1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Muscat Insurance Company SAOG ("the Company") is registered as a public joint stock company in the Sultanate of Oman. The Company was formerly operating as an investment company whereby its license was amended by Capital Market Authority (CMA) to underwrite general insurance and life assurance business from 17 August 2017, vide the CMA's administration decision E/59/2017 dated 30 August 2017.

The Company was restructured in the year ended 31 December 2017 through the merger of its two fully owned subsidiaries in order to comply with provisions of the Insurance Companies Law of 1979, as amended, to bring the share capital of the Company to RO 10 million by August 2017. Accordingly, the subsidiaries Muscat Insurance Company SAOC ("MIC") and Muscat Life Assurance Company SAOC ("MLAC") were merged with the Company by transferring their assets and liabilities, as well as the licenses to underwrite portfolio of general and life insurance business.

2. BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the relevant disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.
The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Company

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2022. The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

• Amendments to IFRS 3 'Business combinations' update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

• Amendments to IAS 16 'Property, plant and equipment' require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset.

•Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making.

•Annual Improvements to IFRS Standards 2018–2020 amend:

- IAS 41 'Biological assets' to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in other accounting standards;
-IFRS 1 'First time adoption of International Financial Reporting Standards' to simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
-IFRS 9 'Financial instruments' to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; and
-IFRS 16 'Leases' illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements.

The Management believes the adoption of the above amendments has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for the current accounting period.

2.3 New and amended IFRS which are in issue but not yet effective

At the end of the reporting period, the following significant new and revised standards were in issue but not yet effective:

a) IFRS 17 'Insurance Contracts'

Issued in May 2017, IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investments with discretionary participation features.
Under IFRS 17, contracts are measured using the building blocks of:
- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and the Company will apply IFRS 17 for the first time on 1 January 2023. The new standard will bring significant changes to the accounting for insurance and reinsurance contract and financial instruments and are expected to have a material impact on the Company's financial statements in the year of initial adoption.

b) IFRS 9, 'Financial Instruments'
IFRS 9, 'Financial Instruments' outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting.

IFRS introduces new requirements for:
- Classification and measurement of financial assets and financial liabilities
- New model based on Expected credit losses (ECL) for recognizing loss provision.

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets measured at amortized

cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

Expected Credit Losses

IFRS 9 replaces the incurred loss model under IAS 39 with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI which mainly include receivables, deposits, and bonds. No impairment loss will be recognized on equity investments. A number of significant judgements are also required in applying the accounting requirements for measuring ECL such as:

- Determining quantitative and qualitative criteria for significant increase in credit risk (SICR)
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product /market and the associated ECL

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the criteria and has applied for temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

Estimated impact of the adoption of IFRS 17 and IFRS 9

Under IFRS 17, the Premium Allocation Approach ("PAA") shall be applied for all insurance contracts issued and reinsurance contracts held except for long-term life insurance policies with risk coverage duration of more than 12 months, for which the General Measurement Model ("GMM") will be applied.

The implementation work on IFRS 17 is still in progress but close to completion stage. The Management are still finalizing the models and the necessary policy decisions for IFRS 17 and accordingly, the assessment of the final impact cannot be determined at this stage.

Based on Company's preliminary assessment, the new IFRS 9 classification requirements are not expected to have a material impact on its accounting for investments in bonds, fixed deposits and investment in equity securities. However, the estimated impact with regards to impairment requirements of IFRS 9 is yet to be determined as the ECL model is still being finalized.

The actual impact on adoption of IFRS 17 and IFRS 9 may change on account of:

- the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9 is still being reviewed and updated as necessary;
- the testing and assessment of controls over the Company's new ERP system are yet to be completed; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the first financial statements that include the initial adoption of these standards are finalized.

The Company expects to adopt the fair value approach on adoption of IFRS 17 and IFRS 9 in the financial statements of the year 2023, whereby opening balances at 1 January 2022 would be adjusted with amendments to corresponding figures for 2022.

c) The following other standards and amendments will become effective for the annual periods beginning on or after 1 January 2023.
   - Amendments to IAS 1 'Presentation of financial statements'

- Amendments to IFRS 16 'Leases'
- Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates'
- Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors'
- Amendments to IAS 12 'Income taxes'

The Management believes the adoption of the above amendments is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

3. CRITICAL ACCOUNTING ESTIMATES , JUDGEMENTS AND CHANGE IN ESTIMATES

a) Critical accounting estimates and judgements

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, estimates that involve uncertainties and judgements which have significant effect on the financial statements include the following:

- *Outstanding claims including IBNR*
  Estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

  The Company has a concentration in motor policies issued. The Management believes that the liability arising out of third party bodily injury claims, in particular, cannot be precisely estimated. Nevertheless, the Management continuosly monitors the development of compensation claims on an annual basis and makes adequate provision for these insurance liabilities.

  In case of non motor general insurance policies issued, the loss estimation is determined at the end of the reporting period using a range of historical trends, empirical data and standard actuarial claim projection techniques. The non motor general insurance is predominantly ceded out and the risk retention is low.

  In respect of claims under general and life insurance policies, estimates are required to be made for the expected ultimate cost of reported claims at the end of the reporting period as well as for the ultimate cost in respect of claims IBNR at the end of the reporitng period. The Management uses the initial value of the claim provided by the surveyor for the expected ultimate cost of claims reported at the financial position date. However, for IBNR, the Management relies on an independent actuary to perform a review of the reserve for IBNR based on the historical data of claims and premium development. The primary technique adopted by the Management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to predict future claim 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.

- *Liability adequacy test*

  The Company uses best estimates of future contractual cash flows and claims handling and administration expense, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision.

- *Future benefit payments and premiums arising from long term insurance contracts*

  The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determine the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as COVID 19, AIDS, SARS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

- *Fair value of unquoted investments available for sale*

  For the unquoted investments available for sale, the Management estimates the fair value by using valuation techniques, including the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis. Where it is impractical to use such techniques, the Company uses the adjusted net asset value or par value of instruments as appropriate.

- *Impairment of investments available for sale*

  The Management determines that investments available for sale are impaired when there has been a significant or prolonged decline in the value of the investment below its cost. The determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, cash flows, etc.

- *Impairment of premium and insurance balance receivable*

  The Management reviews the premium and insurance receivable ageing on a periodic basis. In case of difficult and unsecured debtors whose outstanding is in excess of the credit period allowed, regular follow up is made to collect the same. Wherever necessary, legal options are also considered. The Management estimates the allowance for credit losses based on percentages applied on the overall ageing analysis and a review of case to case debtors.

