	305,303
Net book amount				
At 31 December 2020	22,887	53,633	33,016	109,536

(b) The Company operates from premises leased for its office in Oman and the branch in Qatar at an annual rental of RO 76,658 per annum (2020: RO 65,663 per annum).

(c) The lease agreements are for a period of less than a year from the financial reporting date. Hence, the Company has applied the exemption available in IFRS 16 relating to short-term leases.

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7 Intangible assets

The movement in intangible assets is as follows:-

	31 December 2021	31 December 2020
Cost		
As at 1 January	198,243	195,058
Acquisition during the year	192,213	3,185
As at 31 December	390,456	198,243
Accumulated amortisation		
As at 1 January	163,057	148,811
Charge for the year	63,486	14,246
As at 31 December	226,543	163,057
Net book amount		
As at 31 December	163,913	35,186

Intangible assets comprise of a software license fee which is being amortised over a period of 4 years. The management of the Company has performed an impairment testing of the software license fee and, concluded that, no such impairment is considered necessary.

8 Investment property

	31 December 2021	31 December 2020
At 1 January and at 31 December	1,900,000	1,900,000

The carrying amount of the investment properties is the aggregate fair value (Level-3 fair value hierarchy) as determined by an independent property valuer on the basis of unobservable inputs. Fair value was determined as being the most probable price the property can fetch in a competitive open market. The property has been valued by an independent valuer on an open market basis as at 31 December 2021 at RO 2,100,000. However, based on current market situation and management's estimate of costs involved in disposing-off the property (land), management considers that the fair market value of the investment property of RO 1,900,000 is appropriate. The land located at Ghala, Muscat, Sultanate of Oman is currently under development (See Note 9).

9 Investment property under development

	31 December 2021	31 December 2020
Opening balance	184,592	125,192
Additions during the year	-	59,400
Closing balance	184,592	184,592

Investment property under development represents amounts spent on designing and planning of the building and other directly attributable costs towards the development of the investment property located in Ghala, Muscat, Sultanate of Oman.

10 Investments at fair value through other comprehensive income

	Fair value		Average amortised cost	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Equity shares	3,975,249	839,712	4,992,536	2,244,853
Bonds	15,813,298	16,538,091	14,585,830	15,180,799
	19,788,547	17,377,803	19,578,366	17,425,652

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10 Investments at fair value through other comprehensive income (continued)

(a) At the reporting date, the geographic dispersion of the investments at fair value through other comprehensive income are as follows:

	Fair value		Average amortised cost	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Local				
Equity	592,688	613,081	2,025,181	2,025,181
Bonds	2,778,220	2,037,376	2,793,701	2,053,367
	3,370,908	2,650,457	4,818,882	4,078,548
Overseas				
Equity	3,382,560	226,631	2,967,355	219,672
Bonds	13,035,079	14,500,715	11,792,129	13,127,432
	16,417,639	14,727,346	14,759,484	13,347,104

(b) Movement in investments can be summarised as below:

	Year ended 31 December 2021	Year ended 31 December 2020
At 1 January	17,377,803	13,272,373
Acquisitions during the year	6,535,303	7,231,082
Disposals during the year	(4,243,257)	(4,185,363)
Net realised change in fair value	(85,019)	(51,326)
Net unrealised change in fair value	162,332	1,074,636
Amortisation charge for the year	41,385	36,401
At 31 December	19,788,547	17,377,803

(c) **Investment fair value reserve:**

The movement in investment fair value reserve can be summarised as below:

	Year ended 31 December 2021	Year ended 31 December 2020
At 1 January	47,849	(975,461)
Net change in fair value during the year	162,332	1,074,636
Deferred tax charge	(227,530)	-
Net realised gain transferred to retained earnings	(85,019)	(51,326)
At 31 December	(102,368)	47,849

(d) The bonds are held under lien at cost by the following:

	31 December 2021	31 December 2020
Capital Market Authority	4,844,149	4,860,026

11 Investments at fair value through profit or loss

The debt instruments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income is as follows:

	Fair value		Average cost	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Multi-reverse callable notes	576,615	871,000	576,750	845,900
	576,615	871,000	576,750	845,900

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11 Investments at fair value through profit or loss (continued)

(a) Movement in investments can be summarised as below:

	Year ended 31 December 2021	Year ended 31 December 2020
At 1 January	871,000	-
Acquisitions during the year	1,153,500	845,900
Disposals during the year	(1,447,752)	-
Net realised change in fair value recognised in profit or loss	(133)	25,100
At 31 December	576,615	871,000

Multi-Reverse callable notes issued and distributed by an international bank, which are denominated in United States Dollars (USD), have a nominal redemption value of the investment (equivalent to RO 576,750, 2020: RO 845,900), subject to certain conditions being met. The notes carry fixed income coupon rates ranging between 7.55% and 8.00% per annum (2020: 7.69% and 15.6% per annum). These notes have a maturity date of March and November 2022, unless auto recalled at an earlier date based on the terms agreed upon.

The maximum exposure to credit risk at the reporting date is the fair value of the investments classified as investments at fair value through profit or loss.

12 Insurance and other receivables

	31 December 2021	31 December 2020
Due from insurance and reinsurance companies (gross)	6,876,335	5,123,175
Less: provision for impaired receivables	(1,053,719)	(1,053,719)
Due from insurance and reinsurance companies (net)	5,822,616	4,069,456
Advances (gross)	314,556	446,488
Less: provision for impaired advances	(18,380)	(18,380)
Advances (net)	296,176	428,108
Reserves withheld by cedents	2,129,525	2,289,519
Prepaid expenses	112,541	97,748
	8,360,858	6,884,831

(a) The reserves withheld by cedents comprise of insurance premium deposits of RO 1,006,055 (2020 - RO 1,234,778) and loss deposit of RO 1,123,470 (2020 – RO 1,054,741). These deposits are held in the normal course of the business by the insurance companies. These deposits are unsecured.

