

OMAN REINSURANCE COMPANY SAOG

FINANCIAL STATEMENTS

For the year ended 31 December 2023

OMAN REINSURANCE COMPANY SAOG

For the year ended 31 December 2023

Contents	Page
Independent Auditor Report	1-6
Statement of financial position	7
Statement of profit or loss and other comprehensive income	8
Statement of changes in shareholders' equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 59

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 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and 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 Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of Oman Reinsurance Company SAOG for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on 15 February 2023 prior to restatement as disclosed in Note 3.1.2 to the financial statements.

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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN REINSURANCE COMPANY SAOG**

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
First time adoption of IFRS 17	
<p>The Company adopted IFRS 17 Insurance Contracts with effect from 1 January 2023. The implementation of IFRS 17 significantly impacts the Company's financial reporting, particularly in respect of Reinsurance / Retrocession contracts recognition, measurement, presentation and disclosure.</p> <p>The first-time application is complex due to the numerous changes in accounting, estimation techniques, systems requirements and extensive disclosures. The Company issues a wide range of reinsurance contracts and consequently a critical judgements and estimates need to be made and applied.</p> <p>The Company was able to apply the full retrospective approach for transition as all necessary information that was reliable and justifiable for applying the full retrospective method was available for groups of contracts that were issued before the transition date (i.e 01 January 2022). The Company used this approach to determine the amounts as of the transition date and has recorded the impact within retained earnings.</p> <p>The adoption of IFRS 17 had a material impact on the reported financial position and performance of the Company, including key performance indicators, Due to the complexity, the significant judgements applied, and estimates made in determining the impact of IFRS 17, this is considered to be a key audit matter.</p>	<p>In relation to the adoption and impact of IFRS 17, with the assistance of our actuarial experts, we carried out the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of the Company's implementation process for determining the impact of adoption of the standard, including understanding of the changes to the Company's accounting policies, systems, processes and controls. • Evaluated and assessed management's process to identify insurance contracts, to determine the appropriate grouping for such contracts and to determine whether the use of the Premium Allocation Approach (PAA) under IFRS 17 was appropriate; • Evaluated whether management's allocation of expenses under IFRS 17 was appropriate and tested, on a sample basis, such expenses; • Evaluated the risk adjustment for non-financial risk under IFRS 17 and tested, on a sample basis, the underlying data supporting the adjustment; • Evaluated the completeness of data used in preparing the transition adjustments. • Assessed the adequacy of the transition adjustments impact for IFRS 17 on the opening retained earnings as at 1 January 2022; and • Assessed the appropriateness of the transition and accounting policies disclosures in relation to IFRS 17.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN REINSURANCE COMPANY SAOG**

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk reinsurance contract liabilities</p>	
<p>As at 31 December 2023, estimate of present value of cash flows and risk adjustment for non-financial risk amounts to RO 64.5 Mn and RO 4.9 Mn (2022: RO 56.9 Mn and RO 4.7 Mn) respectively.</p> <p>The estimation of the liability for incurred claims involves significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk.</p> <p>The present value of future cash flows are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs.</p> <p>The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.</p> <p>Further complexity arises from calculating the actuarial best estimate and the risk margin using historical data which is sensitive to external inputs, such as claims cost, inflation, historical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p> <p>Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from reinsurance contracts, we have considered this as a key audit matter.</p>	<p>The primary audit procedures we performed to address this key audit matter are as follows:</p> <ul style="list-style-type: none"> • Understanding the Company's policies, process and internal controls related to the calculation of the reserve for outstanding claims; • Performed substantive tests, on sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves; • Evaluated the competence, capabilities and objectivity of the internal and external experts used by the management; • Assessed the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the present value of the future cashflows and the risk adjustment for non-financial risk by comparing it to the underlying records; • Involved our internal actuarial specialists to assess the Company's methods and assumptions and evaluate the Company's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following: <ul style="list-style-type: none"> ▪ Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN REINSURANCE COMPANY SAOG**

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk reinsurance contract liabilities (continued)	<ul style="list-style-type: none"> ▪ Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We tested these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and ▪ Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Other Information included in the Company's 2023 Annual Report

Other information consists of the information included in the Company's 2023 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2023 Annual Report after the date of our auditor's report.

- Director's Report
- Corporate governance report
- Management discussion and analysis report

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN REINSURANCE COMPANY SAOG

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Audit Committee 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 Commercial Companies Law of 2019 and the Capital Market Authority (the "CMA") 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.

Audit Committee is 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.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN REINSURANCE COMPANY SAOG**

Report on the Audit of the Financial Statements (continued)

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

- 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 Audit Committee 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 Audit Committee 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 Audit Committee, 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, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019, and CMA of the Sultanate of Oman.

Ernst & Young

Imtiaz

Imtiaz Ibrahim
28 February 2024
Muscat, Oman



OMAN REINSURANCE COMPANY SAOG

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in Omani Rial)

		31 December 2023	31 December 2022	01 January 2022
	Notes		Restated	Restated
ASSETS				
Cash and cash equivalents	7	1,757,970	2,755,277	5,556,548
Bank deposits	8	22,164,526	22,350,155	23,453,268
Investments at fair value through profit or loss	9	195,406	637,539	576,615
Investments at fair value through other comprehensive income	10	38,213,128	29,191,780	19,788,547
Reinsurance contract assets	17	22,525,002	16,799,697	13,560,243
Retrocession contract assets	11	30,253,688	32,676,962	38,044,218
Accrued income	12	1,013,431	1,040,558	1,048,173
Deferred tax asset	23	82,502	190,498	-
Other receivables	13	271,991	445,644	336,377
Investment property	14	2,100,000	2,084,592	2,084,592
Intangible assets	15	80,756	120,887	163,913
Fixtures, furniture and equipment	16	63,875	92,568	137,643
TOTAL ASSETS		118,722,275	108,386,157	104,750,137
LIABILITIES				
Retrocession contract Liabilities	11	16,384,247	17,804,648	16,759,689
Reinsurance contract liabilities	17	69,771,731	62,065,473	59,527,846
Current tax liability	23	312,911	101,977	244,852
Deferred tax liability		-	-	68,358
Other payables	18	44,473	75,186	141,709
TOTAL LIABILITIES		86,513,362	80,047,284	76,742,454
EQUITY				
Share capital	19	32,615,926	32,615,926	32,615,926
Legal reserve	20	946,652	691,082	478,729
Investment fair value reserve	10	(492,801)	(1,732,631)	(102,368)
Contingency reserve	21	8,428,213	6,128,088	4,216,914
Accumulated losses		(9,289,077)	(9,363,591)	(9,201,518)
TOTAL EQUITY		32,208,913	28,338,873	28,007,683
TOTAL EQUITY AND LIABILITIES		118,722,275	108,386,157	104,750,137
NET ASSETS PER SHARE	28	0.0974	0.0857	0.0847

The financial statements were approved and authorised for issue by the Board of Directors on 22 February 2024 and were signed on their behalf by:

 Director	 Director	 Chief Executive Officer	 Chief Financial Officer
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The attached notes 1 to 32 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 2023

(Expressed in Omani Rial)

		31 December 2023	31 December 2022
	<i>Notes</i>		<i>Restated</i>
Reinsurance revenue	17	42,100,184	32,544,941
Reinsurance service expense	17	(36,884,150)	(23,536,255)
Net expense from retrocession	11	(1,634,420)	(8,369,159)
Reinsurance service results		<u>3,581,614</u>	<u>639,527</u>
Reinsurance finance expense / (income) for reinsurance contracts issued	17	(1,689,240)	2,413,351
Retrocession finance income / (expense) for retrocession contracts held	11	851,156	(775,820)
Net reinsurance results		<u>2,743,530</u>	<u>2,277,058</u>
Investment and other income, net	24	2,713,361	2,258,470
Net reinsurance and investment result		<u>5,456,891</u>	<u>4,535,528</u>
General and administrative expenses	26	(1,676,514)	(1,613,898)
Foreign exchange losses, net		(764,004)	(661,596)
		<u>(2,440,518)</u>	<u>(2,275,494)</u>
Profit before income tax		<u>3,016,373</u>	<u>2,260,034</u>
Income tax expense	23	(460,678)	(136,508)
Net Profit for the year		<u>2,555,695</u>	<u>2,123,526</u>
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Investments at fair value through other comprehensive income			
Valuation gains / (losses) on equity investments at fair value through other comprehensive income	10	455,066	(638,818)
Deferred tax (charge) / credit on valuation of equity investments at fair value through other comprehensive income	23	(63,302)	71,023
<i>Items that will or may be reclassified to profit or loss:</i>			
Investments at fair value through other comprehensive income			
Valuation gains / (losses) on debt instruments at fair value through other comprehensive income	10	1,084,914	(1,441,746)
Deferred tax (charge) / credit on valuation of debt instruments at fair value through other comprehensive income	23	(162,333)	217,205
Total other comprehensive income / (loss)		<u>1,314,345</u>	<u>(1,792,336)</u>
Total comprehensive income		<u>3,870,040</u>	<u>331,190</u>
Earnings per share - basic and diluted	27	<u>0.008</u>	<u>0.006</u>