- *Recognition of all commissions and all acquisition costs*

  During the current year, the Management has reviewed the recognition of all commissions and policy acquisition costs . Until the previous reporting period ended 31 December 2021,

  commissions and policy acquisition costs were recognised at the time the policies were written and, considering the short term nature of the insurance costs, deferred acquisition costs and

unearned commission income were estimated to both be RO nil.

At 31 December 2022, the Company has estimated 'Unearned commission income' (UCI) to be in the amount of RO 324,790 [2021 - RO nil] and 'Deferred acquisition cost' (DAC) to be in the amount of RO 136,281 [2021 - RO nil] .

4. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements:

a) Accounting convention

These financial statements have been prepared under the historical cost convention modified by the measurement at fair value of investments carried at fair value through profit or loss and available for sale investments.

The statement of financial position has been prepared in order of liquidity.

b) Insurance contracts

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

Recognition and measurement

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

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

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

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

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

Long term insurance contracts with fixed and guaranteed terms

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

Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the premiums are recognised based on actuarial valuation. The liabilities are recalculated

at each reporting date using the assumptions established at inception based on the actuarial valuation.

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

Policy acquisition costs

All commissions and other acquisition costs related to securing new contracts and renewing existing contracts are recognised in accordance with the period of contract.

c) Revenue

Premiums earned

Gross premium represents the total business written during the year and are recognised as revenue (premium) at the time of entering into the insurance contract. Unearned premiums represent the proportion of premiums written relating to periods of insurance subsequent to the reporting date. Unearned premium reserve (UPR) for all classes of general insurance is calculated using 1/365 method for the year. For life (life and medical) insurance contracts, an appropriate actuarial reserve that is determined annually by an independent actuary is maintained.

Unearned premium

The provision for unexpired premium represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Commissions

Commissions earned and paid are recognised in accordance with the period of the insurance contracts.

d) Claims

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

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

Salvage and subrogation reimbursements

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

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

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

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

e) Liability adequacy test

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

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

At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums. Any inadequacy would be immediately charged to the statement of comprehensive income by establishing a premium deficiency provision.

An amount (mathematical actuarial reserve) is determined by an independent actuary on an annual basis reflecting the unexpired risk for life business underwritten. A contingency reserve is also established in accordance with the Insurance Companies Law of Oman.

f) Reinsurance

In order to minimise financial exposure from large claims, the Company enters into agreements with other parties for reinsurance purposes. Premiums ceded and claims reimbursed are presented on a gross basis. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within insurance receivables), as well as the reinsurance portion of gross claims outstanding including IBNR and unexpired risk reserve that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance

with the reinsurance contract. These are shown as assets in the statement of financial position until the Company pays the claim. Once the claim is paid, the amount due from the reinsurer in connection with the paid claim is transferred to 'insurance receivable'.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due, net of commission income which represents income earned from reinsurance companies.

The Company regularly assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method as used for impairment of other financial assets.

g) Premium and insurance receivables

Premium and insurance receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses, if any. A provision for impairment of premium and insurance receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the premium and insurance receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the provision is recognised in the statement of income within 'general and administration expenses'. When premium and insurance receivable is uncollectable, it is written off against the allowance account for premium and insurance receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administration expenses' in the statement of income.

h) Investments

Investments available for sale
Investments available for sale are intended to be held for an indefinite period of time, but may be sold in response to the need for liquidity or changes in equity prices. Investments available for sale are valued at fair value where it can be reliably estimated. Gains or losses are recognised in the statement of changes in equity as 'fair value reserve' in the period in which they arise and are recognised as other comprehensive income in the statement of comprehensive income. When the investments available for sale are disposed or the carrying amount of the investment is impaired, the cumulative gain or loss recognised in the statement of changes in equity is transferred to the statement of income.

Held-to-maturity investments
Held-to-maturity investments are non - derivative financial assets with fixed or determinable payments and fixed maturities that the Management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Investments at fair value through profit or loss
Investments at fair value through profit or loss are acquired principally for the purpose of benefitting from short-term fluctuations in price. They are initially recognised at cost and are subsequently remeasured to fair value. Fair values of quoted investments are determined with reference to the closing prices in organized financial markets at the end of the reporting period. Gains or losses arising from changes in the fair values are accounted in the statement of income. Realized gains on sale of investments are determined by the difference between the sale proceeds and the carrying value and are accounted in the statement of income.

Dividend and interest income
Dividend income from investments is accounted when the right to receive payment is established. Interest income is recognized on an accrual basis.

i) Fair value measurement

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).

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy of the investment securities.

j) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and cash, including deposits with an original maturity period of 3 months or less from the date of acquisition, net of bank borrowings, if any.

k) Financial assets

Financial assets are recognized when the Company has become a party to the contractual provisions of the instrument. Financial assets are recognised and derecognized on the trade date when the Company becomes party to the contractual provisions of the instruments.

l) Impairment

Financial assets
At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from equity

and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on such equity instruments are not reversed through the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of income.

Non financial assets
At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset or cash generating unit (CGU) and recognises an impairment loss in the statement of income.

The recoverable amount is assessed as higher of asset's or CGU's value in use (VIU) and fair value less costs to sell. In assessing the VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and other asset specific risks. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss reversals are recognised immediately in the statement of income.

m) Offsetting

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

n) Property, plant and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment. Following initial recognition at cost, expenditure incurred to replace a component of an item of property and equipment which increases the future economic benefits embodied in the item of property and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

Items of property and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of income in the year the item is derecognized.

Freehold land is not depreciated as it is deemed to have an indefinite useful life. Capital work in progress is not depreciated. The cost of property and equipment is expensed by equal annual instalments over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Buildings	15 - 25
Furniture and equipment	6
Computer hardware and software	5
Motor vehicles	5

o) Investment properties

Investment properties comprise commercial buildings and lands held for rental or capital appreciation and accounted under the cost model. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Rental income on investment properties is recognized in the statement of income. Any gain or loss arising on disposal of an investment property is also recognised in the statement of income.

Capital work-in-progress is not depreciated. All expenditure incurred on engineering, design work and costs directly attributable to the project engineering, procurement and construction / installation are treated as capital work in progress until such time the assets are put to use, when these will be allocated to investment properties.

The investment properties are depreciated over their estimated useful lives of 15 to 25 years. Freehold land is not depreciated as it is deemed to have an indefinite useful life.

p) Intangible assets

Intangible assets are reported at cost less accumulated amortization and impairment losses, if any. Amortisation is charged on a straight line basis over the estimated useful life. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The intangible asset pertains to software license and is amortised over a period of five years.

q) Taxation

Taxation is provided for in accordance with the Sultanate of Oman's fiscal regulations.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and is based on the rates (and laws) that have been enacted at the end of the reporting period.