(b) The insurance receivables comprise balances against which credit notes/treaty statements have been received.

(c) As at 31 December 2021, there are certain past receivables due from insurance and reinsurance companies which are not considered impaired by the management. The Company does not hold any collateral as security against potential default by insurance and reinsurance counterparties.

(d) The carrying amounts of insurance and reinsurance companies are denominated in Omani Rial, UAE Dirhams, USD, Euro and various other currencies.

(e) Due from insurance and reinsurance companies comprise of number of customers within the Sultanate of Oman and foreign insurers/reinsurers. The Company monitors these receivables on a regular basis. The Company establishes an allowance for impairment that represents its estimate of likely losses in respect of these receivable accounts. With respect to reinsurers, contracts are placed with only internationally reputed well-rated foreign insurers and reinsurers.

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12 Insurance and other receivables (continued)

The amounts are considered by the Company to be due on the date of credit note/treaty statement. The aging analysis of amounts due from insurance and reinsurance companies is as follows:

	31 December 2021	31 December 2020
Less than 180 days	3,234,588	3,423,512
Between 181 - 365 days	1,283,331	341,840
More than 365 days	2,358,416	1,357,823
Total	6,876,335	5,123,175

The movement in provision for impaired insurance and reinsurance receivables is as follows:	Year ended 31 December 2021	Year ended 31 December 2020
At 1 January and at 31 December	1,053,719	1,053,719

(f) The movement in provision for impaired loans and advances is as follows:	Year ended 31 December 2021	Year ended 31 December 2020
At 1 January and at 31 December	18,380	18,380

13 Accrued income

	31 December 2021	31 December 2020
Accrued insurance premium	10,836,962	9,564,787
Impairment provision	(15,000)	(15,000)
	10,821,962	9,549,787
Interest accrued on bank deposits	1,048,173	840,315
	11,870,135	10,390,102

The movement in provision for impaired accrued insurance premium is as follows:	Year ended 31 December 2021	Year ended 31 December 2020
At 1 January and at 31 December	15,000	15,000

14 Share capital

The authorised share capital of the Company is RO 40 million. The issued and fully paid-up share capital of the Company, registered with the Ministry of Commerce, Industry and Investment Promotion, is RO 32,615,926 (2020: RO 30,000,000), comprising of 330,775,600 shares (2020: 30,000,000).

The shareholders of the Company who own 5% or more of the Company's shares, in their name, and the percentage of shares held by them are as follows:

Major shareholders	31 December 2021	31 December 2020
Trust International Insurance & Reinsurance Company B.S.C. (Bahrain)	27.18%	29.97%
Qatar General Insurance & Reinsurance Company S.A.Q.	22.30%	24.58%
Omar Zawawi Establishment LLC	14.06%	15.50%
Ziliano Investments	9.07%	10.00%
Al Zawawi Trading Company LLC	8.62%	9.50%

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14 Share capital (continued)

The Company had changed its legal structure from SAOC to an SAOG during the financial year 31 December 2021 through an IPO. As a result, the Company has increased its number of shares from 30,000,000 to 330,755,600 as a result from issue of additional shares and stock split in the ratio of 10:1.

The additional 30,775,600 shares issue were issued at RO 0.085 per share.

The costs incurred in relation to the issue of shares have been allocated as follows:-

	Share Capital	Retained earnings	Total
At 1 January	30,000,000	(7,783,883)	22,216,117
Proceeds received from IPO	2,615,926	-	2,615,926
Share issue expenses	-	(249,651)	(249,651)
At 31 December	32,615,926	(8,033,534)	24,582,392

15 Legal reserve

In accordance with Article 106 of the Commercial Companies Law and Regulations of the Sultanate of Oman, 10% of the Company's net profit for the year is to be transferred to a non-distributable legal reserve until such time as the amount of the legal reserve becomes equal to one-third of the Company's issued and fully paid-up share capital. During the year ended 31 December 2021, the Company has transferred an amount of RO 135,546 to the legal reserve (2020: RO 145,023).

16 Contingency reserve

In accordance with the CMA Decision No. 19/2007 issued on 4 June 2007, as authorised by Royal Decree number 34/2007, 10% of the outstanding claims at the reporting date is required to be transferred to a contingency reserve which is not distributable without the prior approval of the CMA. The Company may discontinue such annual transfers when the contingency reserve equals the Company's issued and fully paid-up share capital.

As the Company's profits are not sufficient enough to transfer 10% of the outstanding claims to the contingency reserve, all the profits earned, net of IPO related expenses during the year ended 31 December 2021, amounting to RO 1,219,909 has been transferred to the contingency reserve (2020: RO 1,305,206).

17 Employees' benefit liabilities

	Year ended 31 December 2021	Year ended 31 December 2020
As at 1 January	188,961	156,531
Provision for the year (Note 28)	71,370	55,727
Payments during the year	(16,958)	(23,297)
As at 31 December	243,373	188,961

18 Reinsurers share of insurance funds and technical provisions

The movement in reinsurer's share of insurance funds and technical provisions is given below.