The attached notes 1 to 32 form part of these financial statements

OMAN REINSURANCE COMPANY SAOG

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

(Expressed in Omani Rial)

	Notes	Share capital	Legal reserve	Investment fair value reserve	Contingency reserve	Accumulated losses	Total
As at 31 December 2021, as previously reported		32,615,926	478,729	(102,368)	4,216,914	(7,948,515)	29,260,686
Transitional impact for the first time adoption of IFRS 17		-	-	-	-	(1,253,003)	(1,253,003)
Restated balance as at 1 January 2022		32,615,926	478,729	(102,368)	4,216,914	(9,201,518)	28,007,683
Net profit for the year		-	-	-	-	2,123,526	2,123,526
Net change in fair value of investments at fair value through other comprehensive income, net of deferred tax		-	-	(1,792,336)	-	-	(1,792,336)
Realised losses on sale of equity investments at fair value through other comprehensive income		-	-	162,073	-	(162,073)	-
Transferred to legal reserve	20	-	212,353	-	-	(212,353)	-
Transferred to contingency reserve	21	-	-	-	1,911,174	(1,911,173)	-
Restated balance as at 31 December 2022		32,615,926	691,082	(1,732,631)	6,128,088	(9,363,591)	28,338,873
Net profit for the year		-	-	-	-	2,555,695	2,555,695
Net change in fair value of investments at fair value through other comprehensive income, net of deferred tax		-	-	1,314,345	-	-	1,314,345
Realised gains on sale of equity instrument at fair value through other comprehensive income	10	-	-	(74,515)	-	74,515	-
Transferred to legal reserve	20	-	255,570	-	-	(255,570)	-
Transferred to contingency reserve	21	-	-	-	2,300,125	(2,300,125)	-
As at 31 December 2023		32,615,926	946,652	(492,801)	8,428,213	(9,289,077)	32,208,913

The attached notes 1 to 32 form part of these financial statements.

OMAN REINSURANCE COMPANY SAOG

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in Omani Rial)

	Notes	2023	2022 <i>Restated</i>
Operating activities			
Profit before income tax		3,016,373	2,260,034
Adjustments for:			
Depreciation on fixtures, furniture and equipment	16	54,403	58,998
(Reversal)/provision for impairment on assets held at amortized cost and at fair value through other comprehensive income	24	(58,430)	72,401
Loss / (gain) on sale of investments at fair value through other comprehensive income	24	12,631	(9,351)
Amortisation of intangible assets	15	59,592	63,535
Loss / (gain) on disposal of fixtures, furniture and	24	34	(708)
Unrealised fair value gain on investments at fair value through profit or loss	24	(3,300)	(9,609)
Interest income from bank deposits	24	(2,676,382)	(2,181,937)
Dividend income	24	(57,900)	(115,490)
Fair value adjustment on investment property	24	(15,408)	-
Operating gain before working capital changes		331,613	137,873
Working capital changes			
Other receivables		173,653	(109,267)
Reinsurance and retrocession funds		2,983,826	5,710,388
Other payables		(30,713)	(66,523)
Net working capital changes		3,126,766	5,534,598
Income tax paid		(367,383)	(250,011)
Net cash generated from operating activities		3,090,996	5,422,460
Investing activities			
Purchase of investments at fair value through other comprehensive income		(14,193,900)	(14,868,874)
Purchase of investments at fair value through profit or loss		(384,500)	(627,632)
Interest income received on bank deposits		2,585,309	2,153,041
Dividend income received on equity instruments		57,900	115,490
Purchase of fixtures, furniture and equipment		(26,003)	(14,077)
Proceeds from sale of fixtures, furniture and equipment		259	862
Proceeds from sale of investments at fair value through other comprehensive income		6,815,406	3,424,651
Proceeds from sale of investments at fair value through profit or loss		829,933	576,317
Payment for intangible assets		(19,461)	(20,509)
Net movement in bank deposits		246,754	1,037,000
Net cash used in investing activities		(4,088,303)	(8,223,731)
Net decrease in cash and cash equivalents		(997,307)	(2,801,271)
Cash and cash equivalents, beginning of the year		2,755,277	5,556,548
Cash and cash equivalents, end of the year	7	1,757,970	2,755,277

The attached notes 1 to 32 form part of these financial statements.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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, as amended 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's principal place of business is located at Al Khuwair, Muscat, Sultanate of Oman. The Company also has started operations through a Branch in Qatar. The Branch is registered in the Qatar Financial Center (QFC). These financial statements include the combined operations and assets and liabilities of the Company and the Branch.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), the requirements of the Commercial Companies Law of 2019, as amended and Regulations, Rules and Guidelines on Disclosure issued by the Capital Market Authority (CMA) of Sultanate of Oman and the Insurance Companies Law as amended.

These financial statements have been prepared on the historical cost basis except for investment properties, Investment carried at fair value through other comprehensive income and investments carried at fair value through profit or loss which are measured at fair value. The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates and also requires management to exercise judgment in the process of applying the Company's accounting policies.

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy in financial statements.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective notes.

(a) Functional and presentation currency

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

3 NEW STANDARDS AND AMENDMENTS IN EXISTING STANDARDS

3.1 Standards and amendments effective and adopted in the current year

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 2023:

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

3.1 Standards and amendments effective and adopted in the current year (continued)

3.1.1 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

3.1.2 IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17 adopting the full retrospective approach. The nature of the changes in accounting policies can be summarised, as follows:

a) Changes to classification and measurement

IFRS 17 establishes specific principles for the recognition and measurement of reinsurance contracts issued and retrocession contracts held by the Company.

The Company being engaged in a reinsurance business classifies its contracts into reinsurance contracts and retrocession contracts.

Under IFRS 17, the Company's reinsurance contracts issued and retrocessions contracts held are all eligible to be measured by applying the Premium Allocation Approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17. The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The Liability for Remaining Coverage (LRC) reflects premiums received/receivable less deferred reinsurance acquisition cashflows/payables and less amounts recognised in revenue for reinsurance services provided.
- Measurement of the LRC includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the LRC involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for Incurred Claims (LIC) (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred reinsurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

3.1 Standards and amendments effective and adopted in the year 2023 (continued)

3.1.2 IFRS 17 Insurance Contracts (continued)

The Company has determined that its reinsurance and retrocession contracts qualify for the simplified approach. As a result, the Company has established its policy choice to account for its contracts under the Premium Allocation Approach.

The Company's classification and measurement of reinsurance and retrocession contracts is explained in Note 4.1.

b) Changes to presentation and disclosure

For presentation of statement of financial position for the year, the Company aggregates reinsurance contracts issued and retrocession contracts held, respectively and presents separately:

- Portfolios of reinsurance issued that are assets.
- Portfolios of reinsurance issued that are liabilities.
- Portfolios of retrocession contracts held that are assets.
- Portfolios of retrocession contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line-item descriptions in the statement of profit or loss and other comprehensive income that have been changed significantly compared with last year are as follows:

Previously reported under IFRS 4:

- Gross written premiums
- Net written premiums

IFRS 17 requires separate presentation of:

- Reinsurance revenue
- Reinsurance service expenses
- Reinsurance finance income or expenses
- Income or expenses from Retrocession contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from reinsurance and Retrocession contracts
- Significant judgements, and changes in those judgements, when applying the standard

c) Transition

On transition date, 01 January 2022, the Company:

- Has identified, recognised and measured each group of reinsurance contracts as if IFRS 17 had always applied.
- Has identified, recognised and measured assets for reinsurance acquisition cash flows as if IFRS 17 has always applied. However, at transition date, a recoverability assessment was performed and the impairment identified is recognised to equity.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

3.1 Standards and amendments effective and adopted in the year 2023 (continued)

3.1.2 IFRS 17 Insurance Contracts (continued)

c) Transition (continued)

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

d) Remeasurement impact on the statement of financial position on adoption of IFRS 17

	<i>As at 01 January 2022</i>
Impact on equity on transition to IFRS 17	
Drivers of change	
- in measurement of reinsurance contracts issued	(2,603,517)
- in measurement of retrocession contracts held	1,350,514
	<u>(1,253,003)</u>
Impact on reinsurance contracts liabilities	
Drivers of change	
- Discounting	1,909,352
- Risk adjustment	(4,816,095)
- Other drivers	303,226
	<u>(2,603,517)</u>
Impact on retrocession contracts held	
Drivers of change	
- Discounting	(933,841)
- Risk adjustment	2,659,008
- Other drivers	(374,653)
	<u>1,350,514</u>

3.2 Standards and amendments issued but not yet effective in the current year

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

<i>Standard or amendments</i>	<i>Title</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Disclosures:	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2024

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

3.2 Standards and amendments issued but not yet effective in the year 2023 (continued)

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2024
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The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy and related disclosures.

