PROSPECTUS

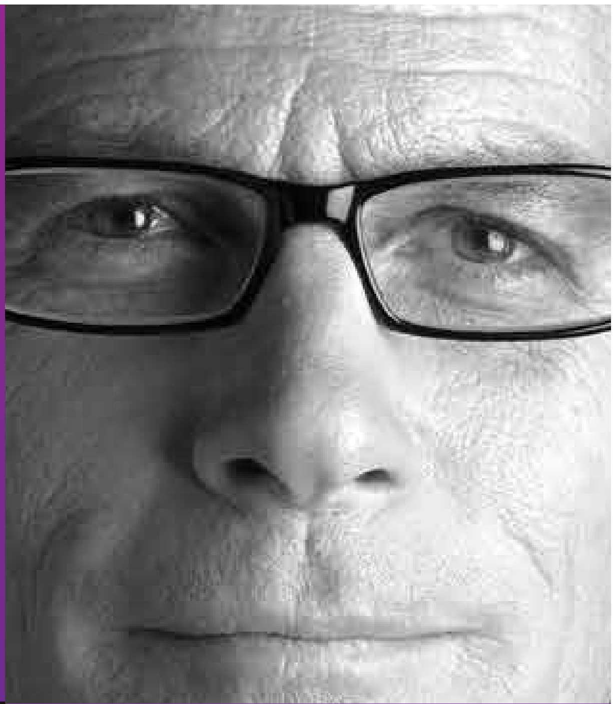
ALAHLIA

PART OF THE RSA GROUP

Al Ahlia Insurance Company SAOG
(Under Transformation)

Over 100 countries worldwide

25 branches in Oman & growing



OPPORTUNITY

BACKED BY TRUST & CONFIDENCE

Initial Public Offering of 25,000,000 Offer Shares at an Offer price of Bzs 300 per Offer Share

(Comprising a Nominal Value of Bzs 100 and a premium of Bzs 200)

Financial Adviser & Issue Manager
bank muscat investment banking

Legal Adviser
AMJ Al Busaidy, Mansoor Jamal & Co.

Marketing Adviser
OHI

Collecting Banks
ahlibank · BankDhofar · bank muscat · Bank Sohar · National Bank of Oman · Oman Arab Bank

Offer Opens: 4 July 2017
Offer Closes: 2 August 2017

His Majesty Sultan Qaboos Bin Said

Al Ahlia Insurance Company SAOG
(under transformation)

P.O. Box 1463, P.C. 112, Ruwi , Sultanate of Oman
Tel: +968 24766800; Fax: +968 24797151
URL: www.alahliarsa.com

PROSPECTUS

Initial Public Offering of 25,000,000 Offer Shares of nominal value Bzs 100 each

OFFER PERIOD

Offer Opens on: 4 July 2017
Offer Closes on: 2 August 2017

OFFER PRICE

Bzs 300 per Offer Share
(Comprising a nominal value of Bzs 100 and a premium of Bzs 200)

FINANCIAL ADVISER & ISSUE MANAGER

bank muscat SAOG
P.O.Box 134, Postal Code 112, Ruwi
Sultanate of Oman
Tel: +968 2476 8888; Fax: +968 2479 8220
URL: www.bankmuscat.com

COLLECTING BANKS

bank muscat S.A.O.G.
National Bank of Oman S.A.O.G.
Oman Arab Bank S.A.O.C.
Bank Dhofar S.A.O.G.
Bank Sohar S.A.O.G.
Ahli Bank S.A.O.G.

LEGAL ADVISER TO THE ISSUER

Al Busaidy, Mansoor Jamal & Co.

The Capital Market Authority (the "CMA") assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person. This Prospectus has been prepared in accordance with the requirements as prescribed by the CMA. This is an unofficial English language translation of the original Prospectus prepared in the Arabic language and approved by the CMA in accordance with Administrative Decision no. KH/33/2017 dated 21 June 2017.

IMPORTANT NOTICE TO INVESTORS

The aim of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the shares of Al Ahlia Company SAOG (under transformation) (the "Company" or "Al Ahlia Insurance" or "AAIC") offered hereunder (the "Offer Shares").

This Prospectus includes all material information and data and does not contain any misleading information or omit any material information that would have a positive or negative impact on the decision of whether or not to invest in the Offer Shares.

The Directors of Al Ahlia Insurance are jointly and severally responsible for the integrity and adequacy of the information contained in this Prospectus and confirm that to their knowledge appropriate due diligence has been performed in the preparation of this Prospectus and further confirm that no material information has been omitted, the omission of which would render this Prospectus misleading.

All investors should examine and carefully review this Prospectus in order to decide whether it would be appropriate to invest in the Offer Shares by taking into consideration all the information contained in this Prospectus in its proper context. Investors should not consider this Prospectus a recommendation by Al Ahlia Insurance to buy the Offer Shares. Every investor is responsible for obtaining his or her own independent professional advice on an investment in the Offer Shares and for conducting an independent valuation of the information and assumptions contained herein using appropriate analysis or projections.

No person has been authorised to make any statements or provide information in relation to Al Ahlia Insurance or the Offer Shares other than the persons whose names are indicated in this Prospectus. Where any person makes any statement or provides information it should not be taken as authorised by Al Ahlia Insurance or the Financial Adviser & Issue Manager.

ADDITIONAL POINTS TO BE NOTED

References to documents

All summaries of documents referred to in this Prospectus may not provide a complete summary of such documents, and statements in this Prospectus relating to such documents may not be exact reproductions of such documents or parts thereof and should not be relied upon as being comprehensive statements in respect of such documents.

Scope of information

The information contained in this Prospectus is intended to provide a prospective Applicant with material information relating to the investment opportunity and background information on the IPO. However, this Prospectus does not necessarily contain all the information that a prospective Applicant may consider material. The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective Applicant should consult his own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of the Offer Shares.

Investor due diligence

Prior to making any decision as to whether to subscribe for the Offer Shares, prospective Applicants should read this Prospectus in its entirety. In making an investment decision, prospective Applicants must rely upon their own examination of the terms of this Prospectus and the risks involved in making an investment.

Equity risk

All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on the market conditions. Potential investors should read "Chapter 11 – Risk Factors and Mitigants" of this Prospectus for an outline of important risk factors impacting Al Ahlia Insurance's business and the industry it operates in.

Restrictions on distribution of this Prospectus

The distribution of this Prospectus and the Offer Shares may, in certain jurisdictions, be restricted by law or may be subject to prior regulatory approvals. This Prospectus does not constitute an offer or an invitation by or on behalf of Al Ahlia Insurance to any person in any jurisdiction outside Oman to subscribe to any of the Offer Shares where such offer or invitation would be unlawful. This Prospectus may not be distributed in any jurisdiction where such distribution is, or may be, unlawful. Al Ahlia Insurance, the Financial Adviser & Issue Manager and the Collecting Banks require persons into whose possession this Prospectus comes, to inform themselves of and observe, all such restrictions. None of Al Ahlia Insurance, the Financial Adviser & Issue Manager, or the Collecting Banks accept any legal responsibility for any violation of any such restrictions on the sale, offer to sell or solicitation to subscribe for Offer Shares by any person, whether or not a prospective Applicant, in any jurisdiction outside Oman where such sale, offer to sell or solicitation to subscribe would be unlawful.

Restrictions on use of information contained in this Prospectus

The information contained in this Prospectus may not be published, duplicated, copied or disclosed in whole or in part or otherwise used for any purpose other than in connection with the Offer, without the prior written approval of Al Ahlia Insurance and the Financial Adviser & Issue Manager.

Disclaimer of implied warranties

Save and except as required under Applicable Law, no representation or warranty, express or implied, is given, by Al Ahlia Insurance, the Financial Adviser & Issue Manager, or the Collecting Banks, or any of their respective directors, managers, accountants, advisers, lawyers, employees or any other person as to: the completeness of the contents of this Prospectus; or the projections included within this Prospectus; or the contents of any other document or information supplied at any time in connection with the Offer, or that any such document has remained unchanged after the issue thereof.

SELLING RESTRICTIONS OUTSIDE OMAN

Kingdom of Bahrain

In relation to investors in the Kingdom of Bahrain, the securities, which are the subject of this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain in the Kingdom of Bahrain ("Central Bank of Bahrain") where such investors make a minimum investment of at least US$100,000, or any equivalent amount in other currency or such other amount as the Central Bank of Bahrain may determine.

This offer does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article 81 of the Central Bank and Financial Institutions Law 2006 (Decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the Central Bank of Bahrain. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The Central Bank of Bahrain has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document.

State of Kuwait

This Prospectus has not been reviewed by the Capital Markets Authority of Kuwait and is not issued by a person licensed by the Capital Markets Authority of Kuwait. Accordingly, this Prospectus may neither be circulated within the State of Kuwait nor may any of the Offer Shares be offered for subscription be sold, directly or indirectly, in the State of Kuwait. Moreover, no invitation or offer to subscribe for any of the Offer Shares may be made to persons, including for the avoidance of doubt, any legal entities, in the State of Kuwait. In the event that this Prospectus is forwarded to any person in the State of Kuwait, it should be disregarded and no steps should be taken in reliance upon it. No person in the State of Kuwait may accept or subscribe for, or purport to accept or subscribe for, the Offer Shares.

State of Qatar

The Offer Shares have not been and will not be offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering. No application has been or will be made for the Offer Shares to be listed or traded on the Qatar Exchange or the QE Venture Market. This Prospectus has not been, and will not be, reviewed or approved by or registered or filed with the Qatar Financial Markets Authority or Qatar Central Bank and may not be publicly distributed. This Prospectus is intended for the original recipient only and must not be provided to any other person. This Prospectus is not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

Kingdom of Saudi Arabia

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations as issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia ("KSA CMA") resolution number 2-11-2004 dated October 4, 2004 as amended by resolution number 1-28-2008 dated August 18, 2008 (the "KSA Regulations").

This Prospectus is directed to "sophisticated investors", as defined under Article 10 of the KSA Regulations ("Sophisticated Investors"), for information purposes only. This Prospectus is not intended for distribution to, or use by anyone who is not a Sophisticated Investor. Any person who is not a Sophisticated Investor should not act on this Prospectus or any of its contents. This Prospectus also is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be contrary to law or regulation.

The KSA CMA does not make any representation as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Offer Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this Prospectus, you should consult an authorised financial adviser.

United Arab Emirates (excluding the Dubai International Financial Centre)

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that neither the Offer Shares nor this Prospectus have been approved by the United Arab Emirates ("UAE") Central Bank, the UAE Ministry of Economy and Planning, the UAE Securities and Commodities Authority or any other authorities in the UAE. The Financial Adviser & Issue Manager has not received authorisation or licensing from the UAE Central Bank, the UAE Ministry of Economy and Planning, the UAE Securities and Commodities Authority or any other authorities in the UAE to market or sell the Offer Shares within the UAE. No marketing or offer of the Offer Shares has been or will be made from within the UAE and no subscription to the Shares may or will be consummated within the UAE. It should not be assumed that the Financial Adviser & Issue Manager is a licensed broker, dealer or investment adviser under the laws applicable in the UAE, or that it advises individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Offer Shares may not be offered or sold directly or indirectly to the public in the UAE. This Prospectus does not constitute a public offer of securities in the UAE in accordance with the UAE Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

Dubai International Financial Centre

This Prospectus is not intended to, and does not, constitute a financial promotion, an offer, sale or delivery of shares or other securities under the Dubai International Financial Centre (the "DIFC") Markets Law (DIFC Law 12 of 2004, as amended), Regulatory Law (DIFC Law 1 of 2004, as amended), under the Offered Securities Rules of the Dubai Financial Services Authority (the "DFSA") or otherwise. The Offer Shares are not intended for, are not being offered, distributed, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person in the DIFC. This Prospectus is not intended for distribution to any person in the DIFC and any such person that receives a copy of this Prospectus should not act or rely on this Prospectus and should ignore the same. The DFSA has not approved the offer of Offer Shares or this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it.

United States

The Offer Shares have not been, and will not be, registered under the US Securities Act of 1933, (as amended) (the "US Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as such term is defined in Rule 902 under the US Securities Act (a "US Person")) except in certain transactions exempt from the registration requirements of the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

The Financial Adviser & Issue Manager has agreed that it will not offer or sell the Offer Shares(i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offer and the closing date of the Offer, within the United States or to, or for the account or benefit of, US Persons, and it will have sent to each dealer to which it sells Shares during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Shares within the United States or to, or for the account or benefit of, US Persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Offer Shares are being offered and sold outside of the United States to nonUS Persons in reliance on Regulation S.

United Kingdom

Investment in Al Ahlia Insurance is a controlled investment for the purposes of the financial promotion restriction under section 21 of the Financial Services and Markets Act 2000 ("FSMA").

This Prospectus has not been approved under FSMA by an authorised person. This communication is exempt from the general restriction under section 21 of FSMA on the communication of invitations or inducements to engage in investment activity on the grounds that it is made only to, or directed only at, the following persons ("Relevant Persons"):

(a) "investment professionals" within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO"); or

(b) "high net worth companies, unincorporated associations etc." within the meaning of Article 49 of the FPO,

or any other person to whom this Prospectus may lawfully be communicated.

Persons who are not Relevant Persons must not act, or rely, on this communication. Al Ahlia Insurance or the Financial Adviser & Issue Manager will deal in the investments described in this Prospectus only with Relevant Persons.

An "investment professional" for the purposes of Article 19 of the FPO is a person who has professional experience in matters relating to "investments".

A "high net worth company", or "unincorporated association etc." for the purposes of Article 49 of the FPO is: (i) a body corporate which has, or is a member of the same group as an undertaking which has, a called-up share capital or net assets of at least £5million (or where the body corporate has more than 20 members or is a subsidiary undertaking of a parent undertaking which has more than 20 members, at least £500,000); (ii) an unincorporated association or partnership which has net assets of not less than £5 million; (iii) the trustee of a high value trust which has, or has had in the 12 months before the date of this communication, an aggregate value of at least £10million; or (iv) any person ("A") whilst acting in the capacity of director, officer or employee of a person ("B") falling within any of the above where A's responsibilities when acting in that capacity, involve him in B's engaging in investment activity.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented Directive 2003/71/EC (as amended) (the "Prospectus Directive") (each, a "Relevant Member State"), an offer to the public of Offer Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of Offer Shares may be made at any time under the following exemptions under the

Prospectus Directive, if they have been implemented in that Relevant Member State:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); subject to obtaining the prior consent of the Financial Adviser & Issue Manager; or

(iii) in any other circumstances which do not require the publication by Al Ahlia Insurance of a prospectus within the meaning of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication by Al Ahlia Insurance or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression "an offer to the public" in relation to Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to acquire any Offer Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements". These forward-looking statements generally can be identified by the use of forward-looking terminology, including terms such as "aim", "anticipate", "might", "may", "is likely to", "believe", "expect", "estimate", "goal", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue", including variations and negatives thereof, or other words or phrases of similar import. Similarly, statements that describe Al Ahlia Insurance's strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual outcomes, including among other things, Al Ahlia Insurance's results of operation, financial condition, cash flows, liquidity, financial projections and growth to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from Al Ahlia Insurance's expectations include but are not limited to:

- inability to estimate future performance;
- inability of Al Ahlia Insurance to successfully implement its strategy, growth and expansion plans;
- change in monetary and/or interest policies of Oman, local and/or international inflation, local and/or international interest rates;
- fluctuations in foreign exchange rates, equity prices or other rates or prices;
- the performance of financial markets in Oman;
- general political, economic and business conditions in Oman which may have an impact on Al Ahlia Insurance's business activities;
- changes in laws and/or regulation and/or conditions that may have a bearing on the business activities of Al Ahlia Insurance; and
- increased competition in the insurance sector in Oman.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could be materially different from those that have been estimated. None of Al Ahlia Insurance, the Financial Adviser & Issue Manager or any of their respective affiliates or advisers has any obligation to update or otherwise revise any statements in this Prospectus to reflect circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition or differ in actuality.

The above list is not exhaustive and for a further discussion of factors that could cause actual results to differ, see "Chapter 11 – Risk Factors and Mitigants" of this Prospectus. After listing on the MSM, Al Ahlia Insurance will adhere to the disclosure rules and regulations issued by the CMA, which includes making timely disclosure regarding Al Ahlia Insurance's results of operation. Al Ahlia Insurance advises Applicants to track any information or announcements made by it after listing through the MSM website at www.msm.gov.om in the event they subscribe for offer Shares and become Shareholders.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in this Prospectus is derived from Al Ahlia Insurance's audited financial statements or its unaudited interim financial statements, in each case prepared in accordance with IFRS. Copies of the 2014, 2015 and 2016 annual audited financial statements and March 2017 quarter unaudited financial statements are set out in Chapter 20 –Historical Financial Statements" of this Prospectus. Al Ahlia Insurance's financial year commences on 1 January and ends on 31 December. In this Prospectus, any discrepancy in any table between the total and the sum of the relevant amounts listed is due to rounding off.

Currency of Presentation

In this Prospectus, all references to "OMR" and/or "Omani Rials" are to the legal currency for the time being of Oman, all references to "US$" and/or "US Dollars" are to the lawful currency for the time being of the United States of America. Conversions of amounts from Omani Rials to US Dollars in this Prospectus are solely for the convenience of the reader. The Omani Rial has been pegged to the US Dollar since June 1986. Unless otherwise specified, for all periods presented in "Chapter 10 – Description of Al Ahlia Insurance and Business Overview", "Chapter 12 – Projected Financial Statements" of this Prospectus, conversions of amounts between Omani Rials and US Dollars have been made at an exchange rate of US$1.00 = OMR 0.3845.

The financial model uses a conversion rate of US$1.00 = OMR 0.3845 and, accordingly, conversion of amounts from Omani Rials to US Dollars have been made at this exchange rate for all periods presented in this Prospectus.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Prospectus has been obtained from third-party industry publications and/or websites, including, without limitation the CMA's official publications. Although it is believed that industry data used in this Prospectus is reliable, it has not been independently verified and therefore its accuracy and completeness is not guaranteed and its reliability cannot be assured. Similarly, internal reports of Al Ahlia Insurance, while believed to be reliable, have not been verified by any independent sources. The extent to which the market and industry data used in this Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

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CHAPTER 1
DEFINITIONS AND ABBREVIATIONS

Al Ahlia Insurance/Company/AAIC	Al Ahlia Insurance Company SAOG (under transformation).
AGM	Annual General Meeting convened and held pursuant to Article 120 of the CCL.
Applicable Law	any Royal Decree, regulation, rule, circular, directive issued by His Majesty or by any Governmental Authority in Oman in force on the date of this Prospectus.
Applicant	a person or entity who applies for the purchase of Offer Shares pursuant to the terms of this Prospectus.
Application	the application form used to apply for Offer Shares pursuant to the terms of this Prospectus.
Application Money	the amount to be paid by each Applicant at the time of submission of the Application as specified in "Chapter 19 – Subscription Conditions and Procedures" of this Prospectus.
Articles	the articles of association of Al Ahlia Insurance, as registered with the MOCI.
Authorised Share Capital	the authorised share capital of the Company.
Auditors	the auditors of the Company appointed by the AGM.
Audit & Risk Committee	the audit and risk committee of the Board.
Baizas/Bzs	Omani Baizas (Bzs 1,000 = OMR 1).
Banking Law	the Omani Banking Law issued by Royal Decree 114/2000 (as amended).
Basis of Allotment	the basis on which the Offer Shares will be allotted to Applicants under the Offer and which is described in "Chapter 19 – Subscription Conditions and Procedures" of this Prospectus.
Board/Board of Directors	the board of directors of Al Ahlia Insurance, elected and holding office in accordance with the CCL and the Articles.
Board Election Rules	rules and conditions for the Election of Directors of Public Joint Stock Companies and their Responsibilities issued by Ministerial Decision 137/2002 (as amended).
Business Day	Any day other than Friday and Saturday or any public holiday in Oman.
CAGR	Compounded Annual Growth Rate.
Capital Market Law/CML	the Capital Market Law of Oman issued by Royal Decree 80/98 (as amended).