31 December 2021	Gross	Reinsurance	Net
Outstanding claims			
Balance at 1 January	44,479,752	28,392,727	16,087,025
Increase in the provision for the year	16,902,471	5,602,703	11,299,768
Claims settled during the year	(11,404,914)	(6,615,869)	(4,789,045)
Balance at 31 December	49,977,309	27,379,561	22,597,748
Unearned premium	**Gross**	**Reinsurance**	**Net**
At 1 January	11,418,709	4,035,643	7,383,066
Increase in the provision for the year	12,482,980	2,518,648	9,964,332
Release of unearned premium during the year	(11,418,709)	(4,035,643)	(7,383,066)
Balance at 31 December	12,482,980	2,518,648	9,964,332
Total technical provisions	62,460,289	29,898,209	32,562,080

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18 Reinsurers share of insurance funds and technical provisions (continued)

31 December 2020	Gross	Reinsurance	Net
Outstanding claims			
Balance at 1 January	30,834,082	18,774,545	12,059,537
Increase in the provision for the year	21,332,419	13,981,710	7,350,709
Claims settled during the year	(7,686,749)	(4,363,528)	(3,323,221)
Balance at 31 December	44,479,752	28,392,727	16,087,025
Unearned premium			
Balance at 1 January	10,631,105	5,404,762	5,226,343
Increase in the provision for the year	11,418,709	4,035,643	7,383,066
Release of unearned premium during the year	(10,631,105)	(5,404,762)	(5,226,343)
Balance at 31 December	11,418,709	4,035,643	7,383,066
Total technical provisions	55,898,461	32,428,370	23,470,091

(a) Insurance funds and technical provisions denominated in foreign currencies have been translated at 31 December using year-end closing rates of exchange.

(b) Outstanding claims include incurred but not reported (IBNR) provision as follows:

31 December 2021	Gross	Reinsurance	Net
IBNR			
Balance at 1 January	8,452,440	3,264,042	5,188,398
Movement of IBNR	346,896	(1,644,091)	1,990,987
Balance at 31 December	8,799,336	1,619,951	7,179,385

31 December 2020	Gross	Reinsurance	Net
IBNR			
Balance at 1 January	7,419,138	3,820,032	3,599,106
Movement of IBNR	1,033,302	(555,990)	1,589,292
Balance at 31 December	8,452,440	3,264,042	5,188,398

19 Reinsurance premium and other payables

	31 December 2021	31 December 2020
Reinsurance premium accrued	4,433,220	4,442,167
Payable to cedents and retro-cessionairs	6,620,989	6,302,156
Advances and deposits retained	885,802	1,195,426
Other payables	641,138	376,805
	12,581,149	12,316,554

Advances and deposits retained include reinsurance premium deposits and loss deposits retained as a share of retrocessionairs from the premium and loss deposits retained by the cedent companies under treaty and facultative arrangements for reinsurance.

20 Deferred policy acquisition costs and deferred commission income

(a) The movement in deferred policy acquisition costs is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
As at 1 January	2,702,382	2,553,591
Charge for the year	(6,128,169)	(5,322,192)
Payments during the year	6,507,125	5,470,983
As at 31 December	3,081,338	2,702,382

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20 Deferred policy acquisition costs and deferred commission income (continued)

(b) The movement in deferred commission income is as follows:

	31 December 2021	31 December 2020
As at 1 January	953,716	1,390,919
Commission income recognised during the year	(1,572,736)	(2,799,879)
Commission income received during the year	976,831	2,362,676
As at 31 December	357,811	953,716
	2,723,527	1,748,666

21 Related party transactions and balances

Related parties comprise the shareholders, directors, business entities in which they have the ability to control or exercise significant influence in financial and operating decisions and with senior management. The Company has entered into transactions with entities related to the shareholders or directors. In the ordinary course of business, such related parties provide services to the Company. The transactions are carried on mutually agreed terms. During the year, the following transactions were entered into with the related parties:

(a) Significant transactions during the year with related parties are as follows:	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Shareholders with significant influence:		
Gross premium	1,496,224	4,868,085
Commission expense	519,547	939,980
Claims expense	1,933,810	688,586
Management fees	-	64,084
Reinsurance premium ceded	821,031	1,721,848
Commission income	39,884	345,652
Claims recovery/(payment)	1,930,776	(275,710)

The management fee represents the amount charged by Trust International Insurance and Reinsurance Company B.S.C. for actuarial and risk management services, IT support services and retrocession services at USD 200,000 per annum, excluding any witholding tax, with effect from 1 October 2019 till 30 September 2020. This services was discontinued from the related party from 1 October 2020.

(b) Key management compensation:	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Directors' remuneration		
Directors' sitting fees	60,200	43,000

Key management remuneration	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Salaries and other employment benefits	523,196	355,600

Intangible assets	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Reinsurance software purchase	161,490	-

The intangible asset comprises of license for integrated reinsurance solution system and development charges for VAT in the ERP purchased from Trust Holding Company during the year ended 31 December 2021.

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21 Related party transactions and balances (continued)

(c) Related party balances

	Year ended 31 December 2021	Year ended 31 December 2020
Shareholders with significant influence:		
Gross		
Premiums receivable, net of commissions and claims	(1,553,414)	139,014
Outstanding claims	8,980,682	8,426,718
Reinsurance		
Premium payables, net of commissions and claims	166,536	54,451
Outstanding claims receivable	3,022,734	1,354,255

22 Bank deposits

	31 December 2021	31 December 2020
Non-current portion of bank deposits	12,288,000	6,000,000
Current portion of bank deposits	11,165,268	11,953,268
	23,453,268	17,953,268

Bank deposits represent deposits placed with commercial banks in the Sultanate of Oman, which are denominated in RO and earn interest at commercial rates ranging between 3.25% and 4.90% per annum (31 December 2020: between 3.75% and 4.90% per annum). The deposits which are due for maturity after one year have been disclosed as part of non-current assets.