4 MATERIAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated).

4.1 Reinsurance and Retrocession contracts

4.1.1 Definition and classification

Reinsurance contracts are contracts under which the Company accepts significant insurance risk from an insurer by agreeing to compensate the insurer if a specified uncertain future event adversely affects the insurer. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (i.e., if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Company uses retrocession agreements, to reduce its exposure to risks assumed, to increase its aggregate underwriting capacity. The ceding of risk to retrocessionaires does not relieve the Company from its direct obligations to its ceding companies.

The Company has assessed that all contracts currently classified as reinsurance and retrocession contracts under IFRS 4 meet the definition of reinsurance and retrocession contracts under IFRS 17. The Company does not write any investment contracts with discretionary participation features or reinsurance contracts with direct participation features.

4.1.2 Separating components from reinsurance and Retrocession contracts

At inception, the Company separates the following components from reinsurance or retrocession contract and accounts for them as if they were stand-alone financial instruments:

- Derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of reinsurance or retrocession contract as a stand-alone instrument; and
- Distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.1 Reinsurance and Retrocession contracts (continued)

4.1.2 Separating components from reinsurance and Retrocession contracts (continued)

After separating any financial instrument components, the Company separates any promises to transfer to policyholders' distinct goods or services other than reinsurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as reinsurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the reinsurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the reinsurance component, and the Company provides a significant service of integrating the good or service with the reinsurance component. Currently, the Company's portfolios do not contain any non-insurance components that need to be unbundled from reinsurance and retrocession contracts.

4.2 Level of Aggregation

IFRS 17 requires the Company to determine the level of aggregation for applying its requirements.

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- (i) a group of contracts that are onerous on initial recognition;(if any)
- (ii) a group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; (if any)
- (iii) any remaining group of contracts in the portfolio.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise.

For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Weighted average adjusted normalized loss ratio.
- Sufficiency of premium rate changes.
- Effects of rate revision as part of management actions.
- Economic and regulatory changes.

The Company divides portfolios of Retrocession contracts held applying the same principles set out above.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.3 Recognition

The Company recognises groups of reinsurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date.
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of Retrocession contracts held, it has entered into, from the earlier of the following:

- The beginning of the coverage period of the group of retrocession contracts held.
- The date the Company recognises an onerous group of underlying reinsurance contracts if the Company entered into the related retrocession contract held in the group of retrocession contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

4.4 Contract boundary

The Company includes in the measurement of a group of reinsurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with reinsurance contract services. A substantive obligation to provide reinsurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - The Company has the practical ability to reassess the risks of the portfolio of reinsurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio,
 - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the reinsurance contract is not recognised. Such amounts relate to future reinsurance contracts.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.5 Measurement - Premium Allocation Approach

	<i>IFRS -17 Options</i>	<i>Adopted Approach</i>
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for all the contracts being one year or less qualifies automatically for PAA. For group of contracts with coverage period greater than one year, there was no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.
Reinsurance flows for reinsurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, reinsurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of reinsurance contracts (including future groups containing reinsurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, reinsurance acquisition cash flows must be allocated to related groups of reinsurance contracts and amortised over the coverage period of the related group.	Reinsurance acquisition cash flows are allocated to related groups of reinsurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	For all contracts measured under the PAA, there is no significant financing component as the premiums are expected to be received within one year of the coverage period.
Liability for Incurred Claims, (LIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The Company discounts the LIC for the time value of money as claims are expected to be paid on average a year after the date that they are incurred.
Reinsurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.	The Company opted to take changes in discount rates to profit or loss account.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.6 Reinsurance contracts

4.6.1 Initial measurement

The Company applies the premium allocation approach (PAA) to all the reinsurance contracts that it issues and retrocession contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including reinsurance contract services arising from all premiums within the contract boundary. Or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition,
- Minus any reinsurance acquisition cash flows at that date,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for reinsurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of reinsurance contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

4.6.2 Subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus reinsurance acquisition cash flows
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for reinsurance acquisition cash flows
- Plus any amounts relating to the amortisation of the reinsurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as reinsurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.6 Reinsurance contracts (continued)

4.6.2 Subsequent measurement (continued)

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment).

4.7 Retrocession contracts

4.7.1 Initial measurement

The Company measures its retrocession assets for a group of retrocession contracts that it holds on the same basis as reinsurance contracts that it issues. However, they are adapted to reflect the features of retrocession contracts held that differ from reinsurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Company recognises a loss on initial recognition of an onerous group of underlying reinsurance contracts or when further underlying onerous reinsurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of retrocession contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held.

4.7.2 Subsequent measurement

The subsequent measurement of retrocession contracts held follows the same principles as those for reinsurance contracts issued and has been adapted to reflect the specific features of retrocession held.

4.8 Modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability / Assets for remaining coverage.

4.9 Reinsurance acquisition cash flows

Reinsurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of reinsurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of reinsurance contracts to which the group belongs. All acquisition costs are deferred. Using a systematic and rational method to allocate:

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.9 Reinsurance acquisition cash flows (continued)

- a) Reinsurance acquisition cash flows that are directly attributable to a group of reinsurance contracts:
- to that group; and
 - to groups that include reinsurance contracts that are expected to arise from the renewals of the reinsurance contracts in that group.
- b) Reinsurance acquisition cash flows directly attributable to a portfolio of reinsurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

4.10 Discount rates

The Company adopts a bottom up approach in deriving the appropriate discount rates. A single entity level discount rate curve is computed. Under this approach, the discount rate determined is the risk free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk free yield and the relevant liability cashflows (known as illiquidity premium). The risk free yield was determined using a mixed approach of using OMIBOR and AAA sovereign bond yields. Wherever the observable market data is not available for a particular duration, the yield curve was interpolated between the last observable input points.

4.11 Risk adjustment

IFRS 17 requires entities to measure reinsurance contracts at initial recognition as the sum of the following items;

- Future Cash Flow (FCF) and comprising the Present Value of Future Cash Flows (PVFCF) with an appropriate
- Risk Adjustment (RA) for non-financial risk

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.

4.12 Derivation of the risk adjustment

The Company has determined that the derivation of the risk adjustment shall be performed at the operating level using an appropriate methodology that is in line with IFRS 17 guidelines.

The Risk Adjustment for the Liability for Incurred Claims (LIC) has been estimated based on the stochastic approach performed on Company's triangles with consideration to market benchmarks.

The Company will set a confidence level in the range of the 65th to 70th percentile, on a diversified basis. The Company applies judgment to determine the appropriate Risk Adjustment based on the non-financial risks associated with their portfolios of reinsurance and retrocession contracts to determine the desired Risk Adjustment.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.13 Reinsurance revenue

The reinsurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of reinsurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred reinsurance service expenses. The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

4.14 Reinsurance finance income and expense

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

- Future Cash Flow (FCF) and comprising the Present Value of Future Cash Flows (PVFCF) with an appropriate
- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company allocate reinsurance finance income or expenses on reinsurance contracts issued to profit or loss. The impact of changes in market interest rates on the value of the reinsurance assets and liabilities are reflected in profit or loss in order to minimise accounting mismatches between the accounting for financial assets and reinsurance assets and liabilities.

4.15 Net income or expense from retrocession contracts held

The Company presents separately on the face of statement of profit or loss, the amounts expected to be recovered from reinsurers, net of allocation of the retrocession premiums paid. The Company treats retrocession cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the retrocession contract held and excludes investment components and commissions from an allocation of retrocession premiums presented on the face of statement of profit or loss.

4.16 Fixtures, furniture and equipment's

Fixtures, furniture and equipment's 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:

<i>Description</i>	<i>Years</i>
Motor vehicles	4
Furniture and fixtures	4
Office equipment	4

Expenditure incurred to replace a component of an item of fixtures, furniture and equipment's 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 Fixture, furniture and equipment's. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.16 Fixtures, furniture and equipment's (continued)

An item of fixtures, furniture and equipment's 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 fixtures, furniture and equipment's 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.

4.17 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss. The Company does not have an Intangible assets with indefinite useful lives.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

4.18 Investment properties

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 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 of, 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 in the year of retirement or disposal.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.18 Investment properties (continued)

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.

4.19 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.

4.19.1 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.

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).

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.19 Financial instruments (continued)

4.19.1 Financial assets (continued)

(ii) Measurement (continued)

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.

(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.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.20 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.

The Company's financial liabilities, such as reinsurance premium and 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.

4.21 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 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.22 Cash and cash equivalents

All bank balances with maturity of three months or less from the date of placement are considered to be cash equivalents.

4.23 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.

4.24 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.

4.25 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.

4.26 Dividend income

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

4.27 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.

4.28 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.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.29 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.

4.30 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 substantively 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.

4.31 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.

4.32 Other income

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

4.33 Share capital

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

When 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.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.34 Earnings per share

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

4.35 Net assets per share

The Company presents net assets per share for its ordinary shares. Net assets per share is calculated by dividing the net assets as at the year-end by the number of shares outstanding at the year-end.