Category I Investors	Omani and non-Omani Applicants (a person or entity) that apply for a minimum of 1,000 Offer Shares and in multiples of 100 Shares thereafter up to a maximum of 250,000 Offer Shares.
Category II Investors	Omani and non-Omani Applicants (a person or entity) that apply for a minimum of 250,100 Offer Shares and in multiples of 100 Shares thereafter up to a maximum of 2,500,000 Offer Shares equivalent to 10 per cent of the Offer.
CBO	the Central Bank of Oman.
CEO	the Chief Executive Officer of the Company.
CCL	the Commercial Companies Law of Oman issued by Royal Decree 4/74 (as amended).
Chairman	the Chairman of the Board.
CFO	the Chief Financial Officer of the Company.
CMA	the Capital Market Authority of Oman.
Combined Ratio / Combined Operating Ratio / COR	the sum of the Loss Ratio, Commission Ratio and the Expense Ratio and is a measure of profitability used by an insurance company to indicate how well it is performing in its underwriting operations where COR of less than a 100% indicates the insurance company is profitable and COR over 100% indicates that the insurance company is unprofitable.
Commission Ratios	The net commission expense as a percentage of Net Earned Premium.
Code of Corporate Governance	the CMA Code of Corporate Governance for SAOGs issued in July 2015 and updated in December 2016.
Collecting Banks	bank muscat S.A.O.G., Bank Dhofar S.A.O.G., National Bank of Oman S.A.O.G., Oman Arab Bank S.A.O.C., Bank Sohar S.A.O.G., Ahli Bank S.A.O.G.
Commercial Register	the commercial register maintained by the MOCI pursuant to the Commercial Register Law issued by Royal Decree 3/1974 (as amended).
Expense Ratio	underwriting and administrative expenses of an insurance company as a percentage of net earned premium.
Executive Regulation	the Executive Regulations to the CML issued by the CMA pursuant to Decision No. 1/2009 (as amended).
EGM	an Extraordinary General Meeting convened and held pursuant to Article 124 of the CCL.
Financial Adviser & Issue Manager	bank muscat SAOG.
Financial Year/FY	The period of twelve months starting on 1 January and ending on 31 December of that particular year.

Former Al Ahlia	the former Al Ahlia Insurance SAOC, which was subsequently merged into the Company (as the surviving entity) and de-registered from the Commercial Register
Founder Members	RSA Middle East, OMINVEST, W. J. Towell and OHI.
GBP	British Pound Sterling, the lawful currency of the U.K.
GCC	The Cooperation Council for the Arab States of the Gulf, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.
GDP	Gross domestic product.
General Meeting	an AGM or OGM, and where the context so requires, an EGM.
Government	the Government of Oman.
Gross Written Premium or GWP	the amount of premium or contribution an insurance company charges its customers before making any deduction for reinsurance.
IFRS	International Financial Reporting Standards.
Insurance Law	the Insurance Companies Law issued by RD 12/79 (as amended).
Insurance Licence	the insurance licence issued by the CMA to the Company to engage in life and general insurance business expiring on 14 June 2019.
Insurance Regulations	the Executive Regulations of the Insurance Law issued by Ministerial Decision No. 5/80 (as amended).
Investment Committee	the investment committee of the Board.
Investor Number	the investor number issued by the MCDC to investors holding investor accounts with the MCDC.
Issued and Paid-Up Share Capital	the issued and paid-up share capital of the Company.
IPO	the initial public offering of the Offer Shares pursuant to the Offer.
Information Centre	Information centre of the MSM.
Legal Adviser	Al Busaidy, Mansoor Jamal & Co.
Loss Ratio	Net claim costs as a percentage of Net Earned Premium.
LIBOR	London Interbank Offered Rate.
M	Metres.
M2	Square metres.
Management	the senior management team of Al Ahlia Insurance.
MCDC	Muscat Clearing & Depository Company SAOC.
Memorandum	the memorandum of association of Al Ahlia Insurance, as registered with the MOCI.
Ministry of Finance/MoF	the Ministry of Finance.

Ministry of Manpower/MoM	the Ministry of Manpower.
MENA	the Middle East and North Africa.
Moody's	an investors service which provides credit ratings and research covering debt instruments and securities.
MSM	the Muscat Securities Market.
MSM Index	the Muscat Securities Market Index.
NCSI	National Center for Statistics and Information of Oman.
Net Written Premium or NWP	the total amount of premium or contribution that is booked by an insurance company less premiums ceded to reinsurance companies, plus any reinsurance assumed.
Net Earned Premium	the premium as adjusted for movement in Unearned Premium Reserve.
Non-Executive Director	as defined in the Code of Corporate Governance, a member of the Board who is not a full-time director (employee director) and/or does not draw any fixed monthly or annual salary from Al Ahlia Insurance.
OCCI	Oman Chamber of Commerce & Industry.
Offer	the offer for sale of 25,000,000 existing Shares by the Selling Shareholders, each with a nominal value of Bzs 100 and a premium of Bzs 200, as described in this Prospectus.
Offer Closing Date	the closing date of the Offer, which is described in "Chapter 19 – Subscription Conditions and Procedures" of this Prospectus.
Offer Opening Date	the opening date with respect to the Offer, which is described in "Chapter 19 – Subscription Conditions and Procedures" of this Prospectus.
Offer Period	the period between the Offer Opening Date and the Offer Closing Date inclusive of both days and during which an Applicant can submit an Application.
Offer Price	Bzs 300 per Offer Share (Comprising a nominal value of Bzs 100 and a premium of Bzs 200).
Offer Proceeds	the proceeds of the Offer that will be available to the Selling Shareholders.
Offer Shares	25,000,000 Shares, being offered for subscription in the Offer.
OGM	an Ordinary General Meeting of the Shareholders.
OHI	Oman Holdings International SAOG.
Oman	the Sultanate of Oman.
Omani Rial/OMR/RO	Omani Rials, the lawful currency of Oman.

ONICH	the former Oman National Investment Corporation Holding SAOG (now merged into OMINVEST).
OMINVEST	Oman International Development and Investment Company SAOG.
Orange Card Bureau	Omani United Bureau for the Orange Card Company SAOC.
Person	a natural or juristic person.
Policyholders	a policyholder of the Company.
Reinsurance	an agreement to indemnify a primary insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the primary insurer where the enterprise accepting the risk is the reinsurer and is said to accept inward reinsurance and the enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance.
Retention Ratio	the ratio of NWP divided by GWP which is the amount of liability for which an insurance company will remain responsible after it has completed its Reinsurance arrangements.
Renewal Rate	The change in premium charged to customers when they renew their policy. The renewal rate calculation normalises for changes in risk exposure.
Related Party	as defined in the Code of Corporate Governance.
Reporting Accountants	PricewaterhouseCoopers.
Riyad Bank	Riyad Bank, registered in the Kingdom of Saudi Arabia.
ROP	the Royal Oman Police.
RSA Middle East or RSA ME	Royal & Sun Alliance (Middle East) B.S.C.(c).
RSA plc	Royal & Sun Alliance Insurance plc (UK).
RSA Group	Companies ultimately owned and controlled by RSA Insurance Group plc, registered in the U.K.
SAOC	Société-Anonyme-Omanaise-Closed, an Omani closed joint stock company.
SAOG	Société-Anonyme-Omanaise-Générale, an Omani general public stock company.
SAIO	Sun Alliance Insurance Overseas Limited.
Selling Shareholders	RSA Middle East, OMINVEST, W. J. Towell and OHI.
Share(s)	an ordinary share of Al Ahlia Insurance with a nominal value of Bzs 100 each.
Share Capital	the share capital of the Company.
Shareholder(s)	a shareholder of Al Ahlia Insurance.
SME	Small and Medium Enterprise.

S&P	Standard and Poor's, an American company specialised in credit ratings.
TSA	the Technical Services Agreement dated 12 December 2013 entered into between RSA plc and Al Ahlia Insurance.
UAE	United Arab Emirates.
Underwriting Result	The amount of profit or loss from insurance activities exclusive of net investment income of an insurance company and capital gains or losses.
Unearned Premium Reserve	represents portion of premium written relating to the unexpired period of coverage.
U.K	United Kingdom of Great Britain and Northern Ireland.
USA	United States of America.
US$/USD	US Dollars, the lawful currency of the USA.
W. J. Towell	means W.J. Towell & Co. LLC.

CHAPTER 2
SUMMARY INFORMATION RELATING TO AL AHLIA INSURANCE

This summary highlights information contained elsewhere in this Prospectus. It does not contain all the information that Applicants should consider before investing in the Offer Shares. All Applicants should read the entire Prospectus carefully, including the financial statements of Al Ahlia Insurance set out in "Chapter 20 – Historical Financial Statements" of this Prospectus. In addition, all Applicants should specifically read "Chapter 11 – Risk Factors and Mitigants" of this Prospectus for more information about important risk factors that should be considered before applying for Offer Shares.

Overview of Al Ahlia Insurance

The Company undertakes general insurance business in Oman through 24 branches in Oman including its headquarters in Muscat. The Company was established as a joint stock company on 4 May 2004 with commercial registration number 1754807 and was originally named 'Royal & Sun Alliance Insurance Oman SAOC'. Subsequent to acquisition and merger with the Former Al Ahlia, the name of the Company was changed to 'Al Ahlia Insurance Company SAOC'. At an EGM held on 5 June 2017, it was resolved to transform the Company into a SAOG. The legal and commercial name of the Company is Al Ahlia Insurance Company SAOG (under transformation) and its registered office is located at P.O. Box 1463, Postal Code 112, Ruwi, Sultanate of Oman.

As at the date of this Prospectus, the Issued and Paid-Up Share Capital of the Company is OMR 10,000,000 divided into 100,000,000 Shares of Bzs 100 each. The Selling Shareholders of the Company are RSA Middle East, which owns 70 per cent; OMINVEST, which owns 20.03 per cent; W. J. Towell which owns 8.86 percent and OHI, which owns 1.11 per cent. For a profile of each of these Shareholders and their contribution, please see "Chapter 7 – Shareholding Details" of this Prospectus.

Competitive Strengths

Al Ahlia Insurance's competitive strengths include the following:

- International Parentage, Reputed Local Shareholders and Experience and History
- International Technical Underwriting Framework and Effective Claims Management
- Well Developed Distribution Network
- Two Leading Brands
- Strong Financial Performance
- High Quality Investments
- Experienced Leadership
- Market Recognition

For further details in relation to Al Ahlia Insurance's competitive strengths and risk factors, please see "Chapter 10 – Description of Al Ahlia Insurance and Business Overview" and "Chapter 11 - Risk Factors and Mitigants" of this Prospectus respectively.

CHAPTER 3

GENERAL INFORMATION ON THE OFFER AND AL AHLIA INSURANCE

Name	Al Ahlia Insurance Company SAOG (under transformation).
Commercial registration number	1754807
Date of registration	04 May 2004
Registered office	P.O. Box 1463, Postal Code 112, Ruwi Sultanate of Oman
Principal place of business	P.O. Box 1463, Postal Code 112, 2nd, 3rd and 4th Floor, Salem Building, MBD Street, Ruwi, Sultanate of Oman Tel: +968 24766800; Fax: +968 24797151
Duration	Unlimited.
Financial Year	Commences on 1 January and ends on 31 December each year.
Authorised Share Capital	OMR 25,000,000 divided into 250,000,000 Shares with a nominal value of Bzs 100 per Share.
Issued and Paid-Up Share Capital	OMR 10,000,000 divided into 100,000,000 Shares with a nominal value of Bzs 100 per Share.
Number of Shares offered for subscription (Offer Shares)	25,000,000 Shares, representing 25 per cent. of Al Ahlia Insurance's Issued and Paid-Up Share Capital.
Type of Shares offered for subscription	All the Shares issued by Al Ahlia Insurance and the entire Issued and Paid-Up Capital consist only of ordinary shares. Each single Share carries the right to one vote at any General Meeting, including any AGM, OGM or EGM.
Offer Price of the Offer Shares	Bzs 300 per Offer Share (comprising a nominal value of Bzs 100 and a premium of Bzs 200).
Percentage of the total issued and paid-up share capital on Offer	25 per cent. of the Issued and Paid-Up Share Capital of Al Ahlia Insurance.
Names of Selling Shareholders and number of Shares being sold	• RSA Middle East: 17,500,000 Shares, representing 70.0 per cent. of the Offer Shares. • OMINVEST: 5,007,728 Shares, representing 20.0 per cent. of the Offer Shares. • W. J. Towell: 2,215,352 Shares, representing 8.9 per cent. of the Offer Shares. • OHI: 276,920 Shares, representing 1.1 per cent. of the Offer Shares.

Purpose of the IPO	Al Ahlia Insurance is undertaking the IPO in order to comply with the requirements of Royal Decree 39/2014 which amended the Insurance Law, requiring (among other things) licensed insurance companies to be established as SAOGs and allowing existing insurance companies a grace period until 17 August 2017 to comply with this requirement.
Persons eligible for the Offer Shares	The subscription will be open to Omani and non-Omani individuals and juristic persons.
Persons prohibited from subscribing to the Offer	The following Applicants shall not be permitted to subscribe to the Offer: • Sole proprietorship establishments: The owners of sole proprietorship establishments may only submit Applications in their personal names. • Trust accounts: Customers registered under trust accounts may only submit Applications in their personal names. • Multiple Applications: An Applicant may not submit more than one Application. • Joint Applications: Applicants may not submit applications in the name of more than one individual (including on behalf of legal heirs). All such Applications will be rejected without contacting the Applicant.
Proposed allocation procedure	In case of oversubscription of the Offer, for the purpose of allocating the Offer Shares between the eligible investor groups, the allocation of the Offer Shares will be made as follows: • Category I Investors: 16,250,000 Offer Shares, being 65 per cent. of the Offer, on a pro-rata basis. • Category II Investors: 8,750,000 Offer Shares, being 35 per cent. of the Offer, on a pro-rata basis. • In accordance with Article 65 of the CCL, the CMA may direct that a minimum number of Offer Shares are distributed equally among subscribers, taking into consideration small subscribers and the remaining Offer Shares shall be allocated on among subscribers in proportion to the number of shares subscribed for. • Any under-subscription in Category I will be carried to Category II and vice versa, as described in "Chapter 19 – Subscription Conditions and Procedures" of this Prospectus.

Minimum limit for subscription by each Applicant	• Category I Investors: 1,000 Offer Shares and in multiples of 100 Shares thereafter. • Category II Investors: 250,100 Offer Shares and in multiples of 100 Shares thereafter.
Maximum limit for subscription by each Applicant	• Category I Investors: 250,000 Offer Shares. • Category II Investors: 2,500,000 Offer Shares, equivalent to ten per cent. of the Offer.
Offer Opening Date	4 July 2017
Offer Closing Date	2 August 2017
Nominal value of the Shares	Bzs 100 per Share
Date of EGM for approval of the IPO	5 June 2017
Financial Adviser & Issue Manager	bank muscat SAOG P.O. Box 134, Postal Code 112 Ruwi, Sultanate of Oman Tel: +968 2476 8888; Fax: +968 2479 8220 URL: www.bankmuscat.com
Collecting Banks	**bank muscat S.A.O.G.** P.O. Box 134, Postal Code 112 Ruwi Sultanate of Oman Tel: +968 2476 8064; Fax: +968 2478 7764 URL: www.bankmuscat.com **Bank Dhofar S.A.O.G.** P.O. Box 1507 Postal Code 112 Sultanate of Oman Tel: +968 2479 0466; Fax: +968 2478 4428 URL: www.bankdhofar.com **National Bank of Oman S.A.O.G.** P.O. Box 751 Postal Code 112 Ruwi Sultanate of Oman Tel: +968 2477 8757/8610; Fax: +968 2477 8993 URL: www.nbo.co.om **Oman Arab Bank S.A.O.C.** P.O. Box 2010 Postal Code 112 Ruwi Sultanate of Oman Tel: +968 2475 4663; Fax: +968 2412 5125 URL: www.oman-arabbank.com

Collecting Banks	**Bank Sohar S.A.O.G.** P.O. Box 44 Postal Code 114 Hai Al Mina Sultanate of Oman Tel: +968 2476 1851; Fax: +968 2473 0344 URL: www.banksohar.net **Ahli Bank S.A.O.G.** P.O. Box 545 Postal Code 116 Mina al Fahal Sultanate of Oman Tel: +968 2457 7082; Fax: +968 2456 7841 URL: www.ahlibank.om
Reporting accountants	**PricewaterhouseCoopers** P.O. Box 3075 Postal Code 112 Ruwi Sultanate of Oman Tel: +968 24559110; Fax: 24564408 URL: www.pwc.com
Auditors	**KPMG** MBD P.O. Box 641, P.C. 112 Sultanate of Oman Tel: +968 24709181; Fax: +968 24700839 URL: www.kpmg.com
Legal Adviser to Al Ahlia Insurance	**Al Busaidy, Mansoor Jamal & Co.** **Barristers & Legal Consultants** P.O. Box 686 Postal Code 112 Ruwi Sultanate of Oman Tel: +968 2481 4466; Fax: +968 2481 2256 URL: www.amjoman.com
Marketing Adviser	**OHI Leo Burnett** P.O. Box 889, Postal Code100 Muscat Sultanate of Oman Tel: +968 24636655 URL: www.ohileoburnett.com

CHAPTER 4
SUMMARY OF EXPENSES IN CONNECTION WITH THE OFFER

The maximum expenses incurred by Al Ahlia Insurance in connection with the Offer are estimated at OMR 441,604, which would equate to 5.9 per cent of the total proceeds of the Offer if all 25,000,000 Offer Shares are sold. The breakdown of the maximum estimated expenses incurred by Al Ahlia Insurance in relation to the Offer is contained in the table below:

Estimated Expenses	OMR
Financial Adviser & Issue Manager fees	250,000
Collecting Bank fees	41,250
CMA and MCDC fees	25,000
Legal and transaction fees	38,250
Accounting Adviser	19,500
Communications, advertising and publicity	52,604
Other contingency expenses	15,000
Total expenses in connection with the Offer	**441,604**

The above figures are indicative estimates only. The expenses in connection with the Offer shall be borne by the Selling Shareholders.

For the summary projected financial statements, please see "Chapter 12 – Projected Financial Statements" of this Prospectus.