The current portion of bank deposits represents deposits which will mature after 3 months but before 1 year. Deposits maturing within 3 months have been disclosed as part of cash and cash equivalents.

The bank deposits are held under lien by the following:	31 December 2021	31 December 2020
Capital Market Authority	17,953,268	14,953,268

23 Cash and cash equivalents

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

	31 December 2021	31 December 2020
Cash on hand	1,992	379
Current and call account balances with banks	5,554,556	4,124,397
	5,556,548	4,124,776

The current account balances with banks are non-interest bearing.

Balances in call accounts with local commercial banks earn interest rates ranging between 0.1% and 2.5% per annum (31 December 2020: between 0.1% and 2.5% per annum).

Credit ratings of bank balances and bank deposits from rating agencies:	31 December 2021	31 December 2020
A2	827,224	179,402
B1	2,455,434	1,439,567
Ba3	25,632,471	20,458,696
Unrated (Cash on hand)	1,992	379
	28,917,121	22,078,044

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24 Taxation

Tax assessments of the Company for the years upto 2018 have been finalised. Tax assessments for the years 2019 and 2020 have not yet been agreed with the Tax Authority. The Company's management is of the opinion that additional taxes, if any, assessed for the open tax years would not be material to the Company's financial position as at 31 December 2021.

The Company has reported a net taxable profit for the year. A provision for tax of RO 93,603 (2020: RO 31,261) has been recognised in the current year.

(i) **Tax expense**

	Year ended 31 December 2021	Year ended 31 December 2020
Current tax		
Charge for the current year	244,852	31,261
Charge for prior years	7,923	-
	252,775	31,261

	Year ended 31 December 2021	Year ended 31 December 2020
Deferred tax		
Credit for the current year (profit or loss)	(159,172)	-
Charge for the current year (other comprehensive income)	227,530	-
	68,358	-
Net charge to the profit or loss	93,603	31,261
Net charge to other comprehensive income	227,530	-
	321,133	31,261

The Company is subject to income tax at the rate of 15% of taxable profit (2020 : 15%).

The reasons for the difference between actual tax charge for the year and the standard rate of corporate tax applied to the net profit for the year are as follows:-

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit before taxation	1,449,058	1,481,490
Tax at the applicable rate (15%)	217,359	222,223
Expenses not deductible for tax purposes	28,122	7,137
Prior years adjustments in provision	7,923	-
Prior years tax losses adjusted	-	(198,099)
Deferred tax	(159,801)	-
Total tax expenses as per profit or loss	93,603	31,261

(ii) **Movement in current tax liability is as under:**

	2021	2020
At the beginning of the year	31,261	-
Charge for the year	252,775	31,261
Paid during the year	(39,184)	-
At the end of the year	244,852	31,261

(iii) **Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 15% (2020: 15%). Deferred tax arises on account of temporary differences between the tax base of assets, liabilities and losses and their carrying values in the statement of financial position. Deferred tax asset and liabilities are attributable as under:

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24 Taxation (continued)

(iii) Deferred tax (continued)

	Year ended 31 December 2021	Year ended 31 December 2020
As at 1 January	-	-
(Credit) recognised in profit or loss	(159,172)	-
Charge recognised in other comprehensive income	227,530	-
At 31 December	68,358	-

25 Investment and other income - net

	Year ended 31 December 2021	Year ended 31 December 2020
Interest on bank deposits	1,848,628	1,579,722
Dividend income	111,237	55,633
Realised gains on sale of investments at fair value through other comprehensive income	184,422	228,160
Unrealised fair value gains on investments at fair value through profit or loss	(133)	25,100
Gains on sale of property and equipment	-	49
Custody expenses	(37,618)	(6,371)
	2,106,536	1,882,293

26 Net underwriting results

	Year ended 31 December 2021	Year ended 31 December 2020
Income		
Gross premiums written	27,605,434	24,773,893
Movement in unearned premium reserve	(1,064,271)	(787,604)
Insurance premium revenue	26,541,163	23,986,289
Reinsurance premium ceded	(7,110,713)	(10,788,608)
Movement in unearned premium reserve	(1,516,995)	(1,369,120)
Insurance premium retroceded to reinsurers	(8,627,708)	(12,157,728)
Net insurance premium earned	17,913,455	11,828,561
Gross claims paid	(11,404,914)	(7,686,749)
Reinsurance recoveries	6,615,869	4,363,528
Net claims paid	(4,789,045)	(3,323,221)
Change in provision for outstanding claims, gross	(5,497,557)	(13,645,670)
Change in provision for outstanding claims, reinsurance	(1,013,166)	9,618,182
Claims and related expenses	(11,299,768)	(7,350,709)
Policy acquisition costs	(6,522,766)	(5,484,337)
Policy acquisition costs recovered from reinsurers	976,831	2,362,677
Change in deferred policy acquisition costs	974,861	585,994
Interest on premium reserve	15,641	13,354
Total policy acquisition costs	(4,555,433)	(2,522,312)
Net insurance benefits and claims	(15,855,201)	(9,873,021)
Net underwriting results	2,058,254	1,955,540

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27 General and administrative expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and other related staff costs (Note 28)	1,879,362	1,635,732
Legal and professional fees	200,904	258,543
Depreciation and amortisation (Notes 6 and 7)	133,588	77,980
Meeting related expenses	87,195	59,393
Short-term leases	76,658	65,663
Advertising and business promotion expenses	37,317	20,975
Computer expenses	30,091	43,551
Business travel expenses	27,901	6,285
Telephone, fax and postage	22,767	22,037
Office maintenance	17,484	12,038
Miscellaneous expenses	83,114	79,562
	2,596,381	2,281,759