5 CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCE OF ESTIMATION UNCERTAINTY

The 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:

5.1 Economic useful lives of fixtures, furniture and equipment

The Company's fixtures, furniture and equipment are depreciated on a straight-line basis over their economic useful lives. The economic useful lives of fixtures, furniture 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.

5.2 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.

5.3 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.

5.4 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.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

5 CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

5.5 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.

5.6 Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised reinsurance 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.

5.7 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.

5.8 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 IBNR claims 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.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

6 SIGNIFICANT JUDGEMENTS AND ESTIMATES - REINSURANCE AND RETROCESSION CONTRACTS

The Company applies the PAA to simplify the measurement of reinsurance and retrocession contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

6.1 Liability for remaining coverage

Reinsurance acquisition cash flows

Reinsurance acquisition cash flows are allocated to related groups of reinsurance contracts recognised in the statement of financial position (including those groups that will include reinsurance contracts expected to arise from renewals). An asset for reinsurance acquisition cash flows is recognised for acquisition cash flows incurred before the related group of reinsurance contracts has been recognised.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from retrocession contracts held. During the year, the company do not have any onerous contracts on which the Company needs to recognize such loss component.

6.2 Liability for incurred claims

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

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), 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 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 judgement 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 decisions 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 probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

6 SIGNIFICANT JUDGEMENTS AND ESTIMATES - REINSURANCE AND RETROCESSION CONTRACTS (continued)

6.3 Discount rates

The Company adopts a bottom up approach in deriving the appropriate discount rates. A single entity level discount rate curve is computed. Under this approach, the discount rate determined is the risk free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk free yield and the relevant liability cashflows (known as illiquidity premium). The risk free yield was determined using a mixed approach of using OMIBOR and AAA sovereign bond yields. Wherever the observable market data is not available for a particular duration, the yield curve was interpolated between the last observable input points.

	<i>1 year</i>		<i>3 year</i>		<i>5 year</i>		<i>10 year</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Currency								
OMR	6.59%	5.40%	4.51%	4.73%	4.35%	4.50%	4.38%	4.38%

6.4 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that a reinsurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 70th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

6.5 Assets for insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate reinsurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period.

At the end of each reporting period, the Company revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

7 CASH AND CASH EQUIVALENTS

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

	2023	2022
Cash on hand	2,906	1,980
Current and call account balances with banks	1,755,064	2,753,297
	<u>1,757,970</u>	<u>2,755,277</u>

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

Balances in call accounts with local commercial banks earn interest rates ranging between 2.5% and 4.00% per annum (31 December 2022: between 0.1% and 2.5% per annum).

Credit ratings of bank balances and bank deposits from rating agencies:

	2023	2022
A1	59,879	1,100,599
A2	1,345,750	1,538,000
Ba1	7,227,619	9,545,905
Ba2	15,291,330	12,985,062

8 BANK DEPOSITS

	2023	2022
Non-current portion of bank deposits-gross	12,983,496	6,590,268
Impairment of assets at amortised cost	(4,988)	(66,113)
Non-current portion of bank deposits-net of impairment	<u>12,978,508</u>	<u>6,524,155</u>
Current portion of bank deposits	9,186,018	15,826,000
	<u>22,164,526</u>	<u>22,350,155</u>

Bank deposits represent deposits placed with commercial banks in the Sultanate of Oman & State of Qatar, which are denominated in Omani Rial & USD and earn interest at commercial rates ranging between 4.30% and 6.00% per annum (31 December 2022: between 4.10% and 5.76% per annum).

The current portion of bank deposits represents deposits which will mature within 1 year of the date of the financial position.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

8 BANK DEPOSITS (continued)

The movement of the impairment is summarized as follows;

	2023	2022
Opening balance	66,113	5,277
(Reversal) / charge for the year	(61,125)	60,836
Closing balance	<u>4,988</u>	<u>66,113</u>

The bank deposits are held under lien by the following:

	2023	2022
Capital Market Authority	15,440,268	18,878,268

9 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:

	<i>Fair value</i>		<i>Average cost</i>	
	2023	2022	2023	2022
Multi-reverse callable notes	195,406	637,539	185,797	627,930
	<u>195,406</u>	<u>637,539</u>	<u>185,797</u>	<u>627,930</u>

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

	2023	2022
At 1 January	637,539	576,615
Acquisitions during the year	384,500	627,632
Disposals during the year	(829,933)	(576,317)
Net unrealised change in fair value recognised in profit or loss (Note 24)	3,300	9,609
At 31 December	<u>195,406</u>	<u>637,539</u>

Multi-reverse callable notes issued and distributed by an international bank, which are denominated in United States Dollars (USD) and Euros, have a nominal redemption value of the investment equivalent to RO 195,406 (2022: RO 637,539), subject to certain conditions being met. The notes carry fixed income coupon rate of 4.13% per annum (2022: 10.08% and 15.88% per annum). These notes are due to mature in March of 2024, 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.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

10 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>Fair value</i>		<i>Amortised / Average cost</i>	
	2023	2022	2023	2022
Equity shares	3,017,890	3,491,183	4,340,768	5,070,236
Bonds	35,195,238	25,700,597	34,151,769	25,921,162
	38,213,128	29,191,780	38,492,537	30,991,398

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

	<i>Fair value</i>		<i>Amortised / Average cost</i>	
	2023	2022	2023	2022
Local				
Equity	436,467	504,407	1,998,711	1,899,372
Bonds	1,116,536	1,807,913	1,122,222	1,814,497
	1,553,003	2,312,320	3,120,933	3,713,869
Overseas				
Equity	2,581,423	2,986,775	2,342,057	3,170,864
Bonds	34,078,702	23,892,685	33,029,547	24,106,665
	36,660,125	26,879,460	35,371,604	27,277,529

(b) The movement in investments at fair value through other comprehensive income can be summarised as below:

	2023	2022
At 1 January	29,191,780	19,788,547
Acquisitions during the year	14,193,900	14,868,874
Disposals during the year	(6,753,522)	(3,577,373)
Net realised change in fair value	(74,515)	162,073
Net unrealised change in fair value	1,537,285	(2,086,852)
Amortisation charge for the year	118,200	36,511
At 31 December	38,213,128	29,191,780

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

10 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

(c) Investment fair value reserve

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

	2023	2022
At 1 January	(1,732,631)	(102,368)
Net change in fair value during the year	1,537,285	(2,086,852)
Deferred tax charge (Note 24 (iii))	(225,635)	288,228
Net realised (gain) / loss transferred to retained earnings	(74,515)	162,073
ECL charge for the year	2,695	6,288
At 31 December	<u>(492,801)</u>	<u>(1,732,631)</u>

(d) The market value of investment includes provision for impairments on debt securities amounting to OMR 8,983 (31 December 2022: 6,288). The movement of provision for impairment is charged to profit and loss is as under:

	2023	2022
Opening balance	6,288	-
Charge for the year	2,695	6,288
Closing balance	<u>8,983</u>	<u>6,288</u>

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

	2023	2022
Capital Market Authority	<u>6,555,726</u>	<u>4,215,925</u>

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

11 RETROCESSION CONTRACTS

2023

	<i>Assets for incurred claims</i>			<i>Total</i>
	<i>Assets for remaining coverage</i>	<i>Estimation of the present value of the future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Opening retrocession contract assets	449,781	30,312,413	1,914,768	32,676,962
Opening retrocession contract liabilities	(17,804,648)	-	-	(17,804,648)
Net opening retrocession contract assets	(17,354,867)	30,312,413	1,914,768	14,872,314
Retrocession expense	(10,616,388)	-	-	(10,616,388)
Amounts recovered				
Amounts recoverable for incurred claims and other expenses	-	4,773,381	488,161	5,261,542
Changes to amounts recoverable for incurred claims	-	4,625,229	(904,803)	3,720,426
Amounts recovered from retrocessionaires	-	9,398,610	(416,642)	8,981,968
Retrocession service result	(10,616,388)	9,398,610	(416,642)	(1,634,420)
Retrocession finance expense recognized in profit or loss	-	788,854	62,302	851,156
Total changes in the statement of profit or loss	(10,616,388)	10,187,464	(354,340)	(783,264)
Retrocession finance income/expense recognized in OCI	-	-	-	-
Total changes in the statement of profit or loss and OCI	(10,616,388)	10,187,464	(354,340)	(783,264)
Cash flows				
Premiums paid	11,665,775	-	-	11,665,775
Recoveries from retrocessionaires	-	(11,885,384)	-	(11,885,384)
Recovered acquisition cash flows	-	-	-	-
Total cash flows	11,665,775	(11,885,384)	-	(219,609)
Net closing retrocession contract (assets) / liabilities	(16,305,480)	28,614,493	1,560,428	13,869,441
Closing retrocession contract assets	78,767	28,614,493	1,560,428	30,253,688
Closing retrocession contract liabilities	(16,384,247)	-	-	(16,384,247)
Net closing retrocession contract (assets) / liabilities	(16,305,480)	28,614,493	1,560,428	13,869,441