CHAPTER 5
PURPOSE OF THE OFFER AND USE OF PROCEEDS

Purpose of the Offer

The Selling Shareholders are undertaking the IPO in order to comply with the requirements of Royal Decree 39/2014 which amended the Insurance Law requiring (among other things) licensed insurance companies to be established as SAOGs and allowing existing insurance companies a grace period until 17 August 2017 to comply with this requirement.

Use of the Proceeds of the Offer

The Offer Shares do not represent an issuance of new Shares. The Offer Shares represent the sale of a part of the Shares currently held by the Selling Shareholders. The proceeds of the Offer (including the premium) shall therefore accrue to the Selling Shareholders in the ratio of Shares offered.

CHAPTER 6
OBJECTS AND APPROVALS

Overview

Al Ahlia Insurance was incorporated and registered as an SAOC under its original name of: "Royal & Sun Alliance Insurance Oman SAOC" on the Commercial Register on 04 May 2004. In January 2011, the Company's name was changed from "Royal & Sun Alliance Insurance Oman SAOC" to "Al Ahlia Insurance Company SAOC". At an EGM held on 5 June 2017, it was resolved to transform Al Ahlia Insurance into an SAOG.

Al Ahlia Insurance is licensed to undertake general and life insurance business in Oman. Al Ahlia Insurance is 100 per cent owned by the Selling Shareholders and, following this Offer, should the Offer be fully subscribed, the public will own 25 per cent of Al Ahlia Insurance's Issued and Paid-Up Share Capital.

Al Ahlia Insurance presently holds the following permits and licences which are material to the on-going operation of its business:

Ministry of Commerce & Industry: Commercial Registration

Commercial Registration Number: 1754807
Date of registration: 04 May 2004
Expiry date: 03 May 2019

Oman Chamber of Commerce & Industry: Membership

Registration Number: 1430
Expiry date: 16 May 2019

Capital Market Authority: Insurance Licence

Effective date: 26 May 2014
Expiry date: 14 June 2019

Municipality Licences

Al Ahlia Insurance holds the following municipality licenses in relation to premises from where it operates its branches in Oman:

Sr. No.	Municipality Licence No.	Issued by	Owner of the Licence	Date of Issue	Date of Expiry	Relevant Branch
	S/1009	Municipality of Shinas (MRMWR)	AAIC	29/10/2015	23/08/2017	Al Wajaja (O)
	S/318	Municipality Wilayat Mahda	AAIC	19/10/2015	18/10/2017	Al Rawdha
	BM/1444/2013	Muscat Municipality (Seeb)	AAIC	15/01/2017	31/12/2017	Al Khoudh
	S/1269	Municipality of Bahla (MRMWR)	AAIC	07/02/2017	06/02/2018	Bahla
	S/33313	Municipality of Barka (MRMWR)	AAIC	28/06/2016	01/06/2017	Barka
	S/84	Bakha Municipality MRMWR (Musandam)	AAIC	03/02/2016	05/05/2017	Al Taibat

Sr. No.	Municipality Licence No.	Issued by	Owner of the Licence	Date of Issue	Date of Expiry	Relevant Branch
	BM/3058/2011	Muscat Municipality (Muttrah)	AAIC	02/02/2017	31/12/2017	Head Office
	S/142	Municipality of Mahdah (MRMWR)	AAIC	12/04/2017	12/04/2018	Wadi Jizzi (O)
	BM/16318/2013	Muscat Municipality (Bawsher)	AAIC	24/06/2016	30/04/2017	Al Khuwair
	BM/4221/2013	Muscat Municipality (Bausher)	AAIC	18/02/2017	31/01/2018	Qurum
	BM/30727/2016	Muscat Municipality	AAIC	24/08/2016	23/08/2017	Al Amerat
	BM/24618/2013	Muscat Municipality (Seeb)	AAIC	30/09/2016	30/06/2017	Airport
	98000971	Sohar Municipality	AAIC	23/05/2016	22/05/2017	Sohar
	S/2125	Ibri Municipality (MRMWR)	AAIC	12/11/2016	11/11/2017	Ibri
	S/942	Municipality of North Sharqiyah (MRMWR)	AAIC	31/01/2017	09/02/2018	Ibra
	S/8049	Saham Municipality (MRMWR)	AAIC	08/09/2016	01/09/2017	Saham
	S/1086	Nizwa Municipality (MRMWR)	AAIC	31/05/2015	27/05/2017	Nizwa
	S/1178	Musandam Khasab Municipality (MRMWR)	AAIC	07/05/2016	06/05/2017	Khasab
	S/1107	Izki Municipality (MRMWR)	AAIC	21/06/2016	20/06/2017	Izki
	S/10558	Al Buraimi Municipality	AAIC	06/02/2017	31/01/2018	Buraimi
	1/1754807	Dhofar Municipality	AAIC	01/07/2016	30/06/2017	Salalah
	BM/36661/2016	Muscat Municipality	AAIC	15/12/2016	14/12/2017	Mabilah

Articles of Association

The object for which the Company is established is to carry on insurance business in all classes of insurance in Oman or aboard, including but not limited to ordinary life insurance, Industrial insurance, liability insurance, marine, aviation and transport insurance, motor vehicle insurance, financial loss insurance, personal accidents insurance, property insurance and all classes of insurance including re-insurance business, which have not been included under the above mentioned items, which the other similar insurance companies usually, carry on. Al Ahlia Insurance is also authorised to carry on works linked to or related to, or annexed to, or supplementary to any kind of insurance it underwrites as aforesaid.

A copy of the Articles is available for perusal at the registered office of Al Ahlia Insurance during business hours on any Business Day.

Approval for the Company to offer 25% of its share capital to the public

Article 61 of the CCL provides that promoters of companies who offer their shares for public subscription shall offer a minimum of 40% of the company's issued share capital and that no single promoter shall hold more than 20% of shares, of the Company's issued share capital, in its own name following an initial public offering of shares. The CMA advised the Company in a letter dated 2 March 2017 that the Chairman of the CMA has granted an exemption to insurance companies from the application of Article 61 of the CCL and has no-objection to the Company offering 25% of its Issued and Paid-Up Share Capital for public subscription instead of 40% as would otherwise be required under Article 61 of the CCL. The CMA has also permitted RSA ME to hold a majority stake in the Company as a strategic investor.

Resolutions Passed

At the EGM held on 5 June 2017, among other things, the following resolutions were unanimously passed:

(a) transformation of Al Ahlia Insurance from an SAOC to a SAOG, in connection with which the Selling Shareholders will offer to sell the Offer Shares for public subscription;

(b) appointment of bank muscat SAOG as Financial Adviser & Issue Manager for the IPO;

(c) appointment of Al Busaidy, Mansoor Jamal & Co. as Legal Advisers to the Company for the IPO;

(d) authorizing two members of the Board of Al Ahlia Insurance, acting jointly, to carry out the following matters:

- to approve and sign on behalf of the Board and Al Ahlia Insurance the Prospectus and other documents relating to the IPO; and
- to do all other acts, sign all documents and file and register any documents with any relevant authority and obtain consents and approvals on behalf of Al Ahlia Insurance and the Selling Shareholders which may be deemed appropriate or necessary in connection with the IPO including listing of Al Ahlia Insurance's shares on the MSM;

(e) appointment of OHI Leo Burnett as communications consultants for the IPO;

(f) appointment of PricewaterhouseCoopers as the reporting accountants for the IPO; and

(g) increasing the authorised capital of the Company from RO. 22,569,767 to RO. 25,000,000 and amending the nominal value of the Company's shares to become Baizas 100 instead of one Omani Rial for each share.

Continuing Obligations

In accordance with the CCL, all existing obligations of Al Ahlia Insurance, prior to its transformation to an SAOG, shall continue in the transformed company.

CHAPTER 7
SHAREHOLDING DETAILS

Equity Structure of Al Ahlia Insurance at Incorporation

Al Ahlia Insurance, formally known as Royal & Sun Alliance Insurance Oman SAOC, was incorporated with an initial Authorised Share Capital of OMR 10,000,000, divided into 10,000,000 ordinary shares with a nominal value of OMR 1 each, and an initial issued capital of OMR 5,000,000, divided into 5,000,000 ordinary shares of OMR 1 each of which 60% was paid up at the time of incorporation and the remaining 40% was paid up in 2005. The following table provides the share capital of Al Ahlia Insurance, as at the date of incorporation:

Name of Shareholder	Number of Shares held (F.V. OMR 1)	% of Total	Aggregate Nominal Value of Shares (F.V. OMR 1) held (OMR)
RSA Middle East	3,350,000	67.00	3,350,000
W. J. Towell	1,260,000	25.20	1,260,000
OHI	250,000	5.00	250,000
Mr Prem Kumar Mankad	140,000	2.80	140,000
Total	**5,000,000**	**100.00**	**5,000,000**

Changes in equity structure subsequent to incorporation

In 2009, the Issued and Paid-Up Share Capital of the Company was increased from OMR 5,000,000 to OMR 7,500,000, which was subscribed for by the Shareholders (except for OHI). The table shows details of the Issued and Paid-Up share Capital in 2009 following completion of the said capital increase:

Name of Shareholder	Number of Shares held (F.V. OMR 1)	% of Total	Aggregate Nominal Value of Shares (F.V. OMR 1) held (OMR)
RSA Middle East	5,025,000	67.00	5,025,000
W. J. Towell	2,000,000	26.70	2,000,000
OHI	250,000	3.30	250,000
Mr Prem Kumar Mankad	225,000	3.00	225,000
Total	**7,500,000**	**100.00**	**7,500,000**

By a decision of the EGM held on 10 February 2010, the Shareholders resolved to acquire 99.99% of the issued share capital of Former Al Ahlia from ONICH for a consideration composed of cash and new shares to be held in the Company by ONICH. Subsequently, pursuant to an EGM held on 7 November 2010, the Company merged with the Former Al Ahlia. Since the Company already owned 99.99% of the share capital of the Former Al Ahlia, no new shares were issued to the Company as a result of this merger.

In February 2010, the Issued and Paid-Up Share Capital was increased from OMR 7,500,000 to OMR 22,569,767 by issuance of 15,069,767 new shares to the Shareholders (including ONICH). The table below shows details of the Issued and Paid-Up Share Capital following the completion of the acquisition of shares in merger with the Former Al Ahlia and the said capital increase:

Name of Shareholder	Number of Shares held (F.V. OMR 1)	% of Total	Aggregate Nominal Value of Shares (F.V. OMR 1) held (OMR)
RSA Middle East	15,548,837	68.89	15,548,837
W. J. Towell	2,000,000	8.86	2,000,000
OHI	250,000	1.11	250,000
Mr Prem Kumar Mankad	250,000	1.11	250,000
ONICH	4,520,930	20.03	4,520,930
Total	**22,569,767**	**100.00**	**22,569,767**

In 2013, the Shareholders approved a capital reduction at an EGM held on 7 October 2013. The Issued and Paid-Up Share Capital was reduced from OMR 22,569,767 to OMR 10,000,000 as follows:

- Offsetting losses of OMR 2,248,656 against a part of the share premium account (having a balance of OMR 6,479,999 on the date of the said EGM).
- Transferring an amount of OMR 3,446,459 from the share premium account to the legal reserves.
- Buyback of 784,884 of the Company's shares at a price of OMR 2 per share founded from the share capital and share premium account in equal proportion.
- Cancellation of 784,884 shares after completion of the buyback.
- Restructuring the balance share capital of OMR 21,784,883 by retaining OMR 10,000,000 as the Issued and Paid-Up Share Capital and transferring the balance OMR 11,784,883 to a special reserve.

Following completion of the abovementioned restructuring, RSA Middle East purchased 110,768 shares from Mr. Prem Mankad. The table below shows the equity structure of the Company after completion of the capital restructuring and the transfer of Mr. Mankad's shares to RSA Middle East:

Name of Shareholder	Number of Shares held (F.V. OMR 1)	% of Total	Aggregate Nominal Value of Shares (F.V. OMR 1) held (OMR)
RSA Middle East	7,000,000	70.00	7,000,000
W. J. Towell	886,141	8.86	886,141
OHI	110,768	1.11	110,768
Mr Prem Kumar Mankad	0	0	0
ONICH	2,003,091	20.03	2,003,091
Total	**10,000,000**	**100.00**	**10,000,000**

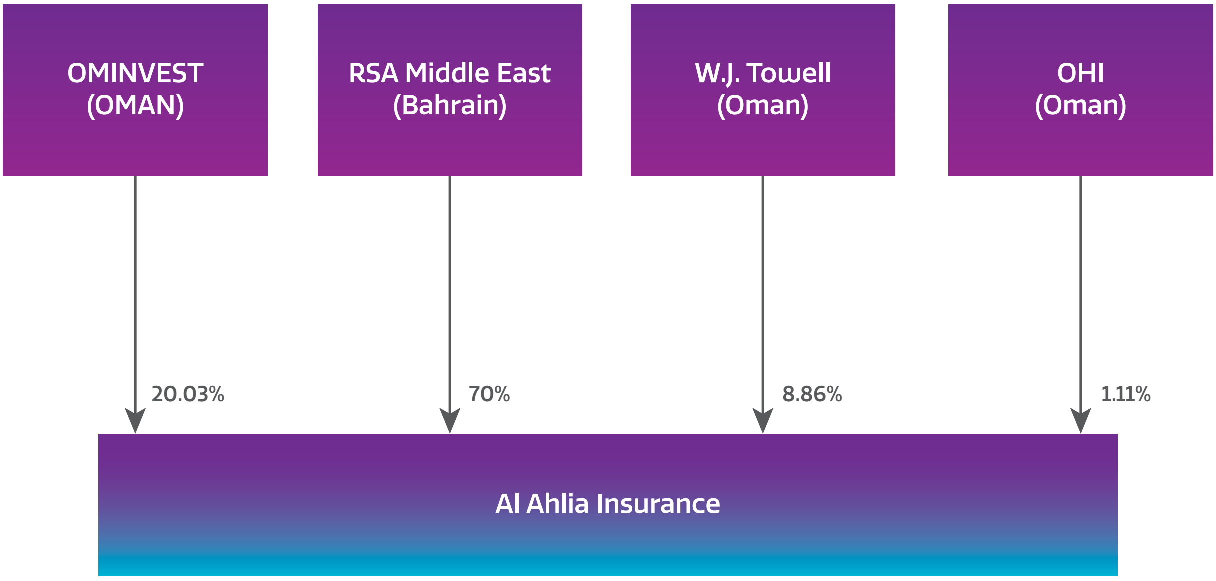
ONICH merged into OMINVEST in 2015 whereby OMINVEST was the surviving entity and all of ONICH's assets (including its shareholding portfolio which in turn included its shares in Al Ahlia Insurance) were transferred to OMINVEST by operation of law.

Details of Al Ahlia Insurance's equity structure before the IPO

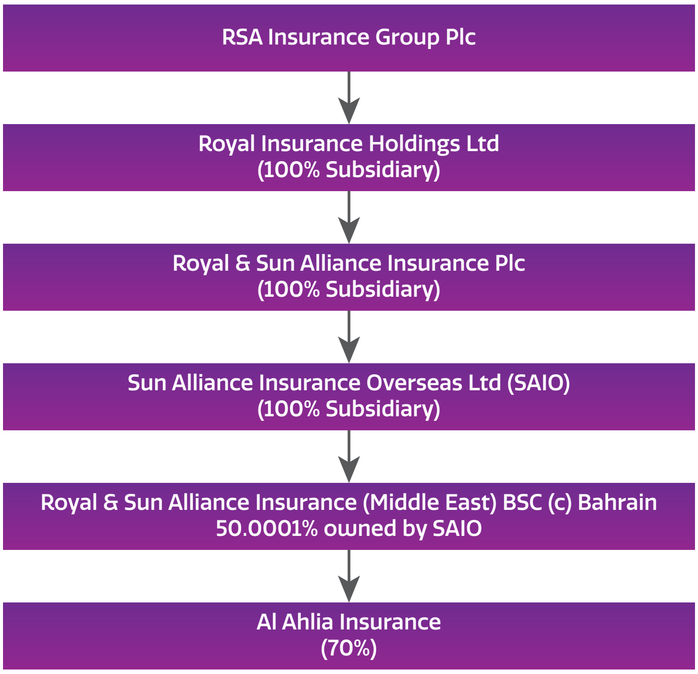
The current equity structure of Al Ahlia Insurance is as follows (following approval of a share split from RO 1 to 100 Bzs at an EGM held on 5 June 2017):

Name of Shareholder	Number of Shares held (F.V. Bzs 100)	% of Total	Aggregate Nominal Value of Shares held (OMR)
RSA Middle East	70,000,000	70.00	7,000,000
OMINVEST	20,003,910	20.03	2,003,910
W. J. Towell	8,861,410	8.86	886,141
OHI	1,107,680	1.10	110,768
Total	**100,000,000**	**100.00**	**10,000,000**

The following diagram illustrates the shareholding structure of Al Ahlia Insurance immediately prior to the IPO:



The chart below shows the relationship structure of the Company with the RSA Group.



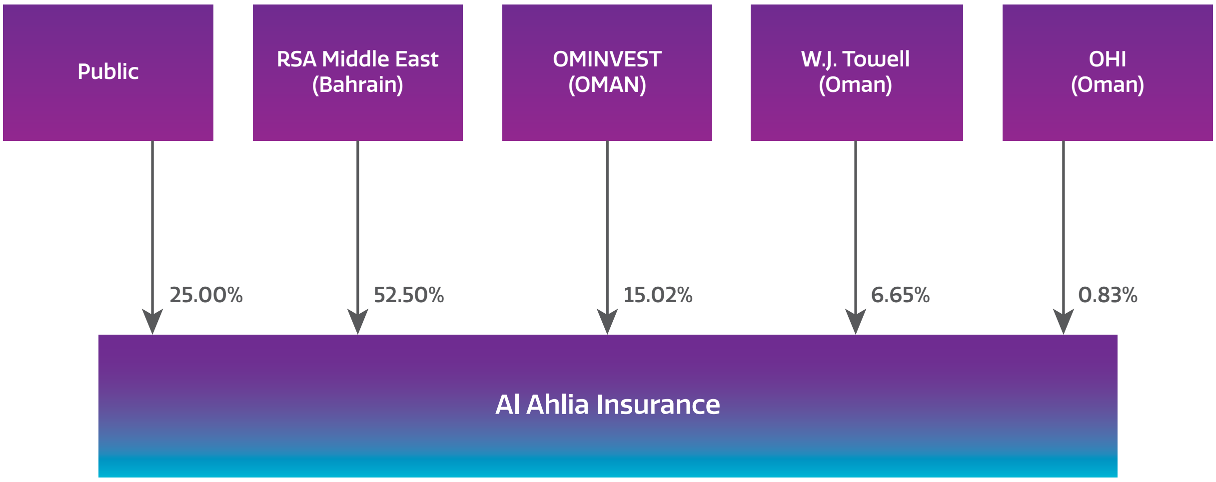
Equity Structure after the Offer

The Company has been advised by the CMA that the Chairman of CMA has granted an exemption to insurance companies from the application of Article 61 of the CCL and therefore the Company is offering 25% of the Issued and Paid-Up Share Capital for public subscription instead of 40% as would otherwise be required under Article 61 of the CCL. The CMA has also permitted RSA ME to hold a majority stake in the Company as a strategic investor.