28 Salaries and other related staff costs

	31 December 2021	31 December 2020
Salaries and allowances	1,286,215	1,198,706
Provision for leave salaries	141,190	120,691
Employees' benefit liabilities (Note 17)	71,370	55,727
Social security costs	73,101	60,200
Other staff costs	307,486	200,408
	1,879,362	1,635,732

29 Earnings per share per share

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	31 December 2021	31 December 2020
Weighted average number of shares	305,129,267	300,000,000
Net profit for the year	1,355,455	1,450,229
Earnings per share - basic and diluted	0.004	0.005

As there are no dilutive potential shares issued by the Company, the diluted earnings per share is same as the basic earnings per share. The Company has increased its number of shares from 30,000,000 to 330,755,600 as a result from issue of additional shares and stock split in the ratio of 10:1.

30 Net assets per share

The calculation of the net assets per share is based on net assets as at 31 December 2021 attributable to ordinary shareholders of RO 29,260,683 (31 December 2020: RO 25,604,154) divided by the number of shares outstanding at the year end of 330,775,600 ordinary shares (31 December 2020: 30,000,000 ordinary shares). The Company has increased its number of shares from 30,000,000 to 330,755,600 as a result from issue of additional shares and stock split in the ratio of 10:1.

	31 December 2021	31 December 2020
Net assets as at the year end (RO)	29,260,686	25,604,154
Number of shares outstanding at the year-end	330,775,600	300,000,000
Net assets per share (RO)	0.088	0.085

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31 Operating segment

The Company has two reportable 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 technology and marketing strategies. For each of the strategic units, the Company's Board of Directors and senior management reviews internal management reports on at least a quarterly basis.

The Company has the following operating segments:

	2021			2020		
	Facultative	Treaty	Total	Facultative	Treaty	Total
Reinsurance revenue:						
Gross written premiums	13,524,989	14,080,445	27,605,434	15,503,719	9,270,174	24,773,893
Less: premiums ceded	(4,499,388)	(2,611,325)	(7,110,713)	(8,781,801)	(2,006,807)	(10,788,608)
Net written premiums (a)	9,025,601	11,469,120	20,494,721	6,721,918	7,263,367	13,985,285
Gross unearned premiums (movement)	(75,172)	(989,099)	(1,064,271)	(313,717)	(473,887)	(787,604)
Less: Reinsurance unearned premiums (movement)	(1,439,969)	(77,026)	(1,516,995)	(735,705)	(633,415)	(1,369,120)
Net movement in unearned premiums (b)	(1,515,141)	(1,066,125)	(2,581,266)	(1,049,422)	(1,107,302)	(2,156,724)
Net insurance premium earned (c) = (a) + (b)	**7,510,460**	**10,402,995**	**17,913,455**	**5,672,496**	**6,156,065**	**11,828,561**
Cost of reinsurance revenue:						
Commission and tax paid	(2,851,298)	(3,671,468)	(6,522,766)	(3,132,214)	(2,352,123)	(5,484,337)
Reinsurance commission and tax recoveries	435,295	541,536	976,831	1,912,004	450,673	2,362,677
Net commission (d)	(2,416,003)	(3,129,932)	(5,545,935)	(1,220,210)	(1,901,450)	(3,121,660)
Deferred acquisition costs (movement)	66,896	312,060	378,956	9,821	138,970	148,791
Reinsurance deferred acquisition costs (movement)	457,357	138,548	595,905	204,656	232,547	437,203
Net deferred acquisition costs (e)	524,253	450,608	974,861	214,477	371,517	585,994
Interest on premium reserves (net) (f)	-	15,641	15,641	-	13,354	13,354
Net incurred acquisition costs (g) = (d) + (e) + (f)	(1,891,750)	(2,663,683)	(4,555,433)	(1,005,733)	(1,516,579)	(2,522,312)
Gross claims paid	(6,688,802)	(4,716,112)	(11,404,914)	(3,870,617)	(3,816,132)	(7,686,749)
Less: Reinsurance claims recovered	4,868,492	1,747,377	6,615,869	2,702,796	1,660,732	4,363,528
Net claims paid (h)	(1,820,310)	(2,968,735)	(4,789,045)	(1,167,821)	(2,155,400)	(3,323,221)
Change in gross outstanding claims	(1,112,272)	(4,038,388)	(5,150,660)	(8,758,057)	(3,854,311)	(12,612,368)
Less: change in reinsurance claims	(241,765)	872,689	630,924	7,889,091	2,285,081	10,174,172
Net outstanding claims (i)	(1,354,037)	(3,165,699)	(4,519,736)	(868,966)	(1,569,230)	(2,438,196)
IBNR movement (j)	156,160	(2,147,147)	(1,990,987)	(1,232,869)	(356,423)	(1,589,292)
Net incurred claims (k) = (h) + (i) + (j)	(3,018,187)	(8,281,581)	(11,299,768)	(3,269,656)	(4,081,053)	(7,350,709)
Total cost of insurance (l) = (g) + (k)	(4,909,937)	(10,945,264)	(15,855,201)	(4,275,389)	(5,597,632)	(9,873,021)
Net underwriting profit (loss) (m) = (c) + (l)	**2,600,523**	**(542,269)**	**2,058,254**	**1,397,107**	**558,433**	**1,955,540**
Loss ratio	**40%**	**80%**	**63%**	**58%**	**66%**	**62%**

Assets and liabilities of the Company are commonly used across the primary segments.