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

11 RETROCESSION CONTRACTS (continued)

2022

	<i>Assets for incurred claims</i>			<i>Total</i>
	<i>Assets for remaining coverage</i>	<i>Estimation of the present value of the future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Opening retrocession contract assets	609,111	34,776,099	2,659,008	38,044,218
Opening retrocession contract liabilities	(16,759,689)	-	-	(16,759,689)
Net opening retrocession contract assets	(16,150,578)	34,776,099	2,659,008	21,284,529
Retrocession expense	(7,084,124)	-	-	(7,084,124)
Amounts recovered				
Amounts recoverable for incurred claims and other expenses	-	410,232	50,065	460,297
Changes to amounts recoverable for incurred claims	-	(1,002,251)	(743,081)	(1,745,332)
Amounts recovered from retrocessionaires	-	(592,019)	(693,016)	(1,285,035)
Retrocession service result	(7,084,124)	(592,019)	(693,016)	(8,369,159)
Retrocession finance income recognized in profit or loss	-	(724,596)	(51,224)	(775,820)
Total changes in the statement of profit or loss	(7,084,124)	(1,316,615)	(744,240)	(9,144,979)
Retrocession finance income/expense recognized in OCI	-	-	-	-
Total changes in the statement of profit or loss and OCI	(7,084,124)	(1,316,615)	(744,240)	(9,144,979)
Cash flows				
Premiums paid	5,879,835	-	-	5,879,835
Recoveries from retrocessionaires	-	(3,147,071)	-	(3,147,071)
Recovered acquisition cash flows	-	-	-	-
Total cash flows	5,879,835	(3,147,071)	-	2,732,764
Net closing retrocession contract (assets) / liabilities	(17,354,867)	30,312,413	1,914,768	14,872,314
Closing retrocession contract assets	449,781	30,312,413	1,914,768	32,676,962
Closing retrocession contract liabilities	(17,804,648)	-	-	(17,804,648)
Net closing retrocession contract (assets) / liabilities	(17,354,867)	30,312,413	1,914,768	14,872,314

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

12 ACCRUED INCOME

	2023	2022
Interest accrued on investments	<u>1,013,431</u>	<u>1,040,558</u>

13 OTHER RECEIVABLES

	2023	2022
Loans and advances (gross) including prepayments	290,371	464,024
Provision for impaired loans and advances	(18,380)	(18,380)
Loans and advances (net) including prepayments	<u>271,991</u>	<u>445,644</u>

The movement in impaired loans and advances is as follows:

	2023	2022
At 1 January and at 31 December	<u>18,380</u>	<u>18,380</u>

14 INVESTMENT PROPERTY

	2023	2022
At 1 January and at 31 December	2,084,592	2,084,592
Fair value adjustment on investment property	15,408	-
	<u>2,100,000</u>	<u>2,084,592</u>

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 2023 at RO 2,100,000.

15 INTANGIBLE ASSETS

	2023	2022
The movement in intangible assets is as follows:-		
Cost		
As at 1 January	410,965	390,456
Acquisition during the year	19,461	20,509
As at 31 December	<u>430,426</u>	<u>410,965</u>
Accumulated amortisation		
As at 1 January	290,078	226,543
Charge for the year	59,592	63,535
As at 31 December	<u>349,670</u>	<u>290,078</u>
Net book amount		
As at 31 December	<u>80,756</u>	<u>120,887</u>

Intangible assets comprise of a software license fee which is being amortised over a period of 4 years.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

16 FIXTURES, FURNITURE AND EQUIPMENT

(a) The movement in Fixtures, furniture and equipment is as set out below:

	<i>Motor vehicles</i>	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Total</i>
2023				
Cost				
At 1 January 2023	74,122	227,713	214,200	516,035
Additions during the year	7,817	300	17,886	26,003
Disposals during the year	-	-	(936)	(936)
At 31 December 2023	<u>81,939</u>	<u>228,013</u>	<u>231,150</u>	<u>541,102</u>
Accumulated depreciation				
At 1 January 2023	47,870	201,686	173,911	423,467
Charge for the year	15,428	18,046	20,929	54,403
Relating to disposals	-	-	(643)	(643)
At 31 December 2023	<u>63,298</u>	<u>219,732</u>	<u>194,197</u>	<u>477,227</u>
Carrying amount				
At 31 December 2023	<u>18,641</u>	<u>8,281</u>	<u>36,953</u>	<u>63,875</u>
2022				
Cost				
At 1 January 2022	68,624	228,502	215,922	513,048
Additions during the year	5,498	353	8,226	14,077
Disposals during the year	-	(1,142)	(9,948)	(11,090)
At 31 December 2022	<u>74,122</u>	<u>227,713</u>	<u>214,200</u>	<u>516,035</u>
Accumulated depreciation				
At 1 January 2022	29,569	182,945	162,891	375,405
Charge for the year	18,301	19,883	20,814	58,998
Relating to disposals	-	(1,142)	(9,794)	(10,936)
At 31 December 2022	<u>47,870</u>	<u>201,686</u>	<u>173,911</u>	<u>423,467</u>
Carrying amount				
At 31 December 2022	<u>26,252</u>	<u>26,027</u>	<u>40,289</u>	<u>92,568</u>

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

17 REINSURANCE CONTRACTS

2023

	<i>Liabilities for incurred claims</i>			<i>Total</i>
	<i>Liabilities for remaining coverage</i>	<i>Estimation of the present value of the future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Opening reinsurance contract assets	(16,799,531)	(166)	-	(16,799,697)
Opening reinsurance contract liabilities	412,489	56,910,103	4,742,881	62,065,473
Net opening reinsurance contract (assets) / liabilities	(16,387,042)	56,909,937	4,742,881	45,265,776
Reinsurance revenue	(42,100,184)	-	-	(42,100,184)
Reinsurance service expenses				
Incurred claims and other insurance service expenses	-	16,839,880	1,605,788	18,445,668
Amortisation of insurance acquisition cash flows	10,574,127	-	-	10,574,127
Adjustments to liabilities for incurred claims	-	9,450,318	(1,585,963)	7,864,355
Reinsurance service expenses	10,574,127	26,290,198	19,825	36,884,150
Reinsurance service result	(31,526,057)	26,290,198	19,825	(5,216,034)
Reinsurance finance expense recognized in profit or loss	-	1,544,488	144,752	1,689,240
Total changes in the statement of profit or loss	(31,526,057)	27,834,686	164,577	(3,526,794)
Reinsurance finance income/expense recognized in OCI	-	-	-	-
Total changes in the statement of profit or loss and OCI	(31,526,057)	27,834,686	164,577	(3,526,794)
Cash flows				
Premiums received	33,986,793	-	-	33,986,793
Claim	-	(20,221,652)	-	(20,221,652)
Reinsurance acquisition cash flows	(8,257,394)	-	-	(8,257,394)
Total cash flows	25,729,399	(20,221,652)	-	5,507,747
Net Closing reinsurance contract (assets) / liabilities	(22,183,700)	64,522,971	4,907,458	47,246,729
Closing reinsurance contract assets	(22,488,944)	(36,058)	-	(22,525,002)
Closing reinsurance contract liabilities	305,244	64,559,029	4,907,458	69,771,731
Net Closing reinsurance contract (assets) / liabilities	(22,183,700)	64,522,971	4,907,458	47,246,729

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

17 REINSURANCE CONTRACTS (continued)

2022

	<i>Liabilities for incurred claims</i>			<i>Total</i>
	<i>Liabilities for remaining coverage</i>	<i>Estimation of the present value of the future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Opening reinsurance contract assets	(13,560,133)	(110)	-	(13,560,243)
Opening reinsurance contract liabilities	1,103,370	53,608,381	4,816,095	59,527,846
Net opening reinsurance contract (assets) / liabilities	(12,456,763)	53,608,271	4,816,095	45,967,603
Reinsurance revenue	(32,544,941)	-	-	(32,544,941)
Reinsurance service expenses				
Incurred claims and other insurance service expenses	-	4,975,705	426,414	5,402,119
Amortisation of insurance acquisition cash flows	8,444,045	-	-	8,444,045
Adjustments to liabilities for incurred claims	-	9,988,790	(298,699)	9,690,091
Reinsurance service expenses	8,444,045	14,964,495	127,715	23,536,255
Reinsurance service result	(24,100,896)	14,964,495	127,715	(9,008,686)
Reinsurance finance income recognized in profit or loss	-	(2,212,422)	(200,929)	(2,413,351)
Total changes in the statement of profit or loss	(24,100,896)	12,752,073	(73,214)	(11,422,037)
Reinsurance finance income/expense recognized in OCI	-	-	-	-
Total changes in the statement of profit or loss and OCI	(24,100,896)	12,752,073	(73,214)	(11,422,037)
Cash flows				
Premiums received	27,693,891	-	-	27,693,891
Claims and other insurance service expenses paid	-	(9,450,407)	-	(9,450,407)
Reinsurance acquisition cash flows	(7,523,274)	-	-	(7,523,274)
Total cash flows	20,170,617	(9,450,407)	-	10,720,210
Net Closing reinsurance contract (assets) / liabilities	(16,387,042)	56,909,937	4,742,881	45,265,776
Closing reinsurance contract assets	(16,799,531)	(166)	-	(16,799,697)
Closing reinsurance contract liabilities	412,489	56,910,103	4,742,881	62,065,473
Net Closing reinsurance contract (assets) / liabilities	(16,387,042)	56,909,937	4,742,881	45,265,776