Accordingly, after the completion of the Offer, and assuming that all of the Offer Shares are sold, Al Ahlia Insurance's Issued and Paid-Up Share Capital will remain OMR 10,000,000 and will be held as follows:

Name of Shareholder	Number of Shares held (F.V. Bzs 100)	% of Total	Aggregate Nominal Value of Shares held (OMR)
RSA Middle East	52,500,000	52.50	5,250,000
OMINVEST	15,023,182	15.02	1,502,318
W. J. Towell	6,646,058	6.65	664,606
OHI	830,760	0.83	83,076
Public	25,000,000	25.00	2,500,000
Total	**100,000,000**	**100.00**	**10,000,000**

The following diagram illustrates the shareholding (assuming a full subscription of the Offer Shares) structure of Al Ahlia Insurance following the IPO:



Brief profile of the Selling Shareholders:

- **RSA Middle East**

  RSA Middle East is part of the RSA Group which is one of the world's longest standing general insurers, providing peace of mind to individuals and families, and protecting small businesses and large corporations from uncertainty for more than 305 years. Today, RSA Group employ around 13,500 people, serving 9 million customers in more than 100 countries. Whilst its origins lie in the United Kingdom and its core markets are the UK and Ireland, Scandinavia, Canada and the Middle East, the RSA Group has the expertise and capability to write business across the globe.

  RSA Middle East, was initially established as Al Alamiya Insurance Company Limited (E.C) ("AIC EC ") in the Kingdom of Bahrain on 12 December 1990, in association with Riyad Bank and a group of reputed Saudi business houses, as an Exempt Company (EC) with an insurance license to operate on an offshore basis. The AIC EC had a portfolio of business in KSA, which it managed through its appointed agent in KSA.

  In the early nineties AIC-EC entered the UAE market by appointing an agent in Dubai, UAE and in due course converted it into a fully owned branch. In 2000, following the merger of Royal Insurance and the Sun Alliance Group in the UK to form the Royal & Sun Alliance Insurance Group, the AIC EC changed its name to Royal & Sun Alliance Insurance (Middle East) Ltd E.C. Further through an internal arrangement, it acquired the former branches of Royal International Insurance Holdings (RIIH) in the UAE (Dubai, Abu Dhabi and Sharjah) and the branch of the RSA plc in Muscat, Oman. Subsequently it also acquired the portfolios of business from Northern Assurance in the UAE, Oman and Bahrain. These acquisitions, significantly increased the size and market presence of RSA ME across Bahrain, KSA, UAE, and Oman, rendering it one of the few international insurance companies having an established brand and footprint across the key markets in the Middle East region.

Consistent with the changing trends in regulations in the region, in 2003 RSA ME established the Company as a subsidiary in conjunction with the WJ Towell and OHI and transferred the portfolio of business of the former branch of RSA plc in Oman into the Company. Similarly, following the issuance of new insurance regulations in KSA, in 2009 RSA ME together with its partners established a joint stock company in KSA, 'Al Alamiya for Cooperative Insurance Company' (Al Alamiya) transferring its portfolio of business to its subsidiary.

In 2013, RSA ME, after obtaining the required approvals from the Central Bank of Bahrain and the Ministry of Industry & Commerce Bahrain converted its legal status to a closed Bahraini Joint Stock Company under its present name Royal & Sun Alliance Insurance (Middle East) Limited BSC (c).

- **OMINVEST**

  OMINVEST is among the longest established investment companies in the Gulf region and one of the first to be listed both in Oman and the region. It has built its success on the solid foundations of consistent performance from its portfolio of investments within and outside Oman over the 30 years of its existence. OMINVEST is quoted on the MSM and up to 70% of the company's shares are open to foreign ownership. OMINVEST has around 1,300 shareholders comprising both institutional and individual investors mainly from Oman and the GCC region. Following OMINVEST's successful merger with ONICH in August 2015, it has seamlessly combined all financial, business and operating activities. OMINVEST's merger with ONICH has made OMINVEST much stronger, well diversified, and one of the largest investment companies in Oman.

  OMINVEST's subsidiaries and associates include:

  - Al Ahlia Insurance Co. SAOC
  - Oman Arab Bank SAOC.
  - National Life and General Insurance Company SAOC.
  - Budva Beach Project
  - Oman National Investment Corporation SAOC
  - Oman Real Estate Investment and Services
  - Salalah Resorts SAOC
  - National Finance Company SAOG
  - Oman Orix Leasing Company SAOG
  - National Finance House, Bahrain
  - International General Insurance Holdings Limited
  - National Biscuit Industries Ltd. SAOG
  - National Detergent Company SAOG
  - Oman Chlorine SAOG

- **W. J. Towell**

  W J Towell & Co LLC having been established in 1866 is one of the foremost and largest business groups in Oman. W.J. Towell is actively involved in a number of market sectors including general merchandising, imports & exports, distribution of commercial and residential building materials, distribution of commercial and passenger vehicles, distribution of tools & hardware, distribution of wholesale foodstuff, computer services, insurance, printing, forwarding, air cargo, shipping & travel services, construction services, distribution of electrical goods, hygiene services, oil field supplies, real estate, property development, engineering services, etc. W.J. Towell also expanded in a number of activities and entered into joint ventures with well known multi-national companies of high repute such as Unilever of United Kingdom, Wilhelmsen of Norway, Nestlé of Switzerland, etc. W.J. Towell in collaboration with Jotun Group of Norway are one of the leading manufacturers of paints (JOTUN Brand) in Oman.

- **OHI**

  OHI Group of Companies is a premier business house in Oman with several subsidiaries, associate companies and strategic joint ventures, and a well-diversified presence across key industry sectors including energy & infrastructure, engineering & construction, information technology, telecommunications, marine, logistics, travel & tourism, services and security to name a few. OHI Group, in its 38th year of operation, prides itself in building success through enduring partnerships it has with principals, collaborators, customers, business associates and employees.

  With modest beginnings almost 4 decades ago, the OHI Group has today risen to the top ranks of Oman's corporate establishment, driven by the vision of its Chairman, Maqbool Hameed Al Saleh and his unstinting belief in the 'Power of Partnerships'.

  The OHI Group prides itself in the enduring partnerships it has built with principals, collaborators, customers, business associates, employees and shareholders.

CHAPTER 8
OVERVIEW OF THE OMANI ECONOMY

Location

Strategically positioned at the crossroads of Asia and Europe, Oman has historically been a centre of trade and commerce. With a population of approximately 4.4 million as at July 2016, spread over a land area of 309,500 km2, Oman is a country with stable political, economic and social systems. Oman is administratively divided into eleven governorates (Ad Dakhiliyah, Ad Dhahirah, Al Batinah North, Al Batinah South, Al Buraimi, Al Wusta, Ash Sharqiyah North, Ash Sharqiyah South, Dhofar, Muscat and Musandam), which are further divided into 61 provinces or wilayats. Oman's capital city is Muscat (in the Muscat Governorate), which is situated on the northeast coast of the country.

Government

Oman is politically organised as a monarchy system. His Majesty Sultan Qaboos bin Said Al Said came to power in 1970 and is both the Head of State and Prime Minister. As Prime Minister he presides over the Council of Ministers. The Council of Ministers assists His Majesty in framing and implementing the general policies of Oman. The Basic Law, issued in November 1996 (Royal Decree 101/96), serves as the basis of a constitution governing state affairs. The Basic Law establishes a bicameral system of elected representatives with advisory powers and numerous civil liberties for the population. Members of each chamber serve in an advisory capacity, although members of the lower chamber may also propose legislation.

International relations

Oman maintains strong relations with its neighbours, as well as a wide range of Western and other countries. Oman has enjoyed political and economic stability over the past 40 years and is a member of various prominent international organisations, including the United Nations, the International Monetary Fund, the International Bank for Reconstruction and Development and the World Trade Organisation.

Regionally, Oman is a founding member of the GCC (alongside five other Arab Gulf states: Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates). Oman is also a member of the GCC's Permanent Petroleum Cooperation Committee which is charged with preparing the long-term petroleum strategy of the GCC in accordance with its sustainability goals.

Key Economic and Social Indicators

The following table shows a selection of key economic and social statistics for Oman for the periods indicated:

Particulars	2012	2013	2014	2015	2016
GDP at market prices (OMR billions)	30.0	30.6	31.5	26.9	25.5*
Population (millions)	3.6	3.9	4.0	4.2	4.6
Per capita GDP at market prices (OMR)	8,231	7,935	7,882	6,493	5,774*
Annual inflation	2.9%	1.1%	1.0%	0.1%	1.1%
MSM market capitalisation (OMR billions)	11.7	13.0	14.5	15.8	17.3

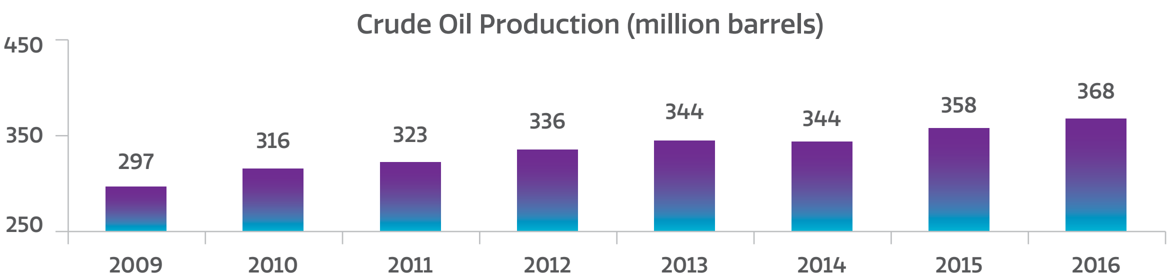
Source: NCSI
CBO Annual Reports
MSM Annual Statistical Bulletin
World Bank figures
* Provisional

Economy

Oman has a credit rating of "BB+" by Standard & Poor's and "Baa1" by Moody's Investor Services. The Omani Rial is pegged to the US Dollar at a fixed exchange rate of US$1 = OMR 0.385.

Since the discovery of oil, its extraction and exportation has served as the backbone of Oman's economy and is the principal contributor to the Government's revenues, exports and gross domestic product ("GDP"). Dubai Mercantile Exchange's Oman Crude Oil Futures Contract is now the third of three global crude oil benchmarks and sets the benchmark export price for crude oil produced in Oman and Dubai. Oman is the world's 21st largest producer of oil and the 26th largest producer of gas, and held the world's 24th largest proven oil reserves and 28th largest proven gas reserves, according to The World Factbook published by the US Central Intelligence Agency. The Government continues to focus on diversification of the economy in order to gradually reduce its dependence on oil and hydrocarbon revenues, which still represents 34 percent. of Oman's GDP. The Government is committed to further non-oil industry growth into the future.

The graph below displays annual oil production in Oman during the period from 2009 to 2016:



(Source: Statistical Yearbook 2016 and January 2017 Monthly Statistical Bulletin, NCSI)

Public Finance

The data in this section is based on information gathered from publications of the NCSI, the Central Bank of Oman and other public sources.

The Financial Affairs and Energy Resources Council ('FAERC') is responsible for Oman's fiscal policy, including the endorsement of the annual general state budget. A net fiscal deficit of OMR 5.3 billion was recorded in 2016 (preliminary), compared to a net fiscal deficit of OMR 4.5 billion in 2015 (provisional). The higher deficit in 2016 was primarily driven by a decline in Government's revenues due to low oil prices.

In 2016, the Government recorded total revenues of OMR 7.4 billion (preliminary) compared to total revenues of OMR 8.9 billion in 2015; a decrease of 17 percent. In 2016, the Government recorded total net oil and gas revenues (after transfers to reserve funds) of OMR 5.0 billion (preliminary) compared to net oil and gas revenues (after transfers to reserve funds) of OMR 6.9 billion in 2015; a year-on-year decrease in net oil revenues of 27 percent. The decline in revenue was primarily due to a decline in average oil prices from USD 57 / barrel in 2015 to USD 39/ barrel in 2016.

In 2016, the Government recorded total public expenditure of OMR 12.7 billion (preliminary) compared to total public expenditure of OMR 13.4 billion in 2015 (provisional); a decrease of 6 percent. The decline in expenditure was on account of reduced spending on subsidies, security and defense and cut expenditures by ministries and government units.

The Government's total revenues have been budgeted to increase to OMR 8.7 billion in 2017 primarily on account of the increase in oil revenue estimated at an average crude oil price of USD 45 per barrel for 2017. The Government intends to continue to focus on cost rationalisation across ongoing and investment expenditure as well as subsidies and has budgeted for total expenses of OMR 11.7 billion. The projected deficit for 2017 is OMR 3.0 billion proposed to be financed by a mix of domestic borrowing, international borrowing and financing from reserves.

Development Plans

National program for enhancing economic diversification (Tanfeedh)

The Tanfeedh program is an initiative launched by the Government in 2016 aimed at creating and implementing initiatives to diversify the Oman economy. The focus sectors include tourism, manufacturing, and logistics with an aim to improve the investment climate in Oman and ease of doing business to attract local and foreign investment. The first phase of the eight phase program has created 121 initiatives to be implemented from 2017. Initial estimates are that these initiatives could increase GDP by more than OMR 1.7 billion, and could create more than 30,000 jobs for Omani nationals.

Privatisation

In order to reduce reliance on borrowing by the government, the government is continuing its plan to sell-off or privatise certain assets. The initial steps being undertaken are to rationalise the holding of target assets, by transferring investments to a number of newly-formed, sector-specific holding companies, or by transferring them to the ownership of the sovereign wealth funds. With the privatisation program, the government is looking to maintain good levels of private investment to spur economic growth.

Currency and Financial system

The Oman Rial is the official currency of Oman. It is divided into 1000 Baizas. From 1973 to 1986, the OMR was pegged to USD at 1 Rial = 2.895 USD. In 1986, the rate was changed to 1 Rial = 2.6008 USD, which translates to approximately 1 USD = 0.384497 Rial. The CBO buys USD at 0.384 Rial, and sells USD at 0.385 Rial.

The CBO was established in December 1974 by the Banking Law, which sets out its functions and responsibilities. The CBO sets monetary policy independently after consulting with the Government about its fiscal policy objectives. The CBO also provides advice to the Government on economic policy. In addition to the formulation and implementation of monetary policy, these include regulation and supervision of the banking system and the execution of foreign currency transactions on behalf of the Government. The financial sector comprises commercial banks, Islamic banks, specialised banks, non-bank finance and leasing companies and money exchange houses.

The CMA was established by the CML and commenced its duties on 9 January 1999. The CMA is a Government entity with financial and administrative independence. The principal role of the CMA is to supervise the capital market and insurance sectors in Oman and to develop the legal framework governing the same (for example, promulgating the Code of Corporate Governance). A number of entities are regulated by the CMA, including the MSM. The CMA also aims to promote market efficiency for investors and raise awareness of investor rights and the importance of the capital market.

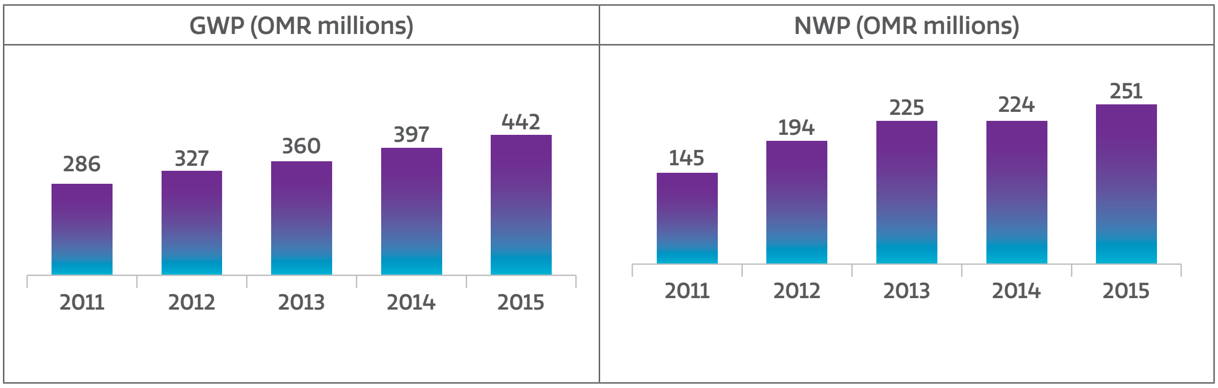
CHAPTER 9
REGULATORY FRAMEWORK AND INDUSTRY OVERVIEW

Importance of the insurance sector in Oman

The insurance sector is a key segment of the financial services sector in Oman. The insurance sector has seen a steady growth even in the current challenging macro-economic environment. The sector helps overall economy with the encouragement of long-term investments through the provision of risk transfer mechanism. Insurance sector contributed to 1.6% of the GDP in 2015 as compared to 1.1% in 2011. Insurance companies are amongst the largest institutional investors in Oman helping develop the capital markets. Insurance sector is also a key source of skilled employment and has seen strong growth in the Omanization levels. Currently there are 11 national insurance companies, 11 foreign insurance companies and one reinsurance company which are licensed to operate in the country. The CMA has played a key role in the development of the insurance sector and enhancing its role in the national economy. The CMA issues necessary directives to introduce best international practices whilst maintaining consideration for the characteristics and uniqueness of the local market.

Growth in Omani insurance sector

The insurance sector has grown at a CAGR of 11.5% from 2011 to 2015 despite slowing economic activity. Both GWP and NWP (CAGR of 14.7% from 2011 to 2015) has seen growth showcasing both the growth in the industry as well ability to absorb more risk due to sound management and supervision from CMA



Source: CMA

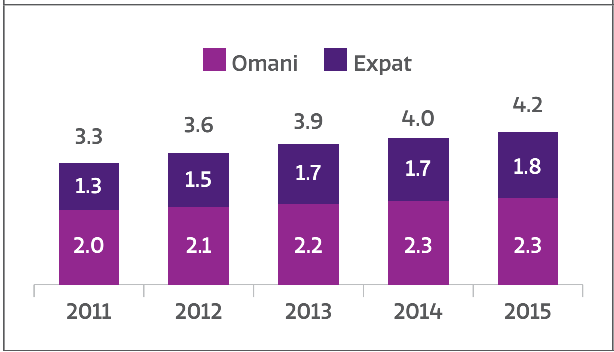
Key drivers of growth in Omani insurance sector

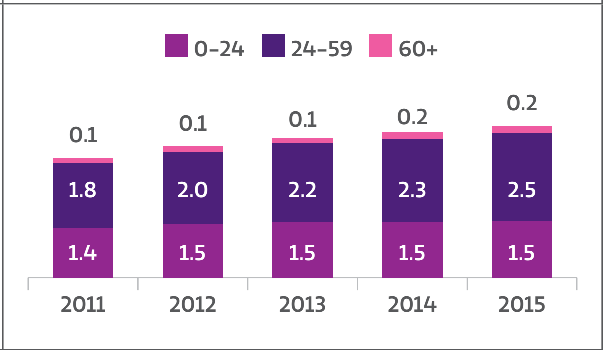
Despite the challenging macro-economic environment, the insurance sector has shown strong growth due to a combination of growing population under penetrated market strong regulatory framework as well as the CMA's efforts to increase awareness for insurance.