32 Management of insurance and financial risk

The Company's activities expose it to a variety of insurance and financial risks: market risk (price risk, interest rate risk and currency risk), liquidity risk and credit risk. As taking risk is core to the financial business and operational risks are an inevitable consequence of any business, the Company's aim is to achieve an appropriate balance between risk and return while minimising the potential adverse effects on the financial performance.

The Board of Directors define risk limits and sets suitable policies in this regard for management of insurance risk, credit risk, liquidity risk as well as market risk relating to the investment and liability management activities of the Company. Risk Management is carried out by the management in accordance with documented policies approved by the Board of Directors.

(a) Insurance risk

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

Industry experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company manages these risksthrough its undewriting strategy, adequate retro-insurance arrangements and proactive claims handling. The undewriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Undewriting limits are in place to enforce appropriate risk selection criteria.

The retro-insurance arrangements include excess, stop-loss and catastrophe coverage. The effect of such retro-insurance arrangements is that the Company has transferred insurance risk for the exposure taken in fire, engineering and accident classes. Further, the Company has also taken excess-of-loss coverage policy to reduce its exposure to high value losses.

Sources of uncertainty in the estimation of future claims payments

Claims on insurance and reinsurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long-period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR).

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each statement of financial position date, together with cumulative payments to date.

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32 Management of insurance and financial risk (continued)

(a) Insurance Risk (continued)

Gross

Underwriting year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Underwriting year	-	997,597	991,241	2,650,792	1,357,241	1,542,935	1,191,676	968,790	2,119,344	3,491,940	9,287,553	6,768,649	7,594,819	38,962,577
One year later	379,865	4,832,662	3,802,818	5,273,240	2,799,868	2,563,745	4,003,017	5,565,467	5,964,466	9,089,093	20,016,407	14,508,617	-	78,799,265
Two years later	901,117	6,318,611	5,398,873	7,710,919	3,471,392	3,057,699	4,341,724	8,748,573	8,312,079	11,113,715	20,664,131	-	-	80,038,833
Three years later	992,955	6,889,267	6,456,307	6,688,474	3,009,363	3,061,651	4,747,923	9,131,676	8,681,886	12,069,927	-	-	-	61,729,429
Four years later	1,070,281	6,912,976	6,610,766	7,276,021	3,150,437	3,120,270	4,863,556	8,720,838	8,592,480	-	-	-	-	50,317,625
Five years later	1,150,075	6,573,655	6,038,340	6,993,037	3,200,669	3,122,599	5,441,597	8,425,678	-	-	-	-	-	40,945,650
Six years later	1,149,185	6,530,949	5,858,439	6,789,996	3,170,736	3,181,511	5,266,690	-	-	-	-	-	-	31,947,506
Seven years later	1,153,059	6,683,454	6,140,600	6,860,947	3,058,686	3,232,384	-	-	-	-	-	-	-	27,129,138
Eight years later	1,131,002	6,571,997	5,916,468	7,406,979	3,079,820	-	-	-	-	-	-	-	-	24,106,266
Nine years later	1,125,097	5,076,258	5,837,261	7,481,917	-	-	-	-	-	-	-	-	-	19,520,533
Ten years later	1,119,179	4,889,696	5,836,556	-	-	-	-	-	-	-	-	-	-	11,845,431
Eleven years later	1,132,315	4,915,823	-	-	-	-	-	-	-	-	-	-	-	6,048,138
Twelve years later	1,136,271	-	-	-	-	-	-	-	-	-	-	-	-	1,136,271
Current estimate of cumulative claims	1,136,271	4,915,823	5,836,556	7,481,917	3,079,820	3,232,384	5,266,690	8,425,678	8,592,480	12,069,927	20,664,131	14,508,617	7,594,819	102,805,113
Cumulative payments to date	(1,100,277)	(4,830,999)	(5,605,225)	(6,428,260)	(2,889,368)	(2,872,529)	(4,867,754)	(7,017,486)	(6,707,241)	(6,660,695)	(8,939,003)	(2,986,775)	(721,528)	(61,627,140)
IBNR	-	-	-	-	-	-	-	118,853	197,385	711,074	689,020	2,748,548	4,334,456	8,799,336
Total gross outstanding claims liabilities as per underwriting year	35,994	84,824	231,331	1,053,657	190,452	359,855	398,936	1,527,045	2,082,624	6,120,306	12,414,148	14,270,390	11,207,747	49,977,309