Deferred tax assets are recognized in relation to carry forward losses and unused tax credits to the extent that it is probable that future taxable profits will be achieved.

r) Accruals and other payables

Liabilities are recognized for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

s) Provisions

A provision is recognized 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

t) Employees' end of service benefits

Payment is made to Omani Government's Social Security Scheme as per Royal Decree number 72/91 (as amended) for Omani employees. Provision is made for amounts payable under the

Sultanate of Oman's Labour Law as per Royal Decree number 35/2003 (as amended) applicable to non-Omani employees' accumulated periods of service at the end of the reporting period.

u) Foreign currency transactions

Transactions denominated in foreign currencies are translated into Rials Omani and recorded at rates of exchange ruling at the date of the transaction. Liabilities denominated in foreign currencies are translated into Rials Omani at exchange rates ruling on the end of the reporting period. Foreign exchange differences arising on translation are recognised in the statement of income.

v) Dividends

The Board of Directors recommends to the shareholders the dividend to be paid out of profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman, and other relevant directives issued by CMA while recommending the dividend. Dividend distribution to the shareholders is recognized as a liability only in the period in which the dividends are approved by the shareholders.

w) Operating segment

An operating segment is component of the Company that engages in business activities from which it may earn revenues and incur expenses. The results of the operating segments are reviewed by the Management and Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has two reportable segments that of general and life insurance business.

x) Directors' remuneration

The Company follows the Commercial Companies Law of the Sultanate of Oman, and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of income in the year to which they relate.

y) Leases

Lessee

The Company leases its branch premises under various leasing arrangements. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices unless it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Lease liabilities include (wherever applicable) the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise the

option, and
- penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

Lease payments are allocated between the principal and interest. The interest is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, if applicable.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and of low-value assets are recognised on a straight-line basis as an expense in the statement of income.

Lessor

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

5. UNDERWRITING RESULTS

The following further notes apply:

a) The general insurance and life assurance net written premium and underwriting results before reinsurance recoveries are analysed as follows:

	Net premium written		Underwriting results before reinsurance recoveries	
	2022 RO	2021 RO	2022 RO	2021 RO
Motor	2,629,966	2,413,690	(60,347)	403,361
Group life, group credit and health	659,022	1,045,580	(832,550)	(815,419)
Household and others	197,832	144,598	554,660	(812,411)
Marine	27,195	14,447	246,031	5,395
Fire	158,067	24,631	1,373,351	281,830
Total	3,672,082	3,642,946	1,281,145	(937,244)

b) The net claims ratio for general insurance business is as follows:

	2022 %	2021 %
Motor	73	56
Fire	(7)	58
Marine	63	98
Engineering, accident and others	9	141
Overall loss ratio for general insurance business	63	60

c) The net claims ratio for life insurance business is as follows:

	2022 %	2021 %
Company life	58	78
Medical	130	60
Overall loss ratio for life insurance business	113	63

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6. INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

a) Insurance claims

	2022		
	Gross RO	Reinsurers' share RO	Net RO
Claims outstanding	7,717,372	(5,768,686)	1,948,686
IBNR	2,883,425	(1,665,790)	1,217,635
AURR	21,320	79,783	101,103
Total at the beginning of the year	10,622,117	(7,354,693)	3,267,424
Insurance claims paid during the year	(6,073,800)	3,152,451	(2,921,349)
Increase in liabilities arising from current and prior period claims	2,701,236	(244,671)	2,456,565
Total at the end of the year	7,249,553	(4,446,913)	2,802,640
Claims outstanding	4,137,397	(2,675,297)	1,462,100
IBNR	2,896,905	(1,963,279)	933,626
AURR	215,251	191,663	406,914
Total at the end of the year	7,249,553	(4,446,913)	2,802,640

	2021		
	Gross RO	Reinsurers' share RO	Net RO
Claims outstanding	8,426,848	(5,731,070)	2,695,778
IBNR	3,300,142	(1,949,078)	1,351,064
AURR	-	6,964	6,964
Total at the beginning of the year	11,726,990	(7,673,184)	4,053,806
Insurance claims paid during the year	(7,200,490)	3,726,794	(3,473,696)
Increase in liabilities arising from current and prior period claims	6,095,617	(3,408,303)	2,687,314
Total at the end of the year	10,622,117	(7,354,693)	3,267,424
Claims outstanding	7,717,372	(5,768,686)	1,948,686
IBNR	2,883,425	(1,665,790)	1,217,635
AURR	21,320	79,783	101,103
Total at the end of the year	10,622,117	(7,354,693)	3,267,424

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

The Company estimates its insurance liabilities and reinsurance assets principally based on historical experience. Estimates relating to claims are reviewed by an independent actuary. Claims requiring court or arbitration decisions are estimated individually.

b) Provision for unearned premium reserve and unexpired insurance risks is as follows:

	2022		
	Gross RO	Reinsurers' share RO	Net RO
Unearned premium reserves	2,537,686	(1,335,020)	1,202,666
Mathematical reserves	3,944,330	(3,344,677)	599,653
Total at the beginning of the year	6,482,016	(4,679,697)	1,802,319
Gross written premiums during the year	15,263,361	(11,591,279)	3,672,082
Net (release) / increase during the year	(15,610,966)	12,357,521	(3,253,445)
Total at the end of the year	6,134,411	(3,913,455)	2,220,956
Unearned premium reserves	3,571,978	(1,816,498)	1,755,480
Mathematical reserves	2,562,433	(2,096,957)	465,476
Total at the end of the year	6,134,411	(3,913,455)	2,220,956

	2021		
	Gross RO	Reinsurers' share RO	Net RO
Unearned premium reserves	3,519,126	(1,660,300)	1,858,826
Mathematical reserves	5,200,470	(4,475,607)	724,863
Total at the beginning of the year	8,719,596	(6,135,907)	2,583,689
Gross written premiums during the year	13,807,213	(10,164,267)	3,642,946
Net (release) / increase during the year	(16,044,793)	11,620,477	(4,424,316)
Total at the end of the year	6,482,016	(4,679,697)	1,802,319
Unearned premium reserves	2,537,686	(1,335,020)	1,202,666
Mathematical reserves	3,944,330	(3,344,677)	599,653
Total at the end of the year	6,482,016	(4,679,697)	1,802,319

7. SALARIES AND EMPLOYEE RELATED COSTS

a) Salaries and employee related costs included under general and administration comprise the following:

	2022 RO	2021 RO
Salaries and wages	1,660,955	1,623,289
Contributions to defined retirement plan for Omani employees	124,692	131,160
Cost of end of service benefits for expatriate employees	30,252	26,052
	1,815,899	1,780,501

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b) Movements in expatriate employees' end of service benefits liability during the year is as follows:

	2022 RO	2021 RO
At the beginning of the year	275,102	257,770
Expense for the year	30,252	26,052
Settled during the year	(184,655)	(8,720)
At the end of the year	120,699	275,102

8. TAXATION

	2022 RO	2021 RO
Statement of income		
Current tax	-	73,815
Prior years	393,581	11
Deferred tax charge / (credit)	(123,332)	(584)
	270,249	73,242

	2022 RO	2021 RO
Statement of financial position		
Non-current asset		
Deferred tax asset	458,748	335,416
Current liabilities		
Current year	-	73,815
Prior years	80,004	161,833
	80,004	235,648

The following further notes apply:

a) Taxation is provided at 15% (2021 – 15%) on profit for the year adjusted for tax purposes.

b) The status of the tax assessments are as follows:

Muscat Insurance Company SAOG

During the year, the tax assessments for the years 2018, 2019 and 2020 were completed by the Tax Authority with additional tax liability of RO 198,430 for 2018 and RO 3,082 for 2020. The Company paid an amount of RO 121,508 pertaining to the year 2018 during the year.

The Management believes that additional taxes, if any, relating to the unassessed taxation assessments would not be material to the Company's financial position at the end of the reporting period.

Muscat Insurance Company SAOC

The Company had filed an objection with the Tax Authority against the assessment for the year 2006 to 2011. The decision on the Objections with the Supreme Court and Tax Committee for the years 2006 to 2011 were pending finalization at the end of the reporting period.

Muscat Life Assurance Company SAOC

In year 2019, the Company had filed an Objection with the Tax Authority for the disputed balance amount of RO 12,549 that arose on completion of the tax assessments for the years 2006 to 2014. The decision on the Objection was received from the Taxation Authority for the years 2012-2014 for which the Management had settled the undisputed amount of RO 2,102 in the year 2020. However, the decision on the Objections filed for the years 2008 to 2011 were pending finalization at the end of the reporting period.

c) The status of the completed tax assessments of the Company and its subsidiaries prior to the merger is as follows:

Company	Assessments completed till the year
Muscat Insurance Company SAOG	2020
Muscat Insurance Company SAOC	2017
Muscat Life Assurance Company SAOC	2017

The tax assessments for the year 2017 for the above entities were finalised during the year with additional tax liability of RO 354,212. The Company has filed an appeal with the Tax Authority against the assessment for the year 2017 although the full amount of RO 354,212 was settled by the Company during the year on prudent basis. The decision on the appeal is pending finalization at the end of the reporting period.

d) The Management believes that the amount of additional taxes, if any, that may become payable on finalization of the assessments for the unassessed years would not be material to the Company's financial position at the end of the reporting period.

e) The reconciliation of taxation on the accounting profit with the current taxation charge for the year is as follows:

	2022 RO	2021 RO
Tax charge on accounting profit at applicable rates	111,980	126,552
Add / (less) tax effect of:		
- Depreciation, amortization and impairment	37,330	19,166
- Provision	1,164	15,460
- Unrealised gain on investments	(208,786)	(74,066)
- Exempt income	(31,208)	(13,297)
- Unrecognised deferred tax benefit	89,520	-
	-	73,815

f) The movement in the deferred tax asset during the year is attributed to the following items:

	Accelerated capital allowances RO	Provisions RO	Others RO	Total RO
At 31 December 2020	299,313	34,056	1,463	334,832
(Charged) / credited to the statement of income	(16,513)	15,459	1,638	584
At 31 December 2021	282,800	49,515	3,101	335,416
At 31 December 2021	282,800	49,515	3,101	335,416
(Charged) / credited to the statement of income	124,354	1,164	(2,186)	123,332
At 31 December 2022	407,154	50,679	915	458,748

9. DEPOSITS

The following further notes apply:

a) At the end of the reporting period, deposits with banks and other financial institutions have maturity period of twelve months to twenty-four months (2021 – twelve months to thirty-six months) from the date of placement.

b) The deposits held with commercial banks in Oman carry effective annual interest rates from 4.55% to 5.25% (2021 - 4.55% to 5.25%) and with other financial institutions carry effective annual interest rates at 6% (2021 - 6.00% to 6.10%).

c) At the end of the reporting period, transfer of deposits in local currency amounting to RO 6,005,000 (2021 – RO 6,951,000) is restricted.

d) At the end of the reporting period, the maturity profile of the deposits is as follows:

	2022 RO	2021 RO
Less than 12 months	4,805,000	4,850,000
More than 12 months	2,600,000	3,405,000
	7,405,000	8,255,000

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following further notes apply:

a) Details of the Company's investments for which the Company's holding exceeds 10% of the market value of its equity investment portfolio are:

	% of investment portfolio %	Number of securities	Carrying value RO	Cost RO
31 December 2022				
HSBC Bank of Oman SAOG	60.54	20,663,885	3,430,207	3,155,988
31 December 2021				
HSBC Bank of Oman SAOG	50.2	20,663,885	2,149,044	3,155,988

b) The movement in investments at fair value through profit or loss during the year was as follows:

	2022 RO	2021 RO
At the beginning of the year	3,529,572	3,035,798
Fair value changes during the year	1,391,904	493,774
At the end of the year	4,921,476	3,529,572

c) As at the end of the reporting period, transfer of investments carried at fair value through profit or loss amounting to RO 3,696,893 (2021 - RO 2,535,629) is restricted.

d) Currently the percentage of HSBC Bank Oman SAOG investment in relation to overall investments of the Company is 13.08% (2021 – 8.55%) which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by the CMA. As per the Regulation, investments in shares of any one company should not exceed 5% of the total investments of the insurer. The Company has applied for exemptions from the CMA in respect of this investment.

e) The fair value hierarchy of the investments is as follows:

Quoted investments		
Level 1 hierarchy	4,848,883	3,456,979
Unquoted investments		
Level 2 hierarchy	72,593	72,593
Total	4,921,476	3,529,572

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11. AVAILABLE FOR SALE INVESTMENTS

The following further notes apply:

a) The movement in investments at fair value through profit or loss during the year was as follows:

	2022 RO	2021 RO
At the beginning of the year	751,375	660,826
Additions during the year	-	101,170
Fair value changes in investments during the year	(6,765)	(10,621)
At the end of the year	744,610	751,375

b) During the year, there were no movements in the fair value hierarchy of available for sale investments.

c) Investment in shares of unquoted companies are measured as Level 3 investments. The valuation techniques used for valuation of unquoted securities is as follows:

Oman Aviation Services Company ('OASC') and Omani Unified Bureau for Orange Card ('OUBOC')

Valuation technique	*Significant unobservable inputs*	*Inter-relationship between key unobservable inputs and fair value measurement*
2022 - Discounted cash flows: The valuation model considers the present value of expected cash flows, discounted using a risk adjusted discount rate. The cash flows are determined by considering the possible scenarios of forecast revenue and earnings before interest tax depreciation and amortisation ('EBITDA').	WACC: OASC - 12.5% OUBOC - 16% Terminal value: Growing perpetuity with 4% growth rate	The estimated fair value would increase/ (decrease) if: - WACC was lower/ (higher); - Growth rate was lower/ (higher); or - Terminal value was higher/ (lower)
2021 - Discounted cash flows: The valuation model considers the present value of expected cash flows, discounted using a risk adjusted discount rate. The cash flows are determined by considering the possible scenarios of forecast revenue and earnings before interest tax depreciation and amortisation ('EBITDA').		

12. PREMIIUM AND INSURANCE RECEIVABLES

The following further note applies:

a) The normal credit period allowed to insurance receivables and reinsurance companies is 120 days, after which amounts are considered past due.

b) The ageing analysis of the gross receivables is as follows:

	2022 RO	2021 RO
Neither past due nor impaired	1,973,728	1,046,998
Past due but not impaired		
Past due up to 60 days	178,737	404,469
Past due between 61 to 240 days	394,202	859,482
Past due above 240 days	323,141	407,512
Past due but not impaired		
Past due above 240 days	337,863	330,103
	3,207,671	3,048,564

c) Insurance receivables and due from reinsurance companies amounting to RO 917,967 (2021 – RO 1,671,463) are past due but not impaired. These relate to a number of customers and reinsurers for whom there is no history of default. Most of the credit customers have been dealing with the Company for over 5 years and losses have occurred infrequently.

d) In accordance with the debt provisioning policy, the Management has estimated past due debts amounting to RO 337,863 (2021 – RO 330,103) to be impaired and established allowance for credit losses against such debts.

e) The movement in provision for impairment of premium and insurance receivables during the year is as follows:

	2022 RO	2021 RO
At the beginning of the year	330,103	227,039
Provided during the year	7,760	103,064
At the end of the year	337,863	330,103

13. INVESTMENTS HELD TO MATURITY

a) Investments held to maturity comprise the following:

i) Investment in International Government Development Bonds with interest at 7.375%, due to mature in 2032; and
ii) Perpetual bonds with interest at 7.5%.

b) Fair value of held to maturity investments as of 31 December 2022 was RO 2.24 million (2021 - RO 2.25 million).

c) As at 31 December 2022, transfer of investments held to maturity amounting to RO 1,992,901 (2021 - RO 2,004,375) is restricted.

14. RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified to the Capital Market Authority certain specific bank deposits, investments carried at fair value through profit or loss and investments held to maturity included in the statement of financial position at their carrying amount of RO 11,694,794 (2021 – RO 11,491,004). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

15. LEASES

a) The Company enters into leasing arrangements for the branch offices across various locations in the Sultanate of Oman. The average lease term for the premises is around 2 to 5 years.

b) At the end of the reporting period, right-of-use assets comprise the following:

	2022 RO	2021 RO
At the beginning of the year	63,307	70,078
Additions during the year	32,477	105,819
Depreciation for the year	(76,406)	(112,590)
At the end of the year	19,378	63,307

c) At the end of the reporting period, lease liabilities are analysed as follows:

	2022 RO	2021 RO
Upto 12 months	19,877	46,802
Above 12 months	-	10,874
	19,877	57,676

d) The contractual maturity analysis of the undiscounted cash flows of the lease liabilities is as follows:

	2022 RO	2021 RO
Upto 1 year	20,200	48,325
Between 1 year to 5 years	-	9,400
	20,200	57,725

e) The total cash outflow for leases amounted to RO 72,410 (2021 – RO 101,088).

f) The amounts included in the statement of income relating to leases comprise:

	2022 RO	2021 RO
Depreciation	76,406	112,590
Finance costs on lease liability	2,103	2,976

16. INVESTMENT PROPERTIES

The following further notes apply:

a) Freehold land and building in Al Khuwair, which is used for rental purposes, is entirely classified as investment property.

At the end of the reporting period, the Company has assessed if there are any indicators for impairment of the investment property, especially considering the impact of the COVID 19 pandemic and the extended vacancy of the property.

Based on the market value of the property arrived at by an open market valuation by Al Habib and Company LLC, an independent valuer, by making reference to condition of the property and the depreciated replacement cost value, the recoverable value of the property at 31 December 2022 has been determined at RO 1,730,000 (2021 - RO 1,850,000 based on independent valuation at 29 December 2020). Accordingly, an impairment loss of RO 125,001 has been recognised during the year.

b) The new building constructed in Al Khuwair is 11% occupied for the Company's administrative use and 89% used for rental purposes. The freehold land and building, which is used for rental purposes, is classified as investment property.

At the end of the reporting period, the Company has assessed if there are any indicators for impairment of investment property. The Management has estimated the recoverable amount to be more than the carrying value, and accordingly concluded no impairment loss has arisen for the year (2021 – nil).

The fair value of the freehold land and building included under investment property and property and equipment was assessed by Al Habib and Company LLC,an independent valuer in December 2021 at RO 11,450,000.

c) Investment properties are either leased to third parties or held for future undetermined use. The rental income earned from the investment properties, net of direct operating expenses, is as follows:

	2022 RO	2021 RO
Rental income	444,378	424,928
Less: Management fee	(30,840)	(62,942)
	413,538	361,986

d) The lease terms ranges between 1 to 5 years, with options for extension. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

e) At the end of the reporting period, the percentage of investment in real estate to overall investments of the Company is 33.57% which exceeds the limit prescribed by Regulation for Investing Assets of Insurance Companies issued by the CMA. As per the Regulation, investments in real estate shall not exceed 30% of the total investments of the insurer.

f) The lessees do not have an option to purchase the property at the expiry of the lease period.

g) At the end of the reporting period, the maturity analysis of the undiscounted lease payments to be received under the operating lease agreements is as follows:

	2022 RO	2021 RO
Year 1	369,173	269,006
Year 2	200,087	111,523
Year 3	81,804	52,167
Year 4	11,077	-
	662,141	432,696

17. PROPERTY AND EQUIPMENT

a) The freehold land and buildings comprises a portion of the property held by the Company located at Al Khuwair, Sultanate of Oman.

b) The depreciation charge for the year included under property and equipment, investment properties and right-of-use assets have been allocated as follows:

	2022 RO	2021 RO
Property and equipment	121,600	144,769
Investment property	338,527	348,543
Right-of-use assets	76,406	112,590
	536,533	605,902

c) The lease terms ranges between 1 to 5 years, with options for extension. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

18. SHARE CAPITAL

a) The Company's authorized, issued and paid up capital at the end of the reporting period is as follows:

	2022 RO	2021 RO
Authorised – ordinary shares of RO 1 each	30,000,000	30,000,000
Weighted average number of shares outstanding during the year	11,025,046	11,025,046
Issued and fully paid – ordinary shares of RO 1 each	11,025,046	11,025,046

b) The details of shareholders who own 10% or more of the Company's share capital are as follows:

	2022 % holding %	No of shares	2021 % holding RO	No of shares RO
Waleed Omar Abdulmunim Al Zawawi	19.98	2,202,685	19.98	2,202,685

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19. RESERVES

a) Legal reserve

In accordance with Article 274 of the Commercial Companies Law of the Sultanate of Oman, annual appropriation of the net profit for the year has to be made to the legal reserve, until the reserve equals one-third of the Company's capital. The reserve is not available for distribution, but can be utilised to set off against any accumulated losses.

b) Contingency reserve

	2022 RO	2021 RO
At the beginning of the year	3,174,755	2,854,658
Transfer during the year	263,897	320,097
	3,438,652	3,174,755

In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended and certain amendments to the Executive Regulations as per CMA Decisions E/18/2022 and E/50/2022, 10% of the net outstanding claims in case of the general insurance business and 1% of the life assurance premium for the year for life insurance business at the reporting date is transferred from retained earnings to a contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any period until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the CMA.

c) Capital reserve

The Capital reserve represents the excess over nominal value paid by the initial subscribers towards public issue expenses incurred by the Company.

20. RELATED PARTY TRANSACTIONS

a) The Company enters into transactions in the ordinary course of business with key management personnel (including Board of Directors) and entities in which the key Management personnel / significant shareholders of the Company have significant influence or control. Prices and terms of payment for these transactions are approved by the Management and the Board of Directors.

These transactions are entered into on terms and conditions approved by the management and Board of Directors and subject to shareholders' approval at the Annual General Meeting.

	2022 RO	2021 RO
Premiums written from related parties	3,338,949	3,049,165
Claims paid to related parties	171,556	330,342
Purchases of goods and services from related parties	21,129	21,039
Dividend income	-	28,572
Bonus shares (number of shares)	-	75,014
Other underwriting income from related parties	-	17,876
Director's sitting fees received	-	11,000

b) The key management personnel compensation for the year comprises:

	2022 RO	2021 RO
Short term employment benefits	375,543	300,697
End of service benefits	7,925	3,234
Directors' sitting fees	28,800	33,600
	412,268	337,531

c) The premiums due from and due to related parties are unsecured, repayable on normal credit terms and not subject to interest (2021 – similar terms and conditions).

21. CONTINGENCIES AND COMMITMENTS

At the end of the reporting period, the Company had contingent liabilities of RO 79,561 (2021 – RO 66,124) in respect of bonds and guarantees issued into in the normal course of business from which it is anticipated that no material liabilities will arise.

The bank facility agreement contains certain restrictive covenants, which, if violated, could permit the bank to cancel or reduce the facilities.

22. SEGMENT INFORMATION

Business segments - primary reporting segment

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

The Company has the following operating segments:

General insurance
General business includes insurance of motor; fire, marine, engineering, workmen compensation and general accident.

Medical Insurance
Medical insurance business relates to the insurance of the medical of a Company.

Life insurance
Life insurance business relates to the insurance of the life and medical of an individual or Company and the credit life policies.

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	2022			
	General insurance RO	Medical insurance RO	Life insurance RO	Total RO
Gross written premiums arising from insurance contracts issued	12,274,404	2,659,797	329,160	15,263,361
Movement in gross unearned premium reserve	(1,034,292)	492,230	889,667	347,605
Insurance premium revenue earned	**11,240,112**	**3,152,027**	**1,218,827**	**15,610,966**
Premium ceded to reinsurers on insurance contracts issued	(9,261,344)	(2,084,845)	(245,090)	(11,591,279)
Movement in reinsurance share of unearned premium reserve	481,478	(461,908)	(785,812)	(766,242)
Insurance premium ceded to reinsurers	**(8,779,866)**	**(2,546,753)**	**(1,030,902)**	**(12,357,521)**
Net premium revenue earned	**2,460,246**	**605,274**	**187,925**	**3,253,445**
Gross claims settled	(4,062,396)	(1,515,774)	(495,630)	(6,073,800)
Reinsurance share of gross claims settled	2,089,476	675,127	387,848	3,152,451
Net claims settled	**(1,972,920)**	**(840,647)**	**(107,782)**	**(2,921,349)**
Movement in net outstanding claims	414,637	51,054	(906)	464,785
Net claims incurred	**(1,558,283)**	**(789,593)**	**(108,688)**	**(2,456,564)**
Commission income	961,393	39,601	128,218	1,129,212
Commission expense	(368,118)	(28,943)	(2,453)	(399,514)
Net commission income	**593,275**	**10,658**	**125,765**	**729,698**
Other underwriting income	**91,604**	**-**	**201**	**91,805**
Underwriting results	**1,586,842**	**(173,661)**	**205,203**	**1,618,384**
Investment income - net	2,276,014	93,759	181,960	2,551,733
Other income	6,541	-	-	6,541
	3,869,397	**(79,902)**	**387,163**	**4,176,658**
General and administration expenses	2,609,375	228,000	212,000	3,049,375
Impairment of investment property	-	-	125,001	125,001
Other operating expenses	203,564	12,387	8,257	224,208
	2,812,939	**240,387**	**345,258**	**3,398,584**
Operating profit / (loss)	**1,056,458**	**(320,289)**	**41,905**	**778,074**
Finance costs	(31,538)	-	-	(31,538)
Profit / (loss) before taxation	**1,024,920**	**(320,289)**	**41,905**	**746,536**
Taxation	(270,249)	-	-	(270,249)
Profit / (loss) for the year	**754,671**	**(320,289)**	**41,905**	**476,287**