Growth in working population

According to the information from NCSI, Oman's population is growing at a CAGR of 6.0% from 2011 to 2015 and the working population (age of 24-59) has grown even faster at a CAGR of 8.0% from 2011 to 2015. This growth is also attributed to an increase in the expatriate workforce required to support the ongoing development in the country. The increasing working population is expected to aid in the future growth of the sector.

Population by nationality (millions)	Population by age group (millions)



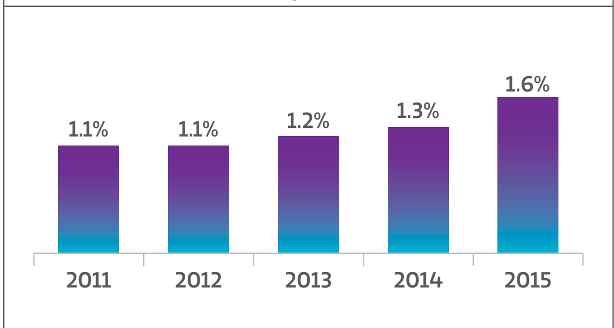


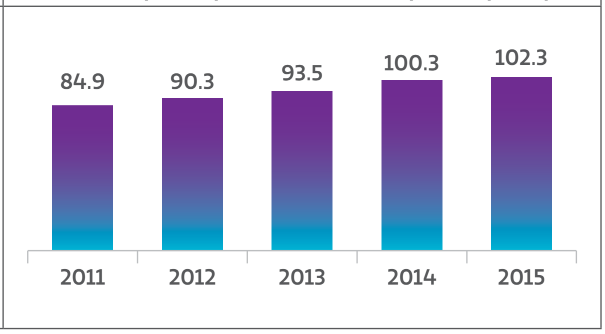
Source: NCSI

Growth in insurance penetration and density

Insurance penetration measured by insurance premium as % of GDP and insurance density measured by per capita insurance expenditure has seen strong increase in the last five years (2011 to 2015). Despite this, insurance penetration and density for Oman are amongst the lowest around the world. This is expected to provide further room for future growth for the sector.

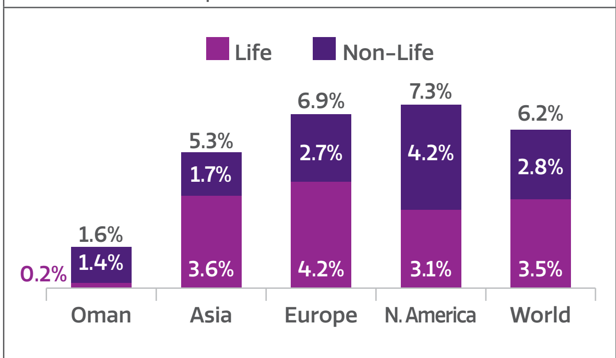
Oman's Insurance premium as % of GDP	Oman's per capita insurance expense (OMR)

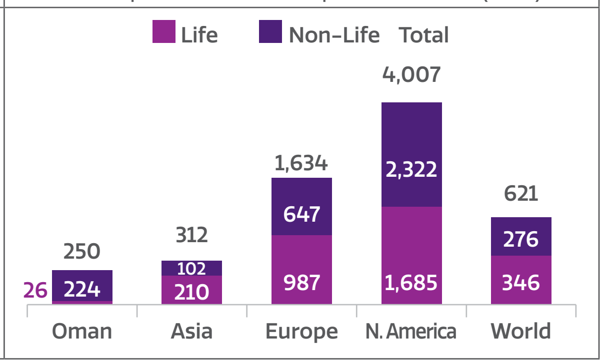




Source: CMA

Insurance premium as % of GDP in 2015	Per capita insurance expense in 2015 (USD)





Source: SwissRe World Insurance Report 2015

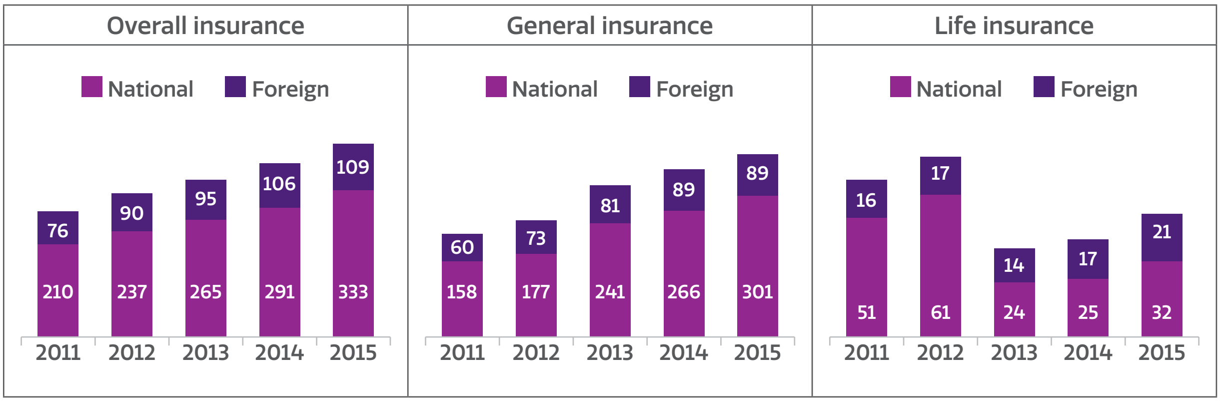
Strong regulatory framework

In 2014, the Insurance Law was amended by issuance of Royal Decree No. 39/2014 requiring insurance company to have a minimum capital of RO. 10 million and for all national insurance companies to transform into SAOGs latest by 17 August 2017. These reforms are likely to enhance transparency, corporate governance, and operating standards, providing a major boost to the insurance industry.

Overview of the Omani insurance sector

Role of the national insurance companies

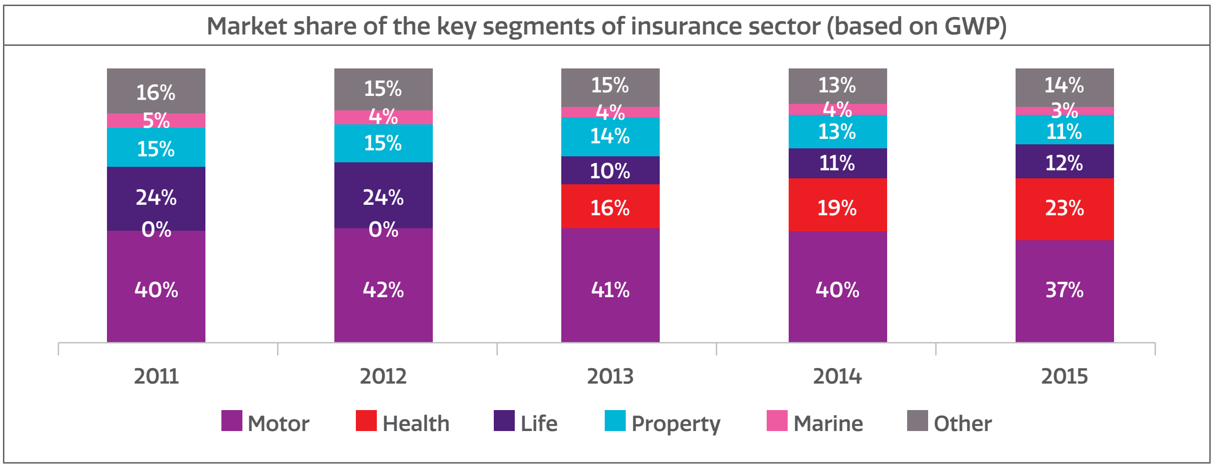
Share of national insurance companies in the insurance sector increased from 73% in 2011 to 75% in 2015. While, the share of national insurance companies has increased in general insurance sector from 72% in 2011 to 77% in 2015; their share in life insurance sector shrank from 76% in 2011 to 61% in 2015.



Note: Numbers are GWP in OMR millions.
Source: CMA

Key segments of the insurance sector

They key segments in the insurance sector in Oman are motor, health, life, property, marine and others (including liability and engineering). Motor is the largest and fastest growing segment in Oman especially due to the mandatory motor coverage. Health is the second largest segment and has seen strong growth in recent times. The life segment saw a sharp fall in 2013 but has been steadily recovering since then.



Source: CMA

Segment-wise GWP (OMR millions)						
Segment	2011	2012	2013	2014	2015	CAGR (2011-2015)
Motor	115	136	148	159	164	9.2%
Health	0	0	58	78	102	n/a
Life	67	77	36	42	53	-5.7%
Property	42	48	50	50	49	4.0%
Marine	16	14	14	14	13	-3.9%
Other	47	51	50	53	62	7.3%

Source: CMA

Number of policies being sold

The total number of insurance policies in Oman has increased from 1.0 million in 2011 to 1.4 million in 2015. The majority of the policies are written in the Motor segment (1.2 million) in 2015. This represents that one in three residents in Oman has an insurance policy.

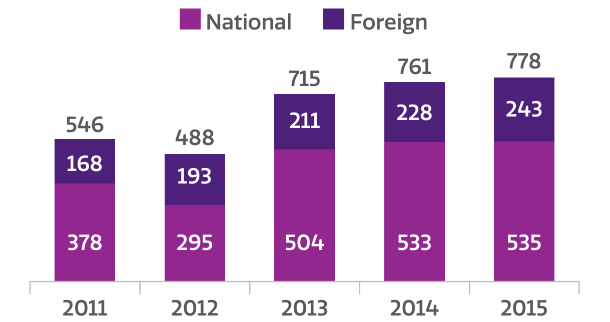
Segment-wise number of policies sold (000s)						
Segment	2011	2012	2013	2014	2015	CAGR (2011-2015)
Motor	886.8	972.3	1,064.6	1,175.3	1,230.1	8.5%
Life	18.3	30.5	27.9	31.6	35.2	17.7%
Health	0.0	0.0	3.4	6.7	11.2	n/a
Property	13.8	14.0	13.8	15.2	16.3	4.2%
Marine	15.0	15.4	14.5	13.2	13.2	-3.0%
Other	54.6	66.3	72.5	107.8	130.4	24.3%
Total	**988.5**	**1,098.5**	**1,196.8**	**1,349.7**	**1,436.4**	**19.3%**

Source: CMA

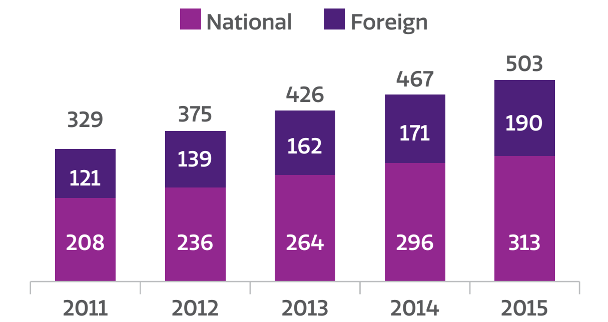
Assets and investments for the sector

The asset base for the insurance sector in Oman is now at OMR778 million growing at a CAGR of 9.3% from 2011 to 2015. The insurance sector is amongst the largest investors in Oman with total investment book of OMR503 million in 2015 as compared to OMR330 million in 2011. The increase is attributed to entry of new players as well as growth of the insurance sector.

Assets (OMR mn)



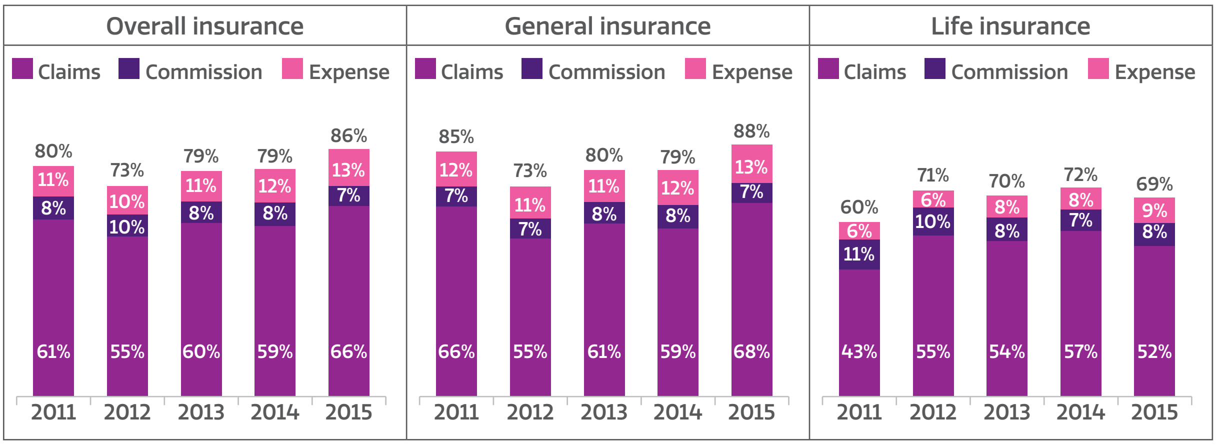
Investments (OMR mn)



Source: CMA

Claims, commission and expense ratios for the sector

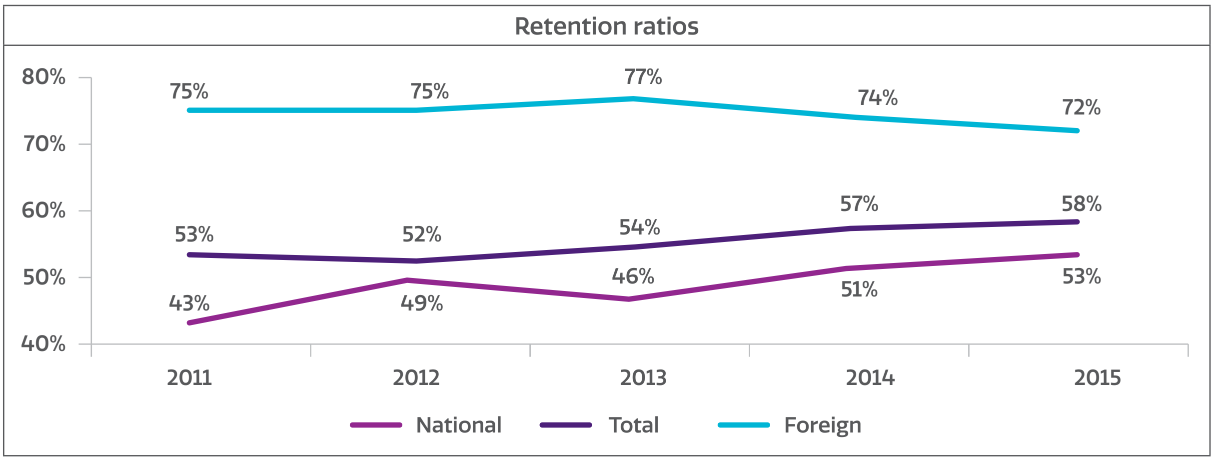
The overall profitability of the sector has been lower recently due to increase in the claims ratio and expense ratio. The commission ratio for the sector however has been reducing slightly.



Note: The ratios are calculated based on GWP
Source: CMA

Retention ratios

The retention ratios for national insurers have increased from 43% in 2011 to 53% in 2015, while the retention ratio of foreign insurers has decreased from 75% in 2011 to 72% in 2015. This has resulted in the industry-wide ratios increase from 53% in 2011 to 58% in 2015.



Source: CMA

The retention ratios vary depending on the segment of the general insurance market. See below the table representing changes in the retention ratios from 2011 to 2015. Motor, Health, Liability and Property segments have seen increasing retention ratios whereas Marine and Engineering have seen falling retention ratios. Due to better distribution of the exposure, the retention ratios for Motor and Health are fairly higher as compared to Property, Marine and Engineering which have relatively lower retention ratios

Segment-wise retention ratios					
Segment	2011	2012	2013	2014	2015
Motor	78%	85%	87%	87%	87%
Health	41%	40%	37%	50%	58%
Property	8%	7%	8%	9%	10%
Marine	27%	22%	21%	21%	17%
Engineering	27%	23%	28%	24%	21%
Liability	33%	35%	44%	40%	40%
Other	30%	33%	38%	47%	31%

Employees in the insurance sector

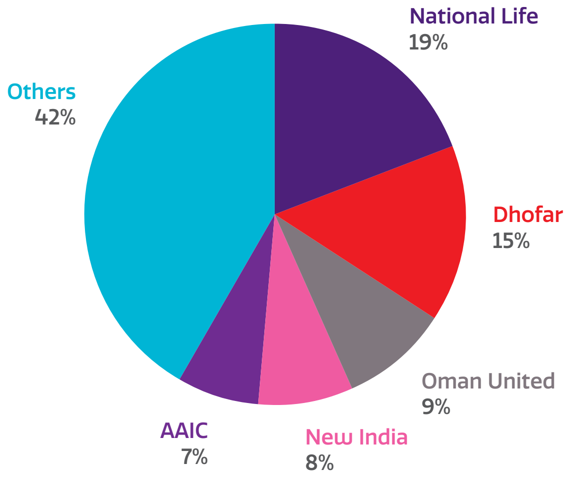
Recent years have witnessed consistent focus on the structural development of the national economy, improvements in productivity, and on improving the investment and business environments. This has resulted in the expansion of the private sector's participation and the increase of the non-petroleum sector's contribution of the total national production. This has led to a number of promising private investment and employment opportunities.

The number of employees in insurance sector in Oman reached 2,525 in 2015 compared to 2,353 employees in 2014. The Omanization percentage in insurance sector reached 66% of the total work force in 2015, an increase of 1% in comparison to 2014 and it is above the prescribed ratio of 65%.

Competition

The insurance sector in Oman is highly competitive. Twenty two insurance companies are currently licensed including two companies licensed to run Takaful operations. However, the top five companies including the Company have more than 60% market share in 2015. The competition is expected to intensify between the Company and recent entrants seeking to obtain and increase their market share by offering competitive prices and innovative insurance products.

Market share by GWP (2015)



Source: CMA

Market forecast and projections

Segment-wise GWP forecasts						
Amount in OMR millions						
Segment	2016 A	2017 F	2018 F	2019 F	2020 F	CAGR
Motor	157.9	162.6	167.5	172.5	177.7	3.0%
Health	121.4	133.6	166.9	208.7	229.6	17.3%
Life	64.2	66.1	68.1	70.1	72.2	3.0%
Property	43.2	43.2	45.3	47.6	50.0	3.7%
Marine	14.2	14.2	14.9	15.6	16.4	3.7%
Others	53.8	53.8	56.5	59.3	62.3	3.7%
Total	454.6	473.4	519.3	573.9	608.2	7.5%

Source: AAIC estimates

Key opportunities and challenges for insurance sector

There are several potential opportunities for the Omani insurance market. For example, a sustained increase in oil prices will have a positive impact on the Oman economy, which may lead to increased government spending and construction resulting in growth in the commercial insurance market. Other factors which may have a positive impact on the Oman insurance market include future increases in market interest rates resulting in greater yield on insurance companies investment portfolios; increase in general insurance penetration resulting in a larger insurance industry; increased focus by the government on the SME segment, market diversification and tax regimes resulting in potential increased demand for commercial insurance.

The Omani insurance market also faces a number of risks including low consumer confidence resulting in a price driven, lower quality insurance products, slow market growth and reduced government spending resulting in fewer projects, increased competition and a price driven market, financial pressure on policyholders resulting in increased claims and claims fraud. The above list is not exhaustive and for a further discussion of risks that could impact the Company's business and the industry it operates in see "Chapter 11 – Risk Factors and Mitigants".