Net

Underwriting year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Underwriting year	-	468,994	565,133	1,207,180	761,454	788,473	822,441	717,075	784,647	552,901	2,755,223	1,145,442	4,786,078	15,355,041
One year later	238,122	2,271,951	2,168,090	2,401,452	1,570,812	1,372,544	2,102,172	3,272,266	4,332,159	3,136,028	5,945,560	6,713,477	-	35,524,633
Two years later	564,873	2,970,532	3,078,044	3,511,580	1,873,428	1,644,743	2,474,330	5,117,559	5,543,801	4,960,436	6,844,859	-	-	38,584,185
Three years later	622,442	3,238,811	3,680,916	3,352,162	1,806,324	1,727,970	2,949,855	5,524,760	5,810,973	6,000,500	-	-	-	34,714,713
Four years later	670,914	3,249,957	3,664,034	3,532,958	1,783,441	1,878,580	2,688,426	5,342,911	5,657,334	-	-	-	-	28,468,555
Five years later	720,934	3,106,520	3,768,400	3,593,515	1,761,875	1,765,144	2,898,161	5,239,414	-	-	-	-	-	22,853,963
Six years later	715,164	3,122,428	3,593,057	3,474,729	1,862,425	1,806,571	2,827,738	-	-	-	-	-	-	17,402,112
Seven years later	810,627	3,171,682	3,811,190	3,542,541	1,532,780	1,815,593	-	-	-	-	-	-	-	14,684,413
Eight years later	793,662	2,770,025	3,677,350	3,739,310	1,519,108	-	-	-	-	-	-	-	-	12,499,455
Nine years later	1,149,124	3,007,201	3,565,726	3,752,753	-	-	-	-	-	-	-	-	-	11,474,804
Ten years later	781,015	2,887,677	3,559,863	-	-	-	-	-	-	-	-	-	-	7,228,555
Eleven years later	777,014	3,004,342	-	-	-	-	-	-	-	-	-	-	-	3,781,356
Twelve years later	778,659	-	-	-	-	-	-	-	-	-	-	-	-	778,659
Current estimate of cumulative claims	778,659	3,004,342	3,559,863	3,752,753	1,519,108	1,815,593	2,827,738	5,239,414	5,657,334	6,000,500	6,844,859	6,713,477	4,786,078	52,499,719
Cumulative payments to date	(762,466)	(2,967,440)	(3,514,759)	(3,242,337)	(1,673,820)	(1,639,444)	(2,562,635)	(4,507,051)	(4,693,349)	(4,139,785)	(3,342,838)	(2,924,241)	(1,111,191)	(37,081,356)
IBNR	-	-	-	-	-	-	-	91,997	181,846	293,613	484,616	2,198,756	3,928,557	7,179,385
Total net outstanding claims liabilities as per underwriting year	16,193	36,902	45,104	510,416	(154,712)	176,149	265,103	824,360	1,145,831	2,154,328	3,986,637	5,987,992	7,603,444	22,597,748

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Notes to the financial statements for the year ended 31 December 2021
(Expressed in Omani Rial)

32 Management of insurance and financial risk (continued)

(b) Financial risk

The Company is exposed to a range of financial risks through its financial assets. The most important components of this financial risk are interest rate risk, foreign currency risk, credit risk and liquidity risk.

(i) Price risk

The Company is exposed to price risk because of investments held by the Company which are classified as fair value through other comprehensive income. All investment securities present a risk of loss of capital. The Company controls this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the carrying amount of the financial instruments. The Company's overall market positions are monitored on a daily basis and are reviewed periodically by the management and Board of Directors. Impact of 5% increase/decrease of the Market Index on the Company's investments at fair value through other comprehensive income and through profit or loss for the year would be RO 1,018,258 (2020 - RO 912,440). The analysis is based on the assumption that the market index had increased/decreased by 5% with all other variables held constant and all the Company's instruments would have moved according to the historical correlation with the index.

(ii) Interest rate risk

The Company's interest rate risk arises from investment in term deposits. The long-term bank deposits are with a maturity period of one to two years and the pricing is renegotiated at the end of each term. These deposits are independent of the changes in the applicable interest rates.

As part of Company's liquidity management policies, management also place cash in bank deposits and call accounts. These placements are with a maturity period of less than a year. The interest on these placements is set at the beginning of the term. Accordingly, these placements expose the Company to cash flow interest rate risk. The Company carries out periodic analysis and monitors the market interest rates fluctuations taking into consideration the Company's needs. If the interest rates on bank deposits would have changed, with all other variables held constant, by 50 basis points for the year, interest income would have been lower/higher by RO 117,266 (2020 - RO 89,766).

(iii) Foreign exchange risk

Foreign exchange risk is the risk that any foreign currency positions taken by the Company may be adversely affected due to volatility in exchange rates. The Company's exposure to foreign exchange risk arises from recognised assets and liabilities. The table below summarises the Company's exposure to foreign currency exchange rate risk at the statement of financial position date by categorising monetary assets and liabilities by major currencies.

Currency risk			**31 December 2021**		
	Omani Rial	**US Dollar**	**Egyptian Pound**	**Others**	**Total**
Assets					
Bank balances	11,477,908	3,777,388	-	1,466,520	16,721,816
Bank deposits	12,288,000	-	-	-	12,288,000
Investments in fair value through other comprehensive income	3,370,907	15,973,517	-	444,123	19,788,547
Investments in fair value through profit or loss	-	576,615	-	-	576,615
Insurance and other receivables	1,009,222	2,504,790	288,117	4,548,908	8,351,037
Accrued Income	1,633,182	5,758,583	205,834	4,272,536	11,870,135
Reinsurer's share of technical reserves	11,053,019	11,339,857	112,202	7,393,131	29,898,209
Total assets	40,832,238	39,930,750	606,153	18,125,218	99,494,359

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32 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

(iii) Foreign exchange risk (continued)

	31 December 2021				
Liabilities	**Omani Rial**	**US Dollar**	**Egyptian Pound**	**Others**	**Total**
Technical provisions -Outstanding claims reserves	6,749,490	29,579,292	1,307,322	24,824,185	62,460,289
Reinsurance premium and other payables excluding reinsurance accrued premium	1,648,381	3,374,435	(6,431)	3,104,055	8,120,440
Reinsurance premium accrued	4,433,220	-	-	-	4,433,220
Total liabilities	12,831,090	32,953,727	1,300,891	27,928,240	75,013,949
Net assets/(liabilities)	28,001,148	6,977,023	(694,739)	(9,803,022)	24,480,410