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

17 REINSURANCE CONTRACTS (continued)

17.1 The company monitors and categorises its portfolios in two reporting segments namely, facultative and treaty portfolios. The reinsurance contract liabilities for facultative and treaty are as follows:

2023

	<i>Liabilities for remaining coverage</i>	<i>Facultative</i>		<i>Total</i>
		<i>Liabilities for incurred claims</i>		
		<i>Estimation of the present value of the future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Opening reinsurance contract assets	(7,055,721)	-	-	(7,055,721)
Opening reinsurance contract liabilities	333,152	28,066,873	2,535,972	30,935,997
Net opening reinsurance contract (assets) / liabilities	(6,722,569)	28,066,873	2,535,972	23,880,276
Reinsurance revenue	(20,856,067)	-	-	(20,856,067)
Reinsurance service expenses				
Incurred claims and other insurance service expenses	-	7,821,425	741,136	8,562,561
Amortisation of insurance acquisition cash flows	4,711,730	-	-	4,711,730
Adjustments to liabilities for incurred claims	-	(1,205,665)	(841,572)	(2,047,237)
Reinsurance service expenses	4,711,730	6,615,760	(100,436)	11,227,054
Reinsurance service result	(16,144,337)	6,615,760	(100,436)	(9,629,013)
Reinsurance finance expense recognized in profit or loss	-	813,916	78,141	892,057
Total changes in the statement of profit or loss	(16,144,337)	7,429,676	(22,295)	(8,736,956)
Reinsurance finance income/expense recognized in OCI	-	-	-	-
Total changes in the statement of profit or loss and OCI	(16,144,337)	7,429,676	(22,295)	(8,736,956)
Cash flows				
Premiums received	16,068,559	-	-	16,068,559
Claims and other insurance service expenses paid	-	(6,195,875)	-	(6,195,875)
Reinsurance acquisition cash flows	(3,406,015)	-	-	(3,406,015)
Total cash flows	12,662,544	(6,195,875)	-	6,466,669
Net Closing reinsurance contract (assets) / liabilities	(10,204,362)	29,300,674	2,513,677	21,609,989
Closing reinsurance contract assets	(10,407,574)	(36,058)	-	(10,443,632)
Closing reinsurance contract liabilities	203,212	29,336,732	2,513,677	32,053,621
Net Closing reinsurance contract (assets) / liabilities	(10,204,362)	29,300,674	2,513,677	21,609,989

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

17 REINSURANCE CONTRACTS (continued)

2023

	<i>Treaty</i>			<i>Total</i>
	<i>Liabilities for incurred claims</i>			
	<i>Liabilities for remaining coverage</i>	<i>Estimation of the present value of the future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Opening reinsurance contract assets	(9,762,769)	(166)	-	(9,762,935)
Opening reinsurance contract liabilities	98,296	28,843,230	2,206,909	31,148,435
Net opening reinsurance contract (assets) / liabilities	(9,664,473)	28,843,064	2,206,909	21,385,500
Reinsurance revenue	(21,244,117)	-	-	(21,244,117)
Reinsurance service expenses				
Incurred claims and other insurance service expenses	-	9,018,455	864,652	9,883,107
Amortisation of insurance acquisition cash flows	5,862,397	-	-	5,862,397
Adjustments to liabilities for incurred claims	-	10,655,983	(744,391)	9,911,592
Reinsurance service expenses	5,862,397	19,674,438	120,261	25,657,096
Reinsurance service result	(15,381,720)	19,674,438	120,261	4,412,979
Reinsurance finance income recognized in profit or loss	-	730,572	66,611	797,183
Total changes in the statement of profit or loss	(15,381,720)	20,405,010	186,872	5,210,162
Reinsurance finance income/expense recognized in OCI	-	-	-	-
Total changes in the statement of profit or loss and OCI	(15,381,720)	20,405,010	186,872	5,210,162
Cash flows				
Premiums received	17,918,234	-	-	17,918,234
Claims and other insurance service expenses paid	-	(14,025,777)	-	(14,025,777)
Reinsurance acquisition cash flows	(4,851,379)	-	-	(4,851,379)
Total cash flows	13,066,855	(14,025,777)	-	(958,922)
Net Closing reinsurance contract (assets) / liabilities	(11,979,338)	35,222,297	2,393,781	25,636,740
Closing reinsurance contract assets	(12,081,370)	-	-	(12,081,370)
Closing reinsurance contract liabilities	102,032	35,222,297	2,393,781	37,718,110
Net Closing reinsurance contract (assets) / liabilities	(11,979,338)	35,222,297	2,393,781	25,636,740

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

17 REINSURANCE CONTRACTS (continued)

2022

	<i>Facultative</i>			<i>Total</i>
	<i>Liabilities for remaining coverage</i>	<i>Liabilities for incurred claims</i>		
	<i>Liabilities for remaining coverage</i>	<i>Estimation of the present value of the future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Opening reinsurance contract assets	(5,010,263)	-	-	(5,010,263)
Opening reinsurance contract liabilities	1,091,751	27,897,705	2,763,892	31,753,348
Net opening reinsurance contract (assets) / liabilities	(3,918,512)	27,897,705	2,763,892	26,743,085
Reinsurance revenue	(17,080,989)	-	-	(17,080,989)
Reinsurance service expenses				
Incurred claims and other insurance service expenses	-	2,738,823	235,479	2,974,302
Amortisation of insurance acquisition cash flows	3,828,676	-	-	3,828,676
Adjustments to liabilities for incurred claims	-	3,225,028	(368,005)	2,857,023
Reinsurance service expenses	3,828,676	5,963,851	(132,526)	9,660,001
Reinsurance service result	(13,252,313)	5,963,851	(132,526)	(7,420,988)
Reinsurance finance expense recognized in profit or	-	(1,033,468)	(95,394)	(1,128,862)
Total changes in the statement of profit or loss	(13,252,313)	4,930,383	(227,920)	(8,549,850)
Reinsurance finance income/expense recognized in OCI	-	-	-	
Total changes in the statement of profit or loss and OCI	(13,252,313)	4,930,383	(227,920)	(8,549,850)
Cash flows				
Premiums received	14,265,512	-	-	14,265,512
Claims and other insurance service expenses paid	-	(4,761,215)	-	(4,761,215)
Reinsurance acquisition cash flows	(3,817,256)	-	-	(3,817,256)
Total cash flows	10,448,256	(4,761,215)	-	5,687,041
Net Closing reinsurance contract (assets) / liabilities	(6,722,569)	28,066,873	2,535,972	23,880,276
Closing reinsurance contract assets	(7,055,721)	-	-	(7,055,721)
Closing reinsurance contract liabilities	333,152	28,066,873	2,535,972	30,935,997
Net Closing reinsurance contract (assets) / liabilities	(6,722,569)	28,066,873	2,535,972	23,880,276

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

17 REINSURANCE CONTRACTS (continued)

2022

	<i>Treaty</i>			<i>Total</i>
	<i>Liabilities for remaining coverage</i>	<i>Liabilities for incurred claims</i>		
		<i>Estimation of the present value of the future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Opening reinsurance contract assets	(8,549,870)	(110)		(8,549,980)
Opening reinsurance contract liabilities	11,619	25,710,676	2,052,203	27,774,498
Net opening reinsurance contract (assets) / liabilities	(8,538,251)	25,710,566	2,052,203	19,224,518
Reinsurance revenue	(15,463,952)	-	-	(15,463,952)
Reinsurance service expenses				
Incurred claims and other insurance service expenses	-	2,236,882	190,935	2,427,817
Amortisation of insurance acquisition cash flows	4,615,369	-	-	4,615,369
Adjustments to liabilities for incurred claims	-	6,763,762	69,306	6,833,068
Reinsurance service expenses	4,615,369	9,000,644	260,241	13,876,254
Reinsurance service result	(10,848,583)	9,000,644	260,241	(1,587,698)
Reinsurance finance income recognized in profit or loss	-	(1,178,954)	(105,535)	(1,284,489)
Total changes in the statement of profit or loss	(10,848,583)	7,821,690	154,706	(2,872,187)
Reinsurance finance income/expense recognized in OCI	-	-	-	-
Total changes in the statement of profit or loss and OCI	(10,848,583)	7,821,690	154,706	(2,872,187)
Cash flows				
Premiums received	13,428,379	-	-	13,428,379
Claims and other insurance service expenses paid	-	(4,689,192)	-	(4,689,192)
Reinsurance acquisition cash flows	(3,706,018)	-	-	(3,706,018)
Total cash flows	9,722,361	(4,689,192)	-	5,033,169
Net Closing reinsurance contract (assets) / liabilities	(9,664,473)	28,843,064	2,206,909	21,385,500
Closing reinsurance contract assets	(9,762,769)	(166)	-	(9,762,935)
Closing reinsurance contract liabilities	98,296	28,843,230	2,206,909	31,148,435
Net Closing reinsurance contract (assets) / liabilities	(9,664,473)	28,843,064	2,206,909	21,385,500

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

18 OTHER PAYABLES

	2023	2022
Other payables	44,473	75,186
	<u>44,473</u>	<u>75,186</u>

19 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 (2022: RO 32,615,926), comprising of 300,000,000 shares of 100 baiza each and 30,775,600 shares of 85 baiza (2022: 300,000,000 shares of 100 baiza each and 30,775,600 shares of 85 baiza).