Overview of Regulatory Framework

The regulatory framework for insurance companies in Oman is contained in the CCL, the Insurance Law, the Insurance Regulations and the circulars, directives, decisions and guidelines issued by the CMA concerning the insurance sector. The insurance sector is regulated by the CMA. In 2004, the insurance sector was transferred from the MOCI to CMA in order to develop and restructure the legislative and regulatory framework applicable to the insurance sector.

The various rules, circulars, regulations, policies and guidelines issued by the CMA aim to keep up with global best practices and taking into account the requirements of the local market. Some of the by regulations/ circulars issued by the CMA in relation to the insurance sector (other than the Insurance Regulation) are:

- Regulations for Investing Assets of Insurance Companies (Decision No. E11/20, as amended);
- Regulations concerning licensing requirements for conducting insurance business (Ministerial Decision No. 31/2007, as amended);
- Code of Practice for Conduct of Insurance Business issued by the CMA; and
- Code of Corporate Governance for Insurance Companies issued by the CMA.

As a general rule companies can only conduct insurance business in Oman and offer insurance products to persons resident in Oman or to Omani nationals through a public joint stock company registered in Oman.

Foreign insurance companies are also allowed to establish branches or offer insurance services or through a registered licensed agent. Article 2 of the Insurance Law (as amended) requires that all existing insurance companies that are SAOCs must transform into an SAOG within a period of 3 years from issuance of Royal Decree 39/2014. Consequently, all existing insurance companies that are SAOCs including Al Ahlia Insurance must transform into SAOGs latest by 17 August 2017.

No insurance company can undertake insurance business unless it is licensed by the CMA to carry on one or more of the classes of insurance business listed in Article 1 of the Insurance Law, has a minimum issued share capital of OMR 10,000,000 and maintains the margins of solvency prescribed by the Insurance Regulations during its operations.

CHAPTER 10

DESCRIPTION OF AL AHLIA INSURANCE AND BUSINESS OVERVIEW

Al Ahlia Insurance is one of the largest Property and Casualty Insurers in Oman with strong international technical capability and discipline as well as a well-developed distribution network which is able to leverage scale and attain consistent underwriting profitability.

1. International Parentage, Reputed Local Shareholders and Experience and History

RSA Group has been present in Oman since 1972 and grew over the period from agency to Private Joint Stock Company, prior to the current planned transition into a Public Joint Stock Company. The Company draws upon RSA Group's international parentage and its 300 years of insurance experience. Allied to that insurance pedigree, the Company is advised and guided by experienced and reputed local shareholders. Together, they have laid the strong foundations of a successful and sustainable insurance company with a Combined Operating Ratio, a key measure of insurance company performance, in the mid to low 90s for the past 5 years.

2. International Technical Underwriting Framework and Effective Claims Management

The combination of strong local underwriting capability, working within an internationally tested underwriting framework, enables the Company to execute high quality risk selection and pricing decisions. The outcome of that technical expertise is a positive risk / premium retention level, which in turn creates a high level of 'in-country value'. Local underwriters evaluate risks based on an international risk and pricing framework that has delivered stable and market leading loss ratios over the past five years. This, with an efficient claim service based upon RSA Group standards has produced high customer satisfaction reflected in strong Net Promoter Scores.

3. Well Developed Distribution Network

The Company operates a well-developed, multi-channel, pan Oman distribution network including 25 branches and strong co-branded relationships in motor affinity with access to a significant share of all new car sales. The Company has a strong broker presence with a high share of business with major brokers, and it leverages the global relationship that RSA Group has with a number of global and regional brokers. In addition, the Company partners with a number of longstanding directly serviced corporate commercial accounts and it has also recently launched digital sales (online) and tele sales (call centre) channels in the retail space.

4. Two Leading Brands

Al Ahlia Insurance operates with two strong brands : "RSA" is globally recognised as a leader in the commercial segment and, in the retail segment, "Al Ahlia" is Oman's 2nd best insurance brand in terms of spontaneous customer awareness.

5. Strong Financial Performance

Al Ahlia Insurance is one of only two companies in Oman that has delivered a consistent positive underwriting profit, as measured by a sub 100% COR and consistent positive operating cash flows, over the last 6 consecutive years.

6. **High Quality Investments**

Complementing the consistent underwriting result, the Company adopts a conservative investment strategy of high quality, low risk and low volatility investments, wherein a significant portion of the portfolio is in capital protected fixed income instruments from high credit rated companies delivering a 3.1% yield p.a.

7. **Experienced Leadership**

The Company is led by a stable and experienced leadership team with over 150 years of collective experience at the executive level. The leadership team led and executed the integration of the Company with Former Al Ahlia in 2011 and has significant local and international insurance expertise.

8. **Market Recognition**

The Company operates a highly respected corporate governance model. It was the proud winner of the CMA's Best Corporate Governance Award across all CMA governed companies in 2013 & 2014. The Company has also received strong regional recognition, winning "Best Insurer of the Year – Oman" award for 2011, 2012, 2014 and 2015 from the prestigious MENA Insurance Review. More recently, RSA ME was the winner of "Best Insurer of the Year – MENA" for 2017, awarded by the MENA Insurance Review.

9. **Risk Management Framework**

The Company places emphasis on managing its risk portfolio, with control measures in place as part of an overall risk management framework. As part of this framework, the Company has a range of governance and compliance steps, along with regular internal audit activity, with the aim of ensuring the effective management of risk, and compliance with regulatory and RSA Group requirements.

10. **Robust Future Strategy**

Management believe the Company has a robust future strategy. It will continue to draw on the international and local expertise and knowledge of its shareholders to help weather the current economic conditions and take advantage of any upturn in the economic cycle. The Company aims to deliver a market leading customer experience and consistent underwriting results.

1. International Parentage, Reputed Local Shareholders and Experience and History

International Parentage

The Company is ultimately owned and controlled by RSA Insurance Group plc (see Chapter 7 – Shareholding Details). RSA Insurance Group plc has a 300-year heritage and is one of the world's leading multinational insurance groups. At the date of this Prospectus, RSA Group employs approximately 13,500 people, serving approximately 9 million customers in more than 100 countries. While its origins lie in London, RSA Group is a global conglomerate with major operations in the UK, Ireland, Scandinavia, Canada, and the Middle East, with the ability to write business in 179 territories through its global network. Listed on the London Stock Exchange, RSA Insurance Group plc is a FTSE 100 company with a market capitalization of approximately GBP 6 billion (equivalent to approximately OMR 3 billion) on 24 February 2017.

RSA Group has a long trading history in the Middle East region spanning more than 55 years and a presence in Oman of over 40 years. The strong relationship with RSA Group enables the Company to access market leading products, services and expertise from the various businesses they operate around the world. In addition, through a business cooperation agreement (for more detail please refer to Chapter 15 – Related

Party Transactions and Material Contracts), the Company has access to the RSA Group global network and its worldwide business partners to provide global insurance programs for multi-national organizations that operate in Oman. RSA Group is known for its technical insurance skills and strong training programs and access to these has enabled the Company to build strong capability in Oman.

Middle East shareholders

The Company's immediate parent company is RSA ME, a company incorporated in the Kingdom of Bahrain (see Chapter 7 – Shareholding Details). Other than RSA Insurance Group plc, which, through one of its subsidiary group companies, owns a controlling stake in RSA ME, a significant shareholder in RSA ME is Riyad Bank, a prominent bank in the Kingdom of Saudi Arabia.

Omani shareholders

The Company benefits from having three Omani Shareholders; OMINVEST, W.J Towell and OHI (see Chapter 7 – Shareholding Details).

OMINVEST is a leading investment holding company in Oman built on the foundations of consistent performance from its portfolio of investments within and outside Oman over the 30 years of its existence. OMINVEST is listed on the MSM with a market capitalization of approximately OMR338 million on 22 March 2017. Following OMINVEST's merger with ONICH in August 2015, it has combined all financial, business and operating activities. OMINVEST's merger with ONICH has made OMINVEST stronger, more diversified, and one of the largest investment companies in Oman.

W. J. Towell is one of the largest groups of companies in Oman with businesses spanning across seven major clusters: enhance, engineering, construction, property, services & trade, consumer products and automotive. Besides Oman, W. J. Towell has presence across the GCC and India. It also has successful joint ventures in real estate, FMCG, construction, manufacturing, engineering & industrial and distribution & services.

OHI Group of Companies is a prominent business in Oman with several subsidiaries, associate companies and strategic joint ventures, and a well-diversified presence across key industry sectors including energy & infrastructure, engineering & construction, information technology, telecommunications, marine, logistics, travel & tourism, services and security.

Experience and history

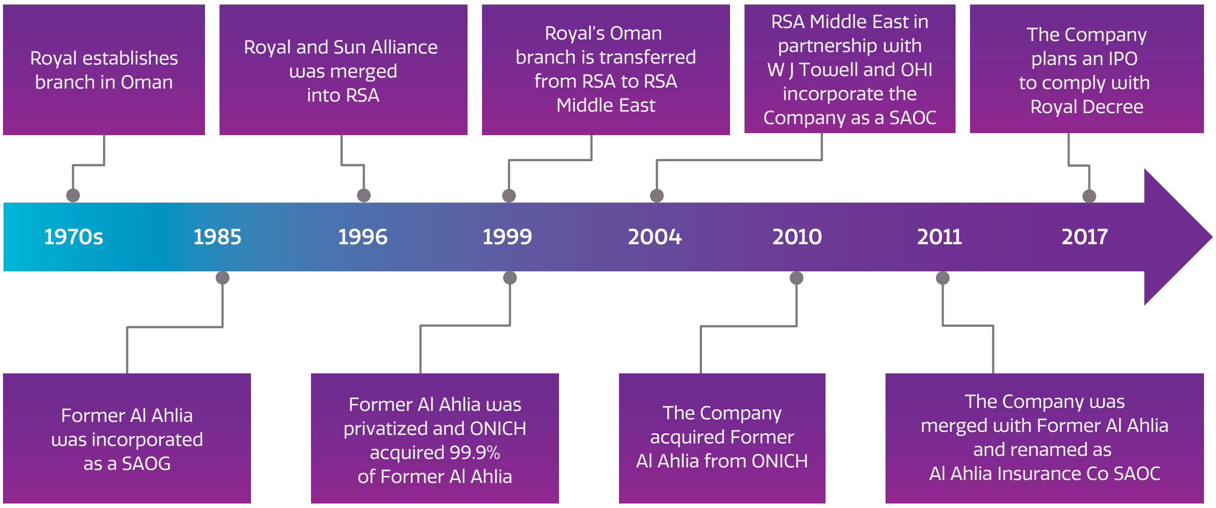
The origins of the business of the Company can be traced back to the 1970s when RSA Group commenced an insurance agency in Muscat. In 2004, the Company was incorporated to operate the combined insurance portfolios of RSA Group and W. J. Towell, in Oman.

Separately, the Former Al Ahlia was incorporated in 1985 as an SAOG and commenced operations as an insurance company. In 1999, the Former Al Ahlia was restructured as a privately held company owned by ONICH.

In 2010 the Company acquired 99.99% of the issued and paid up capital of Former Al Ahlia from ONICH and, with effect from January 2011, the Company and Former Al Ahlia merged pursuant to Article 13(bis) of the CCL with the Company as the surviving entity. The Former Al Ahlia was subsequently dissolved and the Company's name was changed from "Royal & Sun Alliance Insurance Oman SAOC" to "Al Ahlia Insurance Company SAOC".

At an EGM held on 5 June 2017, it was resolved to transform the Company into a SAOG. The legal and commercial name of the Company is Al Ahlia Insurance Company SAOG (under transformation) and its registered office is located at P.O. Box 889, Postal Code 113, Muscat, Sultanate of Oman.

As at the date of this Prospectus, the Issued and Paid-Up Share Capital of the Company is OMR 10,000,000 divided into 100,000,000 Shares of Bzs 100 each. The Selling Shareholders of the Company are RSA Middle East, which owns 70 per cent; OMINVEST, which owns 20.03 per cent; W. J. Towell which owns 8.86 per cent and OHI, which owns 1.11 per cent. For a profile of each of these selling Shareholders and their contribution (see "Chapter 7 – Shareholding Details").



2. International Technical Underwriting Framework and Effective Claims Management

Al Ahlia Insurance business model leverages in house technical expertise to understand and price the risks faced by its customers. This enables the Company to retain high levels of premium in the country and produce consistent underwriting profits. Achieving consistent underwriting profits, as it has done over the past 6 years, allows Al Ahlia Insurance to make measured investment decisions and deliver consistent investment return.

The Company has a strong technical discipline and benefits from the globally applied standards developed by the RSA Group. The discipline and standards are applied to enhance performance of people, processes, controls, tools and technology, with the aim to be a leader in the development of the Oman insurance market.

Underwriting philosophy

A key pillar of the Company's technical foundation is its portfolio specific strategies. The Company groups its products into overarching generic portfolios and, in respect of each, continually develops and implements strategies that outline the Company's ambition and the market context for each portfolio. These strategies set out the Company's risk appetite, how each product is priced, reinsured, and how each portfolio manages the acceptance of risk, the risk exposure and risk accumulation it accepts and the claims it incurs.

For every type of risk the Company accepts across all its portfolios, it applies the discipline of its 'Five Stages of Underwriting' ensuring every risk it accepts is well understood and provides the most suited combination of insurance products for each client at an appropriate price.

Underwriting and pricing

The Company has an experienced and qualified underwriting team comprising portfolio managers responsible for the development, implementation and management of the portfolio strategies and trading underwriters focused on underwriting risks for customers. This applies right across the Company's commercial and personal insurance market in Oman. The Company also has specific pricing actuarial capability to work with portfolio managers in developing bespoke pricing models and tools to assist the Company in winning profitable business across Oman.

Maintaining price adequacy is a critical measure that ensures the Company delivers its financial objectives. It achieves this by:

- Understanding and using consistent and transparent ratemaking processes
- Developing and maintaining fit-for-purpose pricing tools, and
- Monitoring price adequacy and rate plan strategies

Al Ahlia Insurance also gathers market data through market surveys and publicly available data to combine its pricing insight with its collective experience to take calculated risks in some segments where it feels there is opportunity to achieve profitable growth.

Exposure management & control

Post-Cyclone Gonu in 2007, the Company focused greater attention on accumulated and natural catastrophe exposures ensuring it remains aware of accumulated exposures and protected from the impact of large scale weather events. The Company has developed ways to manage these exposures and accept relevant risks.

The Company captured geo-code location data for 99% of insured asset exposures and 99% of estimated maximum loss exposures across the country. Further the Company mapped flood exposures across Oman and developed its natural catastrophe underwriting approach to the country's exposures to earthquake, windstorm, flood and tsunami also taking insight from international natural catastrophe models.

Risk management

The Company employs a dedicated risk management resource in country in addition to using regional and global specialist resources. Having such a resource allows the Company to write risks it might otherwise avoid by thoroughly understanding the risk exposures it writes, and by working with its customers to improve its mutual risk exposures to an acceptable level. Since the beginning of 2012, the Company has undertaken over 600 surveys and delivered over 1,000 recommendations for customers.

Reinsurance management

The Company's financial philosophy is to leverage its technical strengths to manage and absorb attritional losses and retain profit from risk acceptance rather than share all these benefits with reinsurers. In consequence, the Company focuses its reinsurance on large loss events to protect its financial results.

The table below shows the volume of risk premium retained by the Company compared to its competitors:

	2011	2012	2013	2014	2015
The Company	64%	70%	82%	81%	86%
National insurance companies	43%	49%	46%	51%	53%
Foreign insurance companies	75%	75%	77%	74%	72%
Oman insurance sector	53%	52%	54%	57%	58%

(source : CMA Annual Insurance Market Index book(s))

The Company's success at increasing levels of retention has largely been due to recruiting, retaining and developing capable people and combining these with well-designed processes and technology to ensure it properly understands and accepts better risk exposures and manages risk and indemnity settlements. The success of this strategy can be seen through consistent underwriting profits between 2011 and 2015.

Claims Management

Al Ahlia Insurance believes in proactive management and fair settlement of claims. The Company recognises that a claim is the 'moment of truth' and the real test of the commitment made to its customers when they purchased their insurance policy. As a result, the Company regards claims as an integral part of the customer proposition.

Al Ahlia Insurance's claims management team consists of 36 licensed claims personnel. With technically capable claims handlers and well-engineered claims processes, Al Ahlia Insurance ensures that claims are processed as quickly and efficiently as possible, resulting in a good claims service for its customers.

While continuously enhancing customer experience and customer proposition in claims management, the Company is also focused on managing the claims cost at an optimum level, to ensure that the cost benefits can be passed to the customer at better premium rates. These include:

- 'In-house' survey team for motor claims with authorisation limits to inspect and authorise repairs 'on the spot'
- A designated supply chain resource responsible for the development and management of the claims supply network to drive low claims cost, quick 'turnaround time' and superior customer service. The Company only utilises Grade 'A' Royal Oman Police (ROP) approved workshops for all non dealer repairs, thus guaranteeing vehicle repair quality
- Focus on pro-active identification and management of fraud

3. Well Developed Distribution Network

The Company has a well-developed, multi-channel, pan Oman distribution capability including:

Branches and Border offices

The Company operates its business through a network of 18 territorial branches and 7 border offices allowing direct distribution of personal lines insurance. The network of branches gives the Company a wide geographic distribution range, with a customer base of approximately 36,000 direct personal line customers. The Company has a number of border offices to service overseas travellers requiring motor insurance, with a customer base of approximately 125,000 direct customers.

Brokers

The Company offers a range of insurance solutions across personal, commercial and specialty lines through more than 20 brokers and 5 exclusive agents giving the Company a significant share of broker business, with approximately 4,000 personal and 1,000 commercial customers. The Company has adopted a proactive structured approach towards managing brokers including segmentation, bespoke proposition, business agreements, regular reviews and active campaign calendars.

Affinity

The Company has several affinity partnerships in Oman which enables strategic alliances with high volume business generators. This includes one of the most reputed business houses of Oman with 5 co-branded products and access to more than 29 partner locations, with approximately 8,400 customers. Key brands covered under affinity partnerships include Toyota, Lexus, KIA and Ford which provide access to a large proportion of new car sales.

Direct Sales

The Company has relationships with longstanding commercial clients providing the opportunity to directly market various new products. The Company has built a customer base of over 75 direct commercial customers.

Digital Sales

In February 2017, the Company launched its website www.alahliarsa.com which has full transactional capabilities. This new portal not only showcases the wide range of products from Al Ahlia Insurance, but also allows customers to purchase insurance 24/7 from the comfort of their homes or offices. Customers can also use the website to register their claims online. The user interface has been developed with the aim to be easy, convenient and fast.

Tele Sales

In 2017, the Company launched a new call centre equipped with a new system enabling call handlers to quickly respond to customer queries. The team is trained to handle a range of customer inbound and outbound services including new business deals, renewals of existing policies, cross-selling products, up-selling and bespoke campaign management capabilities. Customers can conclude their transactions through an online secure Interactive Voice Response (IVR) led payment gateway, which saves them the time of visiting a branch.