Currency risk	31 December 2020				
	Omani Rial	**US Dollar**	**Egyptian Pound**	**Others**	**Total**
Assets					
Bank balances	11,953,268	2,637,833	-	1,486,943	16,078,044
Bank deposits	6,000,000	-	-	-	6,000,000
Investments in fair value through other comprehensive income	2,650,457	14,541,755	-	185,591	17,377,803
Investments in fair value through profit or loss	-	871,000	-	-	871,000
Insurance and other receivables	1,370,522	1,716,238	414,629	3,383,442	6,884,831
Accrued Income	977,517	5,304,062	127,766	3,980,757	10,390,102
Reinsurer's share of technical	7,510,105	15,415,244	139,795	5,327,583	28,392,727
Total assets	30,461,869	40,486,132	682,190	14,364,316	85,994,507

	31 December 2020				
Liabilities	**Omani Rial**	**US Dollar**	**Egyptian Pound**	**Others**	**Total**
Technical provisions	2,200,273	29,575,984	541,959	12,161,536	44,479,752
Reinsurance premium and other	4,481,790	1,220,510	4,453	2,167,634	7,874,387
Reinsurance premium accrued	4,442,167	-	-	-	4,442,167
Total liabilities	11,124,230	30,796,494	546,412	14,329,170	56,796,306
Net assets/(liabilities)	(9,753,708)	(29,080,256)	(131,783)	(10,945,728)	(49,911,475)

The Company manages the risk through regular monitoring of the currency markets and maintaining appropriate mix of net assets denominated in foreign currencies to minimise the foreign exchange risk exposure. The Company is not exposed to foreign exchange risk from net assets denominated in US Dollar or in currencies linked to the US Dollar as the rate of exchange between the Omani Rial and the US Dollar has not changed since January 1986. The Company is exposed to foreign exchange risk for net assets denominated in other foreign currencies. If the currency rates on such other foreign currencies would have changed, with all other variables held constant, by 50 basis points, foreign exchange exposure would have been lower/higher by RO 122,402 (2020 - RO 146,136).

(iv) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from bank balances, deposits with banks as well as credit exposures to insurance companies, including outstanding amounts from related parties.

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Notes to the financial statements for the year ended 31 December 2021
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32 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

(iv) Credit risk (continued)

Bad debt risks in reinsurance are of relevance to the Company because the business that is accepted is not always fully retained, but instead portions are retroceded, as necessary. The retrocession partners are therefore carefully selected in light of credit considerations.

The Company attempts to control credit risk with regards to insurance receivables by monitoring credit exposures, limiting transactions with specific counter parties and assessing continually the creditworthiness of counter parties.

There is no concentration of credit risk with respect to insurance receivables, as the Company has a large number of internationally dispersed customers.

The Company limits its credit risk with regards to long and short-term bank deposits by dealing with reputable banks of satisfactory rating. Set out below is the Company's maximum exposure to credit risk:

	31 December 2021	31 December 2020
Bank deposits	12,288,000	6,000,000
Insurance and other receivables-net (excluding prepayments)	8,248,317	6,787,083
Accrued income	11,870,135	10,390,102
Reinsurers' share of insurance funds (excluding unearned premium)	27,379,561	28,392,727
Bank balances and deposits	16,721,816	16,078,044
	76,507,829	67,647,956

An analysis of insurance and other receivables is set out in Note 12.

(v) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments. Such outflows would deplete available cash resources for operational, trading and investment activities. In extreme circumstances, lack of liquidity could result in a reduction in the statement of financial position through sales of assets, or potentially an inability to fulfill contractual commitments. The risk that the Company will be unable to do so is inherent in all reinsurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Company's liquidity management process, as carried out within the Company including day-to-day funding, is managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows and monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements.

The table below analysis the Company's financial liabilities into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	1 to 3 months	3 to 6 months	6 months and above	Undetermined period	Total
31 December 2021					
Other payables	641,138	-	-	-	641,138
	641,138	-	-	-	641,138
31 December 2020					
Other payables	376,805	-	-	-	376,805
	1,311,303	-	-	-	376,805

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32 Management of insurance and financial risk (continued)

(c) Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital requirements are prescribed by the CMA.

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

(d) Fair value estimation

For financial instruments that are measured in the statement of financial position at fair value, the Company is required to disclose the fair value measurement by level of the following fair value hierarchy:

- Level 1 — Quoted (unadjusted) market prices in active markets.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company holds investments at fair value through other comprehensive income of RO 19,788,547 (2020 - RO 17,377,803) which are categorised as level 1 and investments at fair value through profit or loss of RO 576,615 (2020: RO 871,000) which are categorised as level 2. The Company's investment property is valued by applying level 3 technique. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

33 Comparative figures

Certain comparative figures of the previous year have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current year's financial statements. Such regrouping or reclassification did not affect previously reported net profit or shareholders' equity.

34 Subsequent events

There were no other events subsequent to 31 December 2021 and occurring before the date of the report that are expected to have a significant impact on these financial statements.

35 Notes supporting the statement of cash flows

Transactions from financing activities shown in the reconciliation of liabilities from financing transactions is as follows:

2021	Share capital issued
At 1 January 2021	30,000,000
Cash inflows	2,615,926
Cash outflows	-
Non-cash changes	-
At 31 December 2021	32,615,926

36 COVID-19 impact

The outbreak of COVID-19, declared as a global pandemic by the World Health Organisation in March 2020, continues to spread across the world. The pandemic had significant impact on the Sultanate of Oman and other world economies and this is expected to continue for the near future.

The ongoing COVID-19 pandemic is a concern for reinsurers as the market will be exposed across many lines of business. However, the robust risk-adjusted capitalisation would ensure that the reinsurers are in a good position to absorb any potential COVID-19 losses on both the underwriting and investments of the Company.

The Company's management has prudently and with a conservative approach, reviewed the potential impact of COVID-19 on its operations and is confident that, other than generic operational limitations, most of the business areas are not expected to have any material impact from COVID-19 related stress.