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 as per Muscat Clearing and Depository Company are as follows:

	2023	2022
Trust International Insurance & Reinsurance Company B.S.C. (Bahrain)	27.18%	27.18%
Qatar General Insurance & Reinsurance Company S.A.Q.	22.30%	22.30%
Ziliano Investments	9.07%	9.07%
Al Zawawi Trading Company LLC	8.62%	8.62%
Omar Zawawi Establishment LLC	8.36%	8.36%

20 LEGAL RESERVE

In accordance with Article 132 of the new Commercial Companies Law 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 2023, the Company has transferred an amount of RO 255,570 to the legal reserve (2022: RO 212,353).

21 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 during the year ended 31 December 2023 net of transfer to legal reserve, amounting to RO 2,300,125 has been transferred to the contingency reserve (2022: RO 1,911,173).

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

22 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 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, are at arms length and approved by the management. During the period, the following transactions were carried out with the related parties:

(a) Significant transactions during the year with related parties are as follows:	2023	2022
		<i>Restated</i>
Shareholders with significant influence:		
Reinsurance		
Reinsurance Revenue	1,193,059	2,912,115
Reinsurance service expense	306,761	1,228,890
Retrocession		
Retrocession expense	287,269	649,602
Amounts recovered from retrocessionaires	267,318	1,616,214
(b) Key management compensation:		
Directors' remuneration		
Directors' sitting fees	47,800	58,000
Key management remuneration		
Salaries and employment benefits	465,162	428,236
(c) Other transactions		
Software maintenance expenses	28,838	19,225
(d) Related party balances		
Shareholders with significant influence:		
Reinsurance contract liabilities	3,448,375	10,335,150
Retrocession contract assets	1,358,382	1,629,838

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

23 TAXATION

Tax assessments of the Company for the years upto 2019 have been finalised. Tax assessments for the years 2020 to 2022 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 2023.

During the year on account of adoption of IFRS 17, Company has restated its comparative figures and the Company plans on filing the revised tax returns of the prior year along with the submission of 2023 tax returns. Company has accordingly adjusted its current tax charge for the year 2022 and has recognised a receivable from Tax Authority amounting to RO 266,887 subject to tax assessments from the Tax Authority.

The Company has reported a net taxable profit for the year. A provision for tax of RO 578,317 (2022: RO 107,136) has been recognised in the current year.

(i) Tax expense

	2023	2022 (Restated)
Current tax		
Charge for the current period	578,317	101,977
Charge for prior periods	-	5,159
	<u>578,317</u>	<u>107,136</u>
Charge for the current period (profit or loss)	(117,639)	29,372
Credit for the current period (other comprehensive income)	225,635	(288,228)
	<u>107,996</u>	<u>(258,856)</u>
Net charge to the profit or loss	460,678	136,508
Net credit to other comprehensive income	225,635	(288,228)
	<u>686,313</u>	<u>(151,720)</u>

The Company is subject to income tax at the rate of 15% of taxable profit (2022 : 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:-

	2023	2022 (Restated)
Net profit before tax for the year	3,016,373	2,260,034
Tax at the applicable rate (15%)	452,456	339,005
Expenses not deductible for tax purposes	8,222	(34,838)
IFRS 17 Impact of prior years routed through equity	-	(172,818)
Prior years adjustments in provision	-	5,159
Total tax expenses as per profit or loss	<u>460,678</u>	<u>136,508</u>

(ii) Current tax liability:

	2023	2022 (Restated)
At the beginning of the year	101,977	244,852
Charge for the period	578,317	107,136
Paid during the period	(367,383)	(250,011)
At the end of the year	<u>312,911</u>	<u>101,977</u>

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

23 TAXATION (continued)

(iii) Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 15% (2022: 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:

	2023	2022 (Restated)
As at 1 January	190,498	(68,358)
Credit recognised in profit or loss	117,639	(29,372)
(Credit)/charge recognised in other comprehensive income (Note 10 (c))	(225,635)	288,228
At 31 December	<u>82,502</u>	<u>190,498</u>

24 INVESTMENT AND OTHER INCOME - NET

	2023	2022
Interest on bonds and bank deposits	2,676,382	2,181,937
Dividend income	57,900	115,490
Realised gains on sale of investments at fair value through other comprehensive income	(12,631)	9,351
Unrealised fair value gains on investments at fair value through profit or loss (Note 09)	3,300	9,609
Gains on sale of fixtures, furniture and equipment	(34)	708
Custody expenses	(85,592)	(14,484)
Miscellaneous income	198	28,260
Reversal/(provision) for impairment on assets held on amortized cost and fair value through other comprehensive income	58,430	(72,401)
Unrealised fair value gains on investment property	15,408	-
	<u>2,713,361</u>	<u>2,258,470</u>

25 SALARIES AND OTHER RELATED STAFF COSTS

	2023	2022
Salaries and allowances	1,858,053	1,455,081
Provision for leave salary	31,946	151,393
Employees' benefit liabilities	66,589	89,709
Social security costs	86,998	80,679
Other staff costs	392,127	477,185
	<u>2,435,713</u>	<u>2,254,047</u>

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries and other related staff costs (Note 25)	2,435,713	2,254,047
Legal and professional fees	293,588	242,221
Depreciation and amortisation (Notes 15 and 16)	113,995	122,533
Business travel expenses	86,903	91,431
Computer expenses	100,689	86,557
Short-term lease rentals	76,738	79,952
Meeting related expenses	69,568	75,875
Advertising and business promotion expenses	65,178	41,583
Telephone, fax and postage	27,541	25,800
Office maintenance	15,332	17,438
Miscellaneous expenses	127,886	111,198
	<u>3,413,131</u>	<u>3,148,635</u>
	2023	2022
		<i>Restated</i>
Expenses attributable to acquisition	841,504	733,053
Expenses attributable to maintenance	895,113	801,684
Non-attributable expenses	1,676,514	1,613,898
	<u>3,413,131</u>	<u>3,148,635</u>

27 EARNINGS 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.

	2023	2022
		<i>Restated</i>
Weighted average number of shares (number)	330,775,600	330,775,600
Net profit for the year	2,555,695	2,123,526
Earnings per share - Basic and diluted	0.0077	0.0064

As there are no dilutive potential shares issued by the Company, the diluted earnings per share is same as the basic

28 NET ASSETS PER SHARE

The calculation of the net assets per share is based on net assets as at 31 December 2023 attributable to ordinary shareholders of RO 32,531,490 (31 December 2022: RO 28,439,003) divided by the number of shares outstanding at the year-end of 330,775,600 ordinary shares (31 December 2022: 330,775,600 ordinary shares).

	2023	2022
		<i>Restated</i>
Net assets as at 31 December (RO)	32,208,913	28,338,873
Number of shares outstanding	330,775,600	330,775,600
Net assets per share (RO)	<u>0.0974</u>	<u>0.0857</u>

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

29 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:

	2023		
	Facultative	Treaty	Total
Gross classification based on inward business			
Reinsurance revenue	20,856,067	21,244,117	42,100,184
Incurred claims and other insurance service expenses	8,562,561	9,883,107	18,445,668
Amortisation of insurance acquisition cash flows	4,711,730	5,862,397	10,574,127
Adjustments to liabilities for incurred claims	(2,047,237)	9,911,592	7,864,355
Reinsurance service expense	11,227,054	25,657,096	36,884,150
Reinsurance service result before retrocession contracts held	9,629,013	(4,412,979)	5,216,034
Retrocession expense			10,616,388
Incurred claims and other insurance service expenses			5,261,542
Amortisation of insurance acquisition cash flows			-
Adjustments to liabilities for incurred claims			3,720,426
Amounts recovered from retrocessionaires			8,981,968
Net expense from retrocession			1,634,420
Reinsurance service results			3,581,614
	2022 (Restated)		
	Facultative	Treaty	Total
Gross classification based on inward business			
Reinsurance revenue	17,080,989	15,463,952	32,544,941
Incurred claims and other insurance service expenses	2,974,302	2,427,817	5,402,119
Amortisation of insurance acquisition cash flows	3,828,676	4,615,369	8,444,045
Adjustments to liabilities for incurred claims	2,857,023	6,833,068	9,690,091
Reinsurance service expense	9,660,001	13,876,254	23,536,255
Reinsurance service result before retrocession contracts held	7,420,988	1,587,698	9,008,686
Retrocession expense			7,084,124
Incurred claims and other insurance service expenses			460,297
Amortisation of insurance acquisition cash flows			-
Adjustments to liabilities for incurred claims			(1,745,332)
Amounts recovered from retrocessionaires			(1,285,035)
Net expense from retrocession			8,369,159
Reinsurance service results			639,527

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

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

30 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 risks through its underwriting strategy, adequate retro-insurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting 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).