4. Two Leading Brands

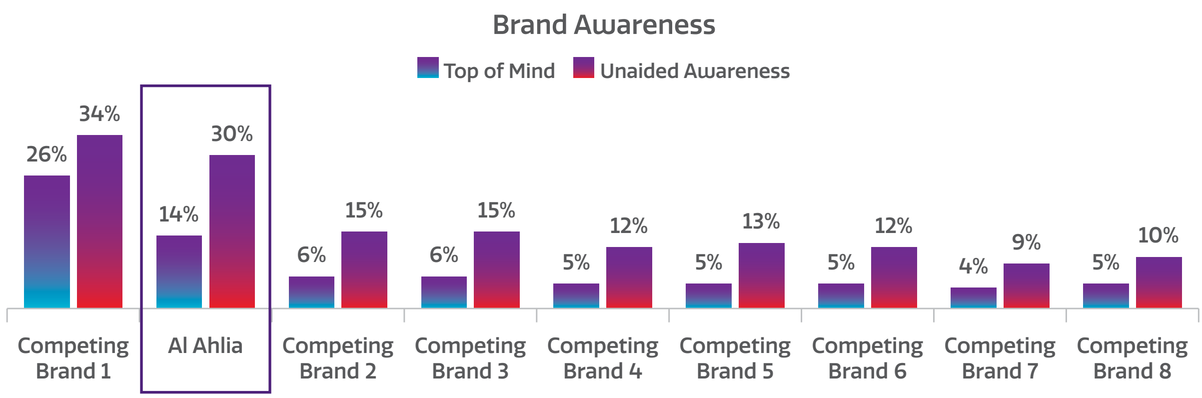
The Company operates with dual brand strategy: **'RSA'** is used for corporate clients and **'Al Ahlia'** is used for retail clients.

RSA Brand

The RSA Group brand is well recognised in International and Oman insurance markets. RSA Insurance Group plc has a S&P rating of 'A' and is a sought after brand for large, complex commercial insurance where the financial strength and international technical expertise is the critical to successful underwriting of risks.

Al Ahlia

The Al Ahlia brand has been in Oman for more than 30 years making it one of the oldest and most trusted names in the general insurance sector, resulting in strong recall and awareness amongst its customers. More recently, the Company was recognized as the 'Oman Insurer of the Year' for the years 2011, 2012, 2014 & 2015 at the MENA Insurance Awards which helps brand recognition, as illustrated in the table below.



Source: Kantar AMRB Market Research 2016 / 2017

5. Strong Financial Performance

Underwriting discipline, strong balance sheet management and a focus on cost efficiency have enabled Al Ahlia Insurance to establish a track record of delivering results. Al Ahlia Insurance is one of two general insurance companies to have consistently delivered underwriting profits since 2011. The Company has paid annual dividends since 2013.

Over the last 6 years it has produced profit after tax of RO 13.5m and has consistently had a COR % in the mid to low 90s. Al Ahlia's track record of producing underwriting profits makes it one of the strongest performing general insurers in Oman.

The table below shows selected financial data for the periods indicated:

	2012	2013	2014	2015	2016
P&L (OMR millions)					
Gross Written Premium	33.3	34.4	33.4	30.9	26.4
Net Written Premium	23.2	28.2	27.2	26.7	22.3
Underwriting result	1.6	2.0	2.4	1.5	1.4
Profit After Tax	1.8	2.5	2.9	2.1	2.0
Balance Sheet & Cash Flow (OMR millions)					
Total assets at the end of the period	72.9	71.6	75.5	70.3	71.7
Total liabilities at the end of the period	41.2	38.9	41.3	35.6	35.7
Total equity at the end of the period	31.7	32.6	34.2	34.7	36
Operating Cash Flows	2.5	3.0	6.2	1.5	4.6
Ratios (%)					
Loss ratio	68%	69%	64%	65%	62%
Combined Operating Ratio (COR)	92%	92%	91%	94%	94%
Solvency margin– General Insurance	174%	168%	192%	261%	258%
Solvency margin– Life Insurance	187%	479%	723%	750%	416%

Source: Audited accounts

Balance sheet

The Company had a strong capital position as at December 31, 2016 with a combined (General and Life) solvency ratio of 260% above the minimum levels prescribed by the CMA. The Company has not received a shareholder capital injection since acquisition of the Former Al Ahlia in 2010.

Over 90% of its investments as at December 31, 2016 were in high rated bank deposits spread across many banks, which limits exposure to credit risk and insignificant exposure to liquidity risk.

The Company adopts a conservative reserve policy which is based on timely actuarial assessment at end of each quarter. The Company has made the following provisions for its incurred but not yet reported (IBNR) claims.

(OMR millions)	2014	2015	2016
IBNR	3.3	4.1	4.4
% of Net Outstanding Claims	26%	31%	30%
% of Net Incured Claims	19%	23%	30%

Source: Audited accounts

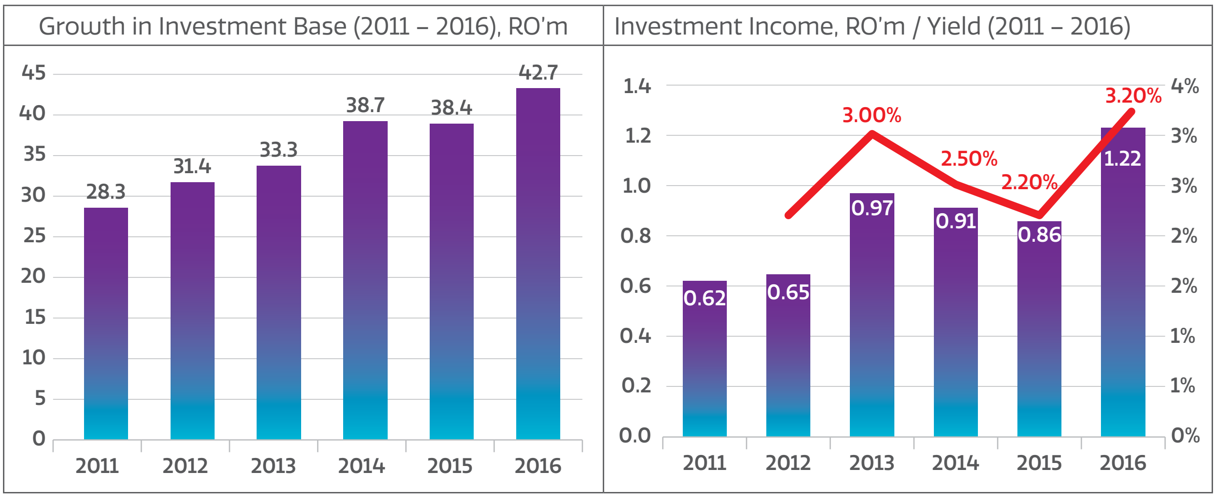
The Company has already funded the legal reserve and based on the Projected Financial Information, the Company expects that the maximum requirement for contingency reserves under the Insurance Regulations will also be fulfilled. This should improve the dividend paying capability of the Company.

Cost efficiencies

The ratio of the Company's combined operating ratios, which is used to monitor underwriting profitability and efficiency and indicates how well an insurance company is performing in its daily functions, has been between 90% and 95% over the last 5 years.

6. High Quality Investments

In line with RSA Group's policy, the Company adopts a conservative investment strategy of high quality, low risk and low volatility and it predominantly invests a significant portion of the investment book in fixed income instruments from high rated companies. To minimize concentration risks, the Company's investment strategy limits exposure to an individual company. In addition, to minimize credit risk, only securities / deposits issued by companies with S&P or S&P equivalent of investment grade credit ratings are selected. The investment strategy ensures that the Company receives consistent investment returns with minimal risk. Currently, a major portion of the investment book is invested in the fixed deposits of various high rated regional banks of duration between one to five years.



Source: Audited accounts

7. Experienced Leadership

The Company has an executive management team with extensive experience and knowledge in international and Omani insurance with over 150 years of collective experience at the executive level. The experience and performance of the Company's executive management team has been critical in achieving its business results. The management's experience helps the Company make timely strategic and business decisions in response to evolving customer needs and market conditions.

The Company's CEO, Mr. Lloyd East has over 26 years of experience in the financial and insurance sector including most recently 9 years with RSA Group. Mr. East is the Deputy Chairman of the Oman Insurance Association and the Vice Chairman of the Executive Committee at the Orange Card Bureau. He also sits on the Boards of RSA Middle East (Bahrain), Al Alamiya for Cooperative Insurance Company (Kingdom of Saudi Arabia) and he chairs their respective Nomination and Remuneration Committees.

8. Market Recognition

Al Ahlia Insurance has been recognized as the 'Oman Insurer of the Year' for four out of the last six years (2011, 2012, 2014 & 2015) at the prestigious MENA Insurance Awards.

The Company was awarded the 'Best Overall Performance' and winner in 'Services and Insurance' category at the Corporate Governance Excellence Awards 2013 by Oman Centre of Corporate Governance under the aegis of Capital Market Authority.

Al Ahlia Insurance places significant emphasis on corporate governance and leverages best practice from the RSA Group and the Company's Omani shareholders.

9. Operational Risk Management Framework

The Company recognises that risks are an integral element of its business and managed acceptance of risk is essential for the creation of shareholder value. The acceptance of risk is dependent on the return on risk-adjusted capital and consistency with its strategic objectives. The Company has established a company-wide risk management framework.

The Board assumes the ultimate responsibility for operational risk management, internal control and compliance. The Board approves the risk management system that covers the identification, measurement, monitoring and control standards relating to various operational risks. The Audit & Risk Committee formulates the risk management system, monitors all risks across various functions of the business and establishes appropriate systems to mitigate such risks. The Audit & Risk Committee also defines the risk appetite and risk profile and oversees the effective operation of the risk management system and advises the Board of Directors on key risk issues. The committee also considers how well controls are operating and how any control issues or breaches are being mitigated. The Audit & Risk Committee comprises of the Company's senior management and is responsible for guiding, coordinating and ensuring compliance with the risk management framework of the Company.

The Board is responsible for the affairs of the Company including investments, in a manner that meets shareholder and regulatory requirements, consistent with current corporate governance best practice standards, and the Articles of Association. The Investment Committee is authorised by the Board to manage all aspects of investment policy and strategy for the Company and provides oversight of the operation of the Company's investment portfolios within established strategy and risks frameworks.

The three lines of defence for Operational Risk Management Framework

The Company's operational risk management framework is underpinned by a three lines of defence model which describes three stages of effective risk management:

- Risk management is carried out in the business (1st Line)
  - Operational managers own and manage risks.
- Risk oversight is primarily carried out by the risk function (2nd Line)
  - The risk management function monitors the implementation of effective risk management framework by managers (risk appetite, risk profile, breaches, process deficiencies, etc) and assists the business reporting adequate risk-related information throughout the organization.
- Independent assurance is provided by internal audit (3rd Line)
  - Internal auditor provides the senior management with assurance based on independence and objectivity of the audit function.

Litigation and regulatory proceedings

The Company is party to legal proceedings which arise in the ordinary course of business. The Company believes that the outcome of outstanding legal proceedings, individually and in the aggregate, will not have a material adverse effect on its consolidated financial position. As per the management's estimates, the aggregate financial impact of the outstanding legal proceedings is approximately OMR 0.9 million. The Company believes that it has set aside enough reserves required to settle any liability from the ongoing litigations. The Company is not, at the date of this Prospectus, facing any regulatory proceedings.

10. Robust Future Strategy

The Company's objective is to produce sustainable profits and enhance its market position. In order to achieve its goals, the Company plans to pursue the following strategies:

Leverage Market Opportunity

The penetration (insurance premium as % of GDP) and density (per capita insurance expenditure) of the Omani insurance market are significantly lower than those of around the world, representing possible underinsurance and growth potential. The Company hopes that this, coupled with Oman's large working population, strong urbanisation and potential for rising affluence will promote the growth of the Omani insurance sector. According to the Company's estimates the GWP for the Omani insurance industry may grow at a CAGR of 3.3%.

Focus on key segments

While the Company has a license to operate in both life and general insurance and has a range of insurance products approved from CMA, it will continue to focus on key segments where it believes that it has the strategic advantage. The Company has a customised strategy to defend and enhance its position in these segments.

Explore select growth opportunities

The Company is planning to expand the product propositions which may also include claims service level commitments and additional cover options. In the motor insurance business, the Company is planning to selectively target new segments to achieve profitable growth. . Within the commercial lines of its business, the Company is planning to investigate opportunities in small and medium enterprises and plans to offer the first ever 'quote and bind' proposition in Oman.

Continue to deliver customer value

The customer-centric approach spans the customer life cycle, from product development, to customer service and claims management. The Company will continue to focus on delivering value to consumers and aims to provide customers with a fair, accurate, consistent and transparent service experience. The Company endeavours to be easily accessible and settle claims in a quick and efficient manner recognising the rights of all parties.

Improve customer retention

Customer retention is essential for the business and the Company is focused on strengthening mechanisms to increase renewal premiums. The Company encourages customers to renew policies by regular reminders and convenient payment options. The Company also provides loyalty discounts and no claim discounts to its key customers. The Company also ensures there is adequate focus by distributors and employees on customer retention by aligning key performance indicators and rewards to this objective. The Company also monitors customer behaviour to identify any triggers for proactive intervention.

Maintain cost efficiency

The Company is focused on improving its operational efficiency and believes that its diversified distribution mix plays a key role in ensuring requisite focus on efficiency. The Company has begun several steps to increase efficiency in the business including a recently completed organisational restructuring to achieve cost reduction. The Company is one of only two general insurance companies in Oman to consistently deliver positive underwriting results for the last six years. (Source: CMA data) The Company intends to continue its efforts to maintain focus on costs.

Strengthen distribution network

The Company believes that its multi-channel diversified distribution network helps it navigate economic cycles. Where one distribution channel may be significantly impacted, there is always access to other distribution channels. This means ready access to different customer segments and a reduction in concentration risk. The Company will continue to focus on deepening existing broker and affinity partner relationships and also seek new affinity partners. In 2017, the Company opened two new branches with plans to open one more branch later this year and has extended the working hours of all the Muscat branches till 7pm. The Company is developing a focused customer contact strategy that leverages all distribution points to improve retention.

Leverage technology

The Company is planning to further diversify its distribution channels by increasing its focus on digital channels. In response to recent changes in customer behaviour, the Company has launched its online sales capabilities. The Company believes that its fully transactional website will offer improved information, service and speed. To complement its online sales service, the Company has also launched a fully enabled contact centre for inbound sales and customer service calls. The contact centre will also have the ability for outbound calling.

The Company believes that digital technology has influenced and will continue to significantly influence customer advocacy, information search and insurance sales. The Company expects online sales to play an increasingly larger role in the sale of personal line products like motor, travel, home & home contents and personal accident insurance. By leveraging technology across the value chain from pre-sales, fulfilment and post-sales, the Company aims to provide a convenient experience to its customers, easily accessible information and a smoother sale and service process to its distributors, resulting in improved customer on-boarding, employee and distributor productivity, and quality of sales.

The management believe the Company has a robust future strategy. It will continue to draw on the international and local expertise and knowledge of its shareholders to help weather the current economic conditions and the management believe it is well placed to take advantage of any upturn in the economic cycle. The Company aims to deliver a market leading customer experience and consistent underwriting results.

CHAPTER 11
RISK FACTORS AND MITIGANTS

Prior to investing in Offer Shares, prospective Applicants should carefully consider the risk factors relating to Al Ahlia Insurance's business and industry described below together with all other information contained in this Prospectus, including the financial statements set out in "Chapter 20 – Historical Financial Statements" of this Prospectus. These risks and uncertainties are not the only issues that Al Ahlia Insurance faces; additional risks and uncertainties not presently known to Al Ahlia Insurance or that Al Ahlia Insurance currently believes to be immaterial may also have a material adverse or beneficial effect on its financial condition or business success. The occurrence of any, or a combination of, the following events, could have a material adverse or beneficial effect on Al Ahlia Insurance's business, results of operations, financial conditions and prospects and cause the market price of the Shares to fall significantly and investors to lose all or part of their investment. Unless otherwise stated in the relevant risk factors set out below, Al Ahlia Insurance is not in a position to specify or quantify the financial or other risks mentioned herein.

Challenging macro-economic conditions

The Company's performance will depend on economic conditions in Oman and the global economic conditions generally. Changes in economic conditions can impact the financial results of the Company, for example, through investment returns and customer demands for its products and services. The Company will not be able to predict the impact that future economic conditions will have on its business. There can be no assurance that future conditions will not materially adversely affect the Company's profitability. The Company's ability to engage in routine funding transactions could be adversely affected by the actions and strength of other financial services institutions worldwide. Such financial institutions are interrelated as a result of trading, clearing, or other relationships that link these financial institutions to one another. The Company may be exposed to several risks related to different industries and other parties with which the Company deals and may require the execution of transactions with those parties within the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutional clients that could result in a significant credit concentration with respect to the financial services industry overall. A drop in performance by, or even rumours or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and could lead to losses or defaults by the Company and materially affect its financial condition and cash flow. The Company monitors liquidity requirement on a monthly basis and ensures that sufficient liquid funds are available to meet any commitments as they arise. The Company's investment book consists predominantly of fixed deposits by the leading banks in the region which can be liquidated at short notice subject to necessary approvals.

Cyclicality of insurance business

The insurance business in general is experiencing cyclical change, with significant fluctuations in operating results due to competition, catastrophic events, general economic and social conditions and other factors that are beyond the control of insurance companies. This cyclicality can produce periods characterised by price competition due to excessive supply as well as periods characterised by higher premiums due to shortages of supply. The Company is exposed to such regular effects, including the need to increase or decrease policy prices to remain profitable and competitive, which could have a material adverse effect on the Company's financial condition, results of operations and cash flows.

The Company employs a robust and sustainable business model which has helped the Company weather the periods of uncertainty and challenges in the past.

Risks related to market growth

Within the overall insurance sector, the Company focuses its business on its core addressable market in the general insurance segment. While the overall insurance sector in Oman has seen strong growth, the addressable market for the Company has grown more slowly than the overall market in recent times resulting in loss of market share.

In future, there could be unknown factors that may limit the current growth trend in the insurance sector. Despite various attempts at diversification, Oman's economy is still dependent primarily on oil and gas. As a consequence, the Government's revenues are subject to fluctuations in oil prices and fiscal budget remains vulnerable to several factors outside the Government's control. This might hinder any growth potential of industrial and large residential projects and other infrastructure projects, which would negatively affect the insurance business and insurance companies operating in Oman.

The Company employs a multi-channel diversified distribution model and in addition also focuses on varied segments of the overall insurance business. The diversified business of the Company helps mitigate to an extent any short term impact on a particular channel or segment.

Competition and distribution trends

Currently there are 22 insurance companies licensed by CMA to carry on insurance business in Oman. The Company's competitive position will depend on a number of factors including:

- its financial strength;
- the geographical scope of its activities;
- the business relations it establishes with its customers;
- the volume of written premiums;
- the terms and conditions of insurance policies issued;
- the services and products offered, including the Company's ability to plan an insurance programme in accordance with the requirements of the market;
- the speed of settlement of claims;
- the reputation of the Company and
- the expertise and competence of its staff.