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Other comprehensive income:				
Potentially reclassifiable to the income statement:				
Fair value change in investments available for sale	(6,765)	-	-	(6,765)
Net profit / (loss) and total comprehensive income for the year	**747,906**	**(320,289)**	**41,905**	**469,522**
Segment assets	**29,656,111**	**3,135,023**	**7,729,379**	**40,520,513**
Segment liabilities	**17,438,150**	**1,771,660**	**3,360,514**	**22,570,324**

	2021			
	General insurance RO	Medical insurance RO	Life insurance RO	Total RO
Gross written premiums arising from insurance contracts issued	10,554,317	2,900,917	351,979	13,807,213
Movement in gross unearned premium reserve	981,440	343,428	912,712	2,237,580
Insurance premium revenue earned	**11,535,757**	**3,244,345**	**1,264,691**	**16,044,793**
Premium ceded to reinsurers on insurance contracts issued	(7,956,950)	(1,938,513)	(268,803)	(10,164,266)
Movement in reinsurance share of unearned premium reserve	(325,280)	(324,471)	(806,459)	(1,456,210)
Insurance premium ceded to reinsurers	**(8,282,230)**	**(2,262,984)**	**(1,075,262)**	**(11,620,476)**
Net premium revenue earned	**3,253,527**	**981,361**	**189,429**	**4,424,317**
Gross claims settled	(4,759,333)	(1,462,127)	(979,030)	(7,200,490)
Reinsurance share of gross claims settled	2,151,203	789,589	786,002	3,726,794
Net claims settled	**(2,608,130)**	**(672,538)**	**(193,028)**	**(3,473,696)**
Movement in net outstanding claims	656,700	84,024	45,658	786,382
Net claims incurred	**(1,951,430)**	**(588,514)**	**(147,370)**	**(2,687,314)**
Commission income	832,144	39,684	107,474	979,302
Commission expense	(175,515)	(64,223)	(8,479)	(248,217)
Net commission income	**656,629**	**(24,539)**	**98,995**	**731,085**
Other underwriting income	**80,534**	**-**	**227**	**80,761**
Underwriting results	**2,039,260**	**368,308**	**141,281**	**2,548,849**
Investment income - net	1,450,775	-	124,847	1,575,622
Other income	8,705	-	-	8,705
	3,498,740	**368,308**	**266,128**	**4,133,176**

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General and administration expenses	2,421,474	242,360	221,572	2,885,406
Impairment of investment property				-
Other operating expenses	291,010	18,291	12,195	321,496
	2,712,484	**260,651**	**233,767**	**3,206,902**
Operating profit	**786,256**	**107,657**	**32,361**	**926,274**
Finance costs	(82,595)	-	-	(82,595)
Profit before taxation	**703,661**	**107,657**	**32,361**	**843,679**
Taxation	(73,242)	-	-	(73,242)
Profit for the year	**630,419**	**107,657**	**32,361**	**770,437**
Other comprehensive income:				
Potentially reclassifiable to the income statement:				
Fair value change in investments available for sale	(10,621)	-	-	(10,621)
Net profit and total comprehensive income for the year	**619,798**	**107,657**	**32,361**	**759,816**
Segment assets	**35,338,593**	**3,375,138**	**4,181,309**	**42,895,040**
Segment liabilities	**23,527,535**	**1,102,886**	**783,952**	**25,414,373**

23. RISK MANAGEMENT

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

The Company has an Executive Committee with clear terms of reference from the Board of Directors. This is in addition to a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to the Executive Committee and senior managers.

INSURANCE RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the 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 may 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 estimate established using statistical techniques.

The Company's objectives in managing risks are to take a conservative approach to underwriting, which means review of all aspects about a risk prior to acceptance; retaining experienced and knowledgeable underwriters; and having underwriting authorities in place which are checked by

internal audits. The Company ensures that risks are mitigated with first class reinsurance security, pre-underwriting surveys and claims history reviews. The estimates and assumptions that have a

significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note.

The Company only accepts insurance risk within the Sultanate of Oman. The Company's net account in terms of aggregate risk retention is well protected with substantial event limits plus catastrophe excess of loss reinsurance per class of business written.

Frequency and amount of claims

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

General insurance

Motor insurance

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

Property

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

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

Marine

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

Life insurance

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

Group life insurance

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

Group life and Group medical

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

Reinsurance risk

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

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

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The concentration of credit risk exposure in this connection is:

- The five largest reinsurers account for 79% of the credit exposure at 31 December 2022 in case of the general insurance business (2021 - 74%).

- The life insurance business is exposed to material concentration of reinsurance risk in respect of the Group Credit Life scheme. The credit risk in this connection is that one reinsurer account for 64% of the credit exposure at 31 December 2022 (2021 - 69%).

Regulatory framework

The operations of the Company are subject to local regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions such as capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company's has a surplus over the required risk based solvency margin as per the Insurance Company Law and certain amendments to the Executive Regulations.

- in case of the general insurance, a deficit of RO 615,612 at 31 December 2022;

- in case of life insurance, a surplus of RO 44,897 at 31 December 2022; and

- in case of medical insurance, a surplus of RO 19,605 at 31 December 2022.

FINANCIAL RISK

The Company’s activities expose it to various financial risks, primarily being, market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s risk management is carried out internally in accordance with the policies approved by the Company.

a) Market risk

Currency risk
The Company is exposed to foreign exchange risk arising primarily with respect to the bank balances and cash held in US Dollar. As the Omani Rial is pegged against the US Dollar, the Management does not believe that the Company is exposed to any material currency risk.

At the end of the reporting period, the Company had cash and cash equivalents denominated in US Dollars amounting to RO 84,068 (2021 – RO 208,475)

Interest rate risk
The Company is exposed to interest rate risk on interest bearing assets (call deposit accounts, fixed deposits and held to maturity investments).

The Management analyses its interest rate exposure on a regular basis, renegotiates interest rates at terms favorable to the Company and ensures that they are as far as possible on a fixed rate basis. The bank deposits, deposit with other financial institutions and held to maturity investments are at fixed interest rates. The Company is therefore not exposed to significant interest rate risk due to fluctuation in the market interest rate.

For every 0.5% change in interest rate, the impact on the statement of income will approximate to RO 59,580 (2021 – RO 57,758) based on the level of financial assets at the end of the reporting period.

Price risk
The Company's investments are subject to market price risk arising from uncertainties about future prices of equities. Market price risk is managed through the diversification of the investments, thereby avoiding concentration of investments in individual securities. Furthermore, the Company's investments are managed according to the guidelines provided by Regulations for Investing Assets for Insurance Companies issued by the CMA.