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

30 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance Risk (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and Incurred but Not Reported (IBNR) for each successive underwriting year at each statement of financial position date, together with cumulative payments to date.

Gross Underwriting year	2018 and prior	2019	2020	2021	2022	2023	Total
Underwriting year	15,311,556	9,287,553	6,768,649	7,594,819	4,354,495	12,519,157	
One year later	44,274,241	20,016,407	14,508,617	13,360,808	17,204,425	-	
Two years later	59,374,702	20,664,131	14,585,120	16,965,437	-	-	
Three years later	61,729,429	19,400,922	14,679,791	-	-	-	
Four years later	63,267,076	18,677,192	-	-	-	-	
More than four years	60,100,256	-	-	-	-	-	
Current estimate of cumulative claims	60,100,256	18,677,192	14,679,791	16,965,437	17,204,425	12,519,157	140,146,258
Cumulative payments to date	(53,950,870)	(14,871,081)	(8,572,503)	(9,540,628)	(6,780,029)	(5,708,467)	(99,423,578)
IBNR	285,516	563,764	1,011,004	1,377,755	4,664,871	7,073,373	14,976,283
Total gross outstanding claims liabilities (Undiscounted)	6,434,902	4,369,875	7,118,292	8,802,564	15,089,267	13,884,063	55,698,963
Discount factor							(5,863,928)
Total gross outstanding claims liabilities as per (Discounted)							49,835,035
Net Underwriting year	2018 and prior	2019	2020	2021	2022	2023	Total
Underwriting year	6,668,298	2,755,223	1,145,442	4,786,078	3,979,863	9,060,113	
One year later	22,865,596	5,945,560	6,713,477	10,630,720	7,408,869	-	
Two years later	31,739,326	6,844,859	10,109,129	12,933,747	-	-	
Three years later	34,714,713	7,720,282	7,055,948	-	-	-	
Four years later	35,055,967	6,129,091	-	-	-	-	
More than 4 years	30,069,748	-	-	-	-	-	
Current estimate of cumulative claims	30,069,748	6,129,091	7,055,948	12,933,747	7,408,869	9,060,113	72,657,516
Cumulative payments to date	(27,555,887)	(4,285,381)	(4,749,757)	(7,258,213)	(402,999)	(4,370,632)	(48,622,869)
IBNR	121,777	315,984	835,887	1,293,545	4,476,009	6,891,241	13,934,443
Total net outstanding claims liabilities (Undiscounted)	2,635,638	2,159,694	3,142,078	6,969,079	11,481,879	11,580,722	37,969,090
Discount factor							(3,752,646)
Total net outstanding claims liabilities as per (Discounted)							34,216,444

(b) Sensitivity analysis

2023	Profit and Loss		Equity	
	Gross	Net	Gross	Net
Claims expense (5% increase)	1,391,734	882,361	1,391,734	882,361
Claims expense (5% decrease)	(1,391,734)	(882,361)	(1,391,734)	(882,361)
2022				
Claims expense (5% increase)	637,604	703,434	637,604	703,434
Claims expense (5% decrease)	(637,604)	(703,434)	(637,604)	(703,434)

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

30 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 1,920,427 (2022: RO 1,417,466). The analysis is based on the assumption that the market index increases/decreases 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 110,848 (2022: RO 112,081).

(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

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

30 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

(iii) Foreign exchange risk (continued)

Currency risk	31 December 2023				
	Omani Rial	US Dollar	Egyptian Pound	Others	Total
Assets					
Bank balances	41,123	1,043,239	-	673,608	1,757,970
Bank deposits	20,818,742	1,345,750	-	-	22,164,492
Investments in fair value through other comprehensive income	1,553,003	34,565,163	-	2,094,962	38,213,128
Investments in fair value through profit or loss	-	195,406	-	-	195,406
Other receivables	271,991	-	-	-	271,991
Accrued Income	436,457	560,490	-	16,484	1,013,431
Retrocession contract assets	13,915,267	-	-	-	13,915,267
Total assets	37,036,583	37,710,048	-	2,785,054	77,531,685
Liabilities					
Reinsurance contract liabilities	2,383,236	19,453,076	198,618	25,211,799	47,246,729
Other payables	121,712	-	-	-	121,712
Total liabilities	2,504,948	19,453,076	198,618	25,211,799	47,368,441
Net assets/(liabilities)	34,531,635	18,256,972	(198,618)	(22,426,745)	30,163,244
Currency risk	31 December 2022 (Restated)				
	Omani Rial	US Dollar	Egyptian Pound	Others	Total
Assets					
Bank balances	255,981	1,823,154	-	676,142	2,755,277
Bank deposits	20,812,155	1,538,000	-	-	22,350,155
Investments in fair value through other comprehensive income	2,312,321	24,701,725	-	2,177,734	29,191,780
Investments in fair value through profit or loss	-	428,379	-	209,160	637,539
Other receivables	445,644	-	-	-	445,644
Accrued Income	600,465	429,785	-	10,308	1,040,558
Retrocession contract assets	14,917,065	-	-	-	14,917,065
Total assets	39,343,631	28,921,043	-	3,073,344	71,338,018
Liabilities					
Reinsurance contract liabilities	4,142,333	19,951,609	841,111	20,330,723	45,265,776
Other payables	119,052	-	-	-	119,052
Total liabilities	4,261,385	19,951,609	841,111	20,330,723	45,384,828
Net assets/(liabilities)	35,082,246	8,969,434	(841,111)	(17,257,379)	25,953,190

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

30 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

(iii) Foreign exchange risk (continued)

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 595,314 (2022: RO 849,188).

(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 and reinsurance companies, including outstanding amounts from related parties.

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 and reinsurance 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 and reinsurance 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:

	2023	2022
Bank deposits	22,164,492	22,350,155
Other receivables	271,991	445,644
Accrued income	1,013,431	1,040,558
Retrocession contract assets	13,869,441	14,872,314
Cash and cash equivalents	1,757,970	2,753,297
	<u>39,077,325</u>	<u>41,461,968</u>

(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.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

30 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

(v) Liquidity risk (continued)

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.

31 December 2023	Upto 1 year	1 - 2 year	2 - 3 years	> 3 years	Total
Reinsurance contract liabilities (claims)	19,149,104	12,904,267	7,357,105	16,288,488	55,698,964
Other payables	44,473	-	-	-	44,473
Current tax liability	312,911	-	-	-	-
	<u>19,506,488</u>	<u>12,904,267</u>	<u>7,357,105</u>	<u>16,288,488</u>	<u>55,743,437</u>
31 December 2022 (Restated)					
Reinsurance contract liabilities (claims)	21,592,568	13,439,738	6,433,401	10,021,881	51,487,588
Other payables	75,186	-	-	-	75,186
Current tax liability	101,977	-	-	-	-
	<u>21,769,731</u>	<u>13,439,738</u>	<u>6,433,401</u>	<u>10,021,881</u>	<u>51,562,774</u>

(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 38,213,128 (2022: RO 29,191,780) which are categorised as level 1 and investments at fair value through profit or loss of RO 195,406 (2022: RO 637,539) 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.

OMAN REINSURANCE COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Omani Rial)

31 SUBSEQUENT EVENTS

There were no other events subsequent to 31 December 2023 and occurring before the date of the report that are expected to have a significant impact on these financial statements.

32 MACROECONOMIC UNCERTAINTIES

32.1 Geopolitical uncertainty

The war in Ukraine triggered a number of IFRS accounting considerations affecting the financial statements. Many countries have imposed, and continue to impose, new sanctions on specified Russian entities and individuals. Sanctions have also been imposed on Belarus. The situation, together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources, will directly impact entities that have significant operations or exposures in, or to, Russia, Belarus or Ukraine.

Though the Company's direct exposure to countries directly involved in the recent international disputes is non-existent, the Company's operations are partially concentrated in economies that are relatively dependent on the price of crude oil and accordingly, the Company has considered any potential impact of current economic uncertainties in the inputs for the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

32.2 Climate related risks

The Company and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behavior and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Company is currently evaluating its model landscape to incorporate climate-related risks and their impact on claims and premiums. The Company is also under progress in the development of climate risk scenarios that will be used to assess the impact of climate risk on forward-looking information; and in building the knowledge and capacity of its workforce in matters relating to climate-related risk. Despite the progress, the Company acknowledges the need for further efforts to fully integrate climate in the Company's risk assessments and management protocols.