The Company's quoted investments are publicly traded in the Muscat Securities Exchange.

Assuming that:

- the MSM index would have changed by 10%;
- the Company's equity instruments move according with the historical correlation with the index; and
- all other variables are constant

the impact on the net profit of the Company would approximate to RO 484,888 (2021 – RO 345,698).

b) 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. The carrying amount of the financial assets, other than those relating to reinsurance contracts, represents the maximum credit exposure. The Company has a credit policy in place and exposure to credit risk is monitored on receivables on a regular basis The Company also ensures that bank balances and deposits are placed with reputable financial institutions.

The maximum exposure to credit risk at the end of the reporting period was as follows:

	2022 RO	2021 RO
Cash equivalents	2,100,507	1,082,210
Premium and insurance receivable	3,006,089	2,718,461
Investments held to maturity	2,243,178	2,255,336
Other receivables (excluding prepayments)	1,211,788	1,264,895
Reinsurance contracts	8,360,368	12,034,390
Deposits	7,405,000	8,255,000
	24,326,930	27,610,292

The table below presents an analysis of balances with banks at the end of the reporting period:

	2022 RO	2021 RO
Ba2 (cr)	-	-
NP	2,100,507	1,082,210
	2,100,507	1,082,210

The following table shows the placements of deposits held with counterparties at the end of the reporting period:

	2022 RO	2021 RO
Ba3	6,005,000	5,605,000
Not rated	1,400,000	2,650,000
	7,405,000	8,255,000

The following table shows the rating of bonds held to maturity at the end of the reporting period:

	2022 RO	2021 RO
Ba3	1,992,901	2,004,375
Not rated	250,277	250,961
	2,243,178	2,255,336

Premium and insurance receivables

Premium and insurance receivable comprise a number of customers within Oman and local and foreign reinsurers. The Company monitors these receivables on a regular basis. Most of the credit customers have been dealing with the Company for over 5 years and losses have occurred infrequently. The Company establishes an allowance for impairment that represents its estimate of likely losses in respect of these receivable accounts. With respect to reinsurers, as per Company policy of managing insurance risks, such contracts are placed only with internationally reputed well rated reinsurers.

The other classes within receivables do not contain impaired assets. The Company does not hold any collateral as security.

Premium receivables from related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2021, the Company has not established any provision for doubtful debts relating to amounts owed by related parties as the payment history has been good. This assessment is undertaken for each financial period through examining the financial position of the related party and the market in which the related party operates.

Other receivables

These are short term receivables and the Management does not consider there to be significant credit risk associated with them.

The maximum credit exposure to credit risk for premium and insurance receivables (including reinsurance receivable) at the end of the reporting period by geographic region was as below:

	2022 RO	2021 RO
Oman	2,408,900	2,564,115
Europe	152,210	45,919
Middle East	214,494	42,958
America and Canada	48,312	64,242
Rest of Asia	45,892	1,227
	2,869,808	2,718,461

The maximum credit exposure to credit risk at the end of the reporting period by type was as follows:

	2022 RO	2021 RO
Individuals and corporate clients	2,519,831	2,431,913
Reinsurers	486,258	286,548
	3,006,089	2,718,461

c) Liquidity risk

The Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet all liabilities as they fall due. The Company manages liquidity risk of maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

At 31 December 2022	Carrying value RO	Six months or less RO	Between six to twelve months RO	Not fixed maturity RO
Accruals and other payables (excluding end of service benefits and advance rent received)	4,637,429	3,545,087	767,552	324,790
Premium and loss reserve retained from treaty reinsurers	2,566,679	524,858	2,041,821	-
Premium (net of commission and claims) due to reinsurers	1,761,672	1,761,672	-	-
Insurance contracts	13,383,964	-	-	13,383,964
Lease liability	23,271	16,649	6,622	-
	22,373,015	5,848,266	2,815,995	13,708,754

At 31 December 2021	Carrying value RO	Six months or less RO	Between six to twelve months RO	Not fixed maturity RO
Accruals and other payables (excluding end of service benefits and advance rent received)	3,221,588	3,221,588	-	-
Premium and loss reserve retained from treaty reinsurers	2,798,581	589,226	2,209,355	-
Premium (net of commission and claims) due to reinsurers	1,140,902	1,140,902	-	-
Insurance contracts	17,104,133	-	-	17,104,133
Lease liability	57,676	32,535	14,369	10,772
	24,322,880	4,984,251	2,223,724	17,114,905

OPERATIONAL RISK

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

CAPITAL MANAGEMENT

Externally imposed capital requirements are set and regulated by the Capital Market Authority and other relevant regulators, to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong financial position, credit rating and healthy capital ratios to support its business objectives and maximize shareholders value.

The Company's objectives when managing capital is to enable the entity to continue as a going concern, in order to provide adequate returns to the Shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business. In the context of managing capital, the Company has covenanted with banks providing external debt to maintain specified leverage ratios. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to shareholders or raise additional capital.

24. FINANCIAL ASSETS BY CATEGORY

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

At 31 December 2022	Loans and receivables RO	Held-to-maturity RO	Financial assets at FVPL RO	Available-for-sale financial assets RO	Total RO
Bank balances and cash	2,104,332	-	-	-	2,104,332
Investments at fair value through profit or loss	-	-	4,921,476	-	4,921,476
Premium and insurance receivables	3,006,089	-	-	-	3,006,089
Available-for-sale investments	-	-	-	744,610	744,610
Other receivables	1,325,294	-	-	-	1,325,294
Reinsurers' contracts	8,360,368	-	-	-	8,360,368
Deposits	7,405,000	-	-	-	7,405,000
Investments held to maturity	-	2,243,178	-	-	2,243,178
	22,201,083	2,243,178	4,921,476	744,610	30,110,347

At 31 December 2021	Loans and receivables RO	Held-to-maturity RO	Financial assets at FVPL RO	Available-for-sale financial assets RO	Total RO
Bank balances and cash	1,087,063	-	-	-	1,087,063
Investments at fair value through profit or loss	-	-	3,529,572	-	3,529,572
Premium and insurance receivables	2,718,461	-	-	-	2,718,461
Available-for-sale investments	-	-	-	751,375	751,375
Other receivables	1,337,916	-	-	-	1,337,916
Reinsurers' contracts	12,034,390	-	-	-	12,034,390
Deposits	8,255,000	-	-	-	8,255,000
Investments held to maturity	-	2,255,336	-	-	2,255,336
	25,432,830	2,255,336	3,529,572	751,375	31,969,113