The Company is also exposed to changes in the behaviour of its customers. Changes in lifestyle, technology, or regulation could significantly alter customers' actual need for insurance and the types of insurance requested. Changes in technology could give rise to new types of entrants into the insurance and insurance sales markets or the development of new distribution channels requiring further adaptation of the Company's business and operations. Competitive pressures from new technologies and distribution channels, including changes driven by a society increasingly relying on digital technology, may require changes to the Company's business operations, including IT systems and functionality. Failure to update its IT systems as required may result in the Company being unable to match the products or pricing of its competitors and therefore the Company being unable to maintain its competitive position. The Company could lose market share, incur losses on some or all of its activities or experience lower growth if it is unable to offer competitive, attractive and innovative products and services that are also profitable, if it does not choose the right marketing approach, product offering or distribution strategy, or if it fails to anticipate or successfully adapt to change.

Any increase in competition may result in a reduction of written premiums which would have a material adverse effect on the Company's business, operating results, and prospects, and may lead to a reduction in the Company's profitability and market share. In addition, the increased competition may limit the growth of its customer base and lead to increased operating costs such as sales and marketing as well as the cost of writing policies.

The Company has a good reputation in the Omani insurance market and also has long standing relationships throughout the insurance industry including customers, brokers through various business cycles. The Company is constantly studying the consumer trends and is innovating its products, reach and processes to better service them on competitive terms.

Reliance on motor insurance business

In 2016, the Company derived around 77% of its GWP and 90% of its NWP from the motor insurance business. While, the size of the Motor Insurance business in Oman has grown from OMR115 million in 2011 to OMR164 million in 2015, any negative impact on the motor insurance business including one or more of the factors below, could have a material adverse impact on the financial results of the Company and future business prospects:

- fall in new car sales;
- increase in competition;
- fall in premium rates; and
- increase in loss ratios.

The Company has strong capabilities and serves a large segment of the insurance industry. Motor insurance represents the largest segment in the Omani insurance industry and has shown consistent growth in the last few years. Motor vehicle insurance is compulsory in Oman and due to lack of alternative means of travelling including railway, motor vehicles will remain a key mode of transportation in the country.

Customer concentration risks

As of 31 December 2016, the Company's ten largest customers combined accounted for approximately 43% of the Company's GWP from commercial lines and the top 25 customers account for 63% of the Company's GWP from commercial lines. The Company significantly relies on the continued business and renewal of insurance policies with its ten largest customers in the commercial lines. If the Company is unable to secure the future business of its largest customers due to increased competition or other factors, the Company may be exposed to potential losses in revenue and GWP. The significant dependency and concentration on these ten largest customers poses a potential risk to the Company's future financial prospects.

The Company has a special account management system which services its largest clients. In addition, the Company has a strong retail presence which offsets any sharp decline in its commercial line of business.

Contracts with brokers, agents, and affinity partners

The Company has agency agreements, broker agreements, affinity agreements with intermediaries like agents, brokers and affinity partners as a part of the normal course of its business and the Company's business is reliant on these intermediaries being willing and able to perform their obligations in accordance with the terms and conditions of the agreements. In 2016, premiums written by the four largest external brokers accounted for more than 50% of its GWP from the commercial lines.

As these intermediaries represent more than one insurance company, the Company faces competition from other insurers. Consequently, the Company's good relationships with its intermediaries are important and the failure, inability or unwillingness of these intermediaries to market the Company's products could have a material adverse effect on its results of operations. Oman is a competitive market and good relationships with intermediaries are very important. If these intermediaries demand higher commissions or a greater share of revenues, this could have a material adverse effect on the Company's results of operations.

In addition, working with intermediaries that distribute the Company's products pose certain credit risks to the Company. When the insured pays premiums for policies to the intermediaries, those third parties must remit those premiums to the Company; in such cases, the insured has fulfilled its material obligations and is no longer liable for those premiums, whether or not the Company actually received the premiums from the intermediaries. There is no assurance that intermediaries will fulfil the expectations of the Company and work in accordance with the Company's expectations. As a result, this could have a material adverse effect on the Company's financial position, cash flows, operating results and/or prospects.

Separately, the Company has ongoing legal disputes with some of its brokers pending before Omani courts in respect of recovery of outstanding premium amount which could have a negative impact on its relationship with brokers.

The Company operates through multi-channel distribution platform including brokers, agencies, branches and direct sales. The Company has one of the largest branch network in the country and has recently launched an online distribution channel thereby reducing dependence on external channels for its distribution. The Company believes that the amount of litigation with the brokers will not significantly adversely impact the Company.

Inability to renew significant portion of existing policies

The Company's insurance policies are generally issued for a term of 12 months. If actual renewals of the Company's existing contracts with policyholders or the Company's future contracts with policyholders do not meet expectations, the Company's premiums written in future years and its future results of operations could be materially and adversely affected.

The Company has one of the strongest renewal rates in the industry and has a focussed program which routinely monitors the pattern of its customers. In certain segments, the Company offers loyalty discount and no claims discount to incentivize its customers to renew policies with the Company.

Risks related to reinsurance

In order to mitigate risks of insurance coverage, insurance companies rely on Reinsurance agreements with international and local companies. The Company reinsures risks to third parties and reinsures through the RSA Group, which is a related party. Please see "Chapter 15– Related Party Transactions and Material Contracts" of this Prospectus. Nevertheless, when the Company obtains reinsurance it remains liable for the insured risk, whether or not the reinsurer meets its obligations. Therefore the Company remains exposed to disputes on, and defects in, contracts with its reinsurers and the possibility of default by its reinsurers. Disputes with, or the inability or failure or default by reinsurers to meet their financial obligations would materially affect the Company's business operations, financial position, cash flows, operating results and/or prospects. Insufficient reinsurance to protect the Company could create losses. Insufficient reinsurance will affect the Company's ability to balance its risk exposure and protect its profits and capital resources. These factors could have a material adverse effect on the Company's business operations, financial position, cash flows, operating results and/or prospects.

Further, if the Company is unable to maintain or replace reinsurance arrangements, this would increase possible exposures of the Company. If the Company was unwilling to bear such increase in exposures, the Company would be required to reduce the level of its underwriting commitments. The Company's ability to tap into the global reinsurance treaties of RSA Group ensures that it receives the globally most comprehensive and competitive reinsurance rates. RSA Group would in turn reinsure itself through a group of reinsurance companies with strong credit ratings.

Unanticipated insurance operations and mispricing of insurance premiums risks

The Company is in the business of underwriting risks which are naturally subject to a number of judgements, involving important assumptions about matters that are unpredictable and beyond the Company's control and for which the Company's historical experience and statistical analysis may not provide sufficient guidance and data. The Company's financial results depend in large part upon the extent to which actual claims experience is consistent with the assumptions that it uses in setting the prices for its products. It is not possible to predict with certainty whether a single risk or a portfolio of risks underwritten by the Company will result in a loss for the Company or not, or the timing and severity of any loss that does occur. The Company may fail to accurately assess the risks it underwrites, the underwriters appointed by the Company to assist in appraisal or the Company's reinsurers may fail to comply with internal procedures on underwriting, or events or circumstances may cause the past risk assessment to be incorrect, and the premiums that the Company receives for accepting such risks may not be adequate for the claims that ensue. In addition, it is possible that losses may aggregate in ways that were not anticipated. Adverse development can be experienced for significant periods of time. Acceptance of excessive mispriced risks will likely result in lower reported earnings (or net losses) in a future period. Failure by the Company to manage the risks that it undertakes could have a material adverse effect on the Company's financial condition and results of operations.

The Company employs a senior team of underwriters with years of experience in underwriting using globally recognized proprietary tools for pricing, underwriting and risk management. The Company has a strong understanding of the risk and its own risk appetite. In addition, the Company has a strong risk management framework based on long-standing understanding of insurance as part of RSA Group and deep understanding of the local Omani market as one of the oldest operating insurance companies in Oman.

Risk of natural catastrophes, wars and unpredictable catastrophic events

Insurance companies frequently experience significant losses from catastrophes. Catastrophic events can be caused by several natural or human related factors, the incidence and severity of which are inherently unpredictable. The Company's property and casualty insurance operations expose it to claims arising out of, among other events, hailstorms, windstorms, tornados, hurricanes, cyclones, earthquakes, severe winter and summer weather, terrorist attacks, floods, fires, explosions, industrial accidents and wars. The extent of losses from catastrophes is a function of both the total amount of insured exposure and the severity of the event. Catastrophes can cause damages and losses in a variety of lines of business. The Company's efforts to protect itself against catastrophic losses, such as selective underwriting practices for catastrophes, the selective purchasing of Reinsurance and the monitoring of risk accumulations may not be adequate. Although the Company seeks to protect itself from such catastrophic events through Reinsurance arrangements, claims related to catastrophes could substantially affect the Company's business results and financial condition, and a chain of several catastrophic events could have a material adverse effect on the Company's financial condition and operating results. The occurrence of a catastrophic event may also increase the price or decrease the availability of reinsurance protection in future years, which could have a material adverse effect on the Company's financial results and condition.

The Company uses advanced tools available through its relationship with RSA Group for modelling weather patterns, geography and topography by geocoding Oman into various regions which helps identify segments where it avoids writing policies. In addition, the Company has a clear defined risk appetite to ensure that certain risks are not covered in its policies.

Additional obligations and costs that could arise from claims processing, pricing and coverage

As insurance practices and legal, judicial, social and other surrounding conditions change, unexpected and unintended risks related to claims and coverage may emerge. Examples of risks that might arise in the context of claims and coverage include:

- adverse changes in loss trends;
- expansion of regulatory considerations as well as coverage for insurance policies and the impact of new theories of liability;
- growth of claims culture;
- growth in fraudulent claims;

- legislative or judicial action that affects policy coverage or interpretation, claim quantification, or pricing;
- occurrence of new causes of liability or group claims; and
- claims related to insurance coverage for directors and officers, professional indemnity and other liability coverage;

The effects of these and other unforeseen emerging claim and coverage risks are difficult to predict, but could result in an increase in either or both the number and the magnitude of claims, and would therefore have a material adverse effect on the Company's business, financial condition and results of operations.

The Company benefits from extensive industry knowledge internally and through its relationship with RSA Group about emerging claims risks and how to respond to customer needs and manage exposures through pricing, underwriting and policy wording.

Failure of information technology systems or failure to keep up with technical developments

While the use of Information Technology (IT) is important to effectively manage/process the Company's insurance business, it also exposes the Company to information technology system failure risks, including system crashes, security failure or breach, viruses and unavailability of skilled manpower to prevent or deal with such risks or to manage and operate these systems. There can be no assurance that the Company's business activities would not be materially impacted in the event of a partial or complete breakdown of any of the main components of the IT system or if the backups and disaster recovery plans, if needed by the Company, or other such contingencies are compromised. This could be triggered by software bugs, computer virus attacks or conversion errors due to system upgrading, or loss of a license without which it is not possible to use any programs related to the key technology used. In addition, a prolonged breakdown of the IT system could result in the loss of the Company's existing or potential business relationships with its customers or could adversely affect the Company's profitability and future prospects. Suspension of the use of any of the Company's IT systems would impair or prevent the Company from efficiently processing its business activities such as those related to its underwriting, policy issuance and claims administration, which may have an adverse impact on the business operations, financial condition, cash-flows and/ or operating results and/or prospects of the Company.

The Company has access to relevant IT software and related technological systems through the TSA. This ensures that Company is able to leverage the regional and global technological skills at the most economic prices.

Failure to maintain and protect confidential information

The Company collects and retains confidential information regarding its business dealings and its customers and suppliers in computer systems. The secure processing, maintenance and transmission of this information is critical to protecting confidential information related to the Company's operations. The Company's data infrastructure could still be vulnerable, and that could damage its reputation, increase its vulnerability to investigation by the relevant authorities and could disrupt its business or result in liability. The Company might be required to spend significant amounts and provide many costly resources to provide suitable protection against such potential breaches or to alleviate problems caused by such breaches. Any publicized compromise of IT security could deter transactions involving the transmission of confidential information.

In particular, if the Company or any of its third party service providers, including agents and intermediaries on which it relies, fail to process, store or protect such personal data or confidential information in a secure manner or if any theft or loss of such data were otherwise to occur, the Company could, among other things, face substantial liability under data protection laws.

Furthermore, there is a risk that data collected by the Company and its appointed third parties is not processed or stored in accordance with applicable law. Failure to follow and apply effective controls when collecting and storing data could potentially lead to regulatory censure, fines, reputational and financial costs as well as result in potential inaccurate rating of risks or overpayment of claims. The loss of any data, for whatever reason, could have a material adverse effect on the Company's business, reputation and results of operations.

The Company has a strong risk management framework and IT infrastructure which seeks to ensure that the confidential information is properly classified and secured.

Employee misconduct

The Company cannot guarantee that employee misconduct will not occur, which may adversely affect the Company's financial position and performance. Accordingly, any misconduct by staff might cause the Company to be in breach of any applicable law, regulation or rule and attract disciplinary penalties and financial liabilities or reputational damage. Such misconduct might occur in any line of the business conducted by the Company and could include for example:

- committing the Company to transactions in excess of established limits;
- misuse of information or divulgence of confidential information;
- approving inappropriate products or services for use in the Company's activities;
- disseminating misleading or fraudulent information or other improper information during distribution or sale of policies to customers; or
- non-compliance with the applicable laws or internal controls and procedures in place.

The Company cannot control staff misconduct. As such, the occurrence of any misconduct by staff could have a material adverse effect on the business and reputation of the Company. However, the Company has strong procedures against employee misconduct including the three lines of defence: (a) review at the business level, (b) risk function and (c) independent internal audit. For more details on the Company's risk management system, see section on Risk Management and Control in Chapter 10 – Description of Al Ahlia Insurance and Business Overview.

Ability of the management to make proper decisions

Business results mainly rely on the ability of the management team to make proper and accurate decisions concerning all aspects related to the Company's business and operations. If the Company's management makes decisions based on inaccurate estimates, judgments or decisions with regard to its business, this may require a material adjustment to the assets and liabilities, which may have a negative effect on the Company's performance, profitability and business operations. The Company has a strong team of senior management with years of experience in the insurance industry. In addition, the Board of the Company also supervises the various decisions of the Company through various committees.

Dependence on key personnel

The success of the Company depends upon its ability to attract and retain the management team and all qualified employees and provide adequate training to its employees. There can be no guarantee that the Company will be able to retain the services of its employees or to enhance its manpower as and when needed. The loss of the services of any members of the senior management team, the inability to attract or retain once hired other skilled or experienced personnel or lack of adequate training as required could have a material adverse effect on the Company's business operations, financial condition, cash flows, operating results and/or prospects. The Company has processes and arrangements in place to ensure it attracts and retains talent in the insurance industry, both locally and internationally.

Omanisation requirements

The regulations issued by the Ministry of Manpower require that at least 65% of the Company's total workforce be comprised of Omani nationals. The Company's Omanisation ratio is 68% and hence the Company has complied with the Omanisation requirements applicable in Oman. However, there are no guarantees that the Company will be able to continue to meet its Omanisation requirements. Sanctions for non-compliance with Omanisation requirements include the suspension of applications for employment visas, fines and transfer of sponsorship for non-Omani employees and companies in violation can be prevented from participating in Government tenders and applying for Government loans. Failure to comply with the Company's Omanisation requirements would result in a weakening of the Company's ability to secure the services of key non-Omani nationals experienced in the insurance sector, whether from inside Oman or abroad, which would have a material adverse effect on the Company's business operations, financial condition, cash flows, operating results and/or prospects. The Company believes that it has good relations with its Omani employees and that its reputation would help it in attracting talented Omani employees in future.

Significant reliance on RSA Group

The Company is reliant on the RSA Group in matters related to the provision of certain services under the TSA and the Reinsurance agreements as well as the use of the RSA Group trademark and logo in Oman under the TSA. Please see "Chapter 15 – Related Party Transactions and Material Contracts" of this Prospectus. The Company is greatly reliant on the IT system it uses under the TSA. The Company entered into a TSA with RSA plc to obtain its assistance in selecting, implementing and developing a suitable IT system and matters related thereto. The termination of the TSA, the Company's inability to retain the system; RSA Group's divestment of its stake in Al Ahlia Insurance or the loss of RSA Group's support for any other reason might lead to the cessation of the Company's business, could have an adverse effect on the Company's business operations, financial condition, cash-flows, operating results and/or prospects. Failure to obtain the services mentioned above on comparable terms could have an adverse effect on the Company's business operations, financial condition, cash-flows, operating results and/or prospects. Furthermore, the loss of the connection to RSA Group and the association with the group or damage to the reputation of RSA Group brand may have an adverse impact on the perception of the Company in the market and customers' readiness to renew policies.

Post IPO the Company will be subject to the requirements of the Code of Corporate Governance which is a binding framework for corporate governance through a series of specific and defined policies, processes and procedures. Additionally, divestment of shares by a strategic investor in an insurance company would require approval of the CMA and compliance with other legal and regulatory requirements in Oman.

Effective control by RSA Middle East

Before the IPO, RSA Middle East owns 70% of the Company's issued and paid up share capital and will continue to own 52.50% of the Issued and Paid-Up Share Capital after the IPO. As a result, RSA Middle East will be able to influence all matters requiring the approval of Shareholders, including the appointment and removal of Directors, distribution of dividends, the decision to increase the share capital of the Company and entering into material transactions. If the RSA Middle East exercises this control in a manner that is not in the best interest of all the Shareholders, it would have an adverse effect on the Company's business operations, financial condition, cash flows, operating results and/or prospects. The Company has won numerous awards for its corporate governance. Please see section on Company's strengths in Chapter 10 – Description of Al Ahlia Insurance and Business Overview for more details on the awards won by the Company. The Company believes that it has a strong and independent Board which will ensure that rights of all its Shareholders are protected. Please see Chapter 16 – Corporate Governance and Chapter 15 – Related Party Transactions and Material Contracts for more details.

Transactions with certain related parties

The Company is involved in, and is dependent on, certain related party transactions with its Shareholders and with other companies controlled by some of its Shareholders, including, but not limited to, RSA plc and RSA Middle East, to manage key aspects of the operation and business pursuant to the terms of the TSA. Any inability or failure by RSA plc or RSA Group to provide these services could have a material adverse effect on the business, results of operations and financial condition of the Company, including the market price of the Shares. Conflicts of interests may arise between the Company and such related parties, potentially resulting in the conclusion of transactions on terms not determined by market forces.

The Company has robust policies in place to deal with conflicts of interest in line with OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and intends to abide by Applicable Law relating to transactions with related parties including provisions of the Code of Corporate Governance.

Legal ownership of software licences

Licence agreements for softwares and databases used by the Company in relation to its core business systems are entered into by RSA Middle East. Since RSA Middle East currently owns 70% (which will reduce to 52.50% post IPO) of the Issued and Paid-Up Share Capital, these software are being used by the Company on an "assumed right to use" basis.

Absence of a direct contract between the software service providers and the Company does not fully protect the Company's legal rights in respect of use of these licences and makes it dependent on RSA Middle East.

RSA plc, the parent company of RSA Middle East has entered into the TSA with the Company, under which RSA plc provides various IT and operations services including IT service supplier management (including managing outsourcing arrangements, IT advice and support) and maintaining the provision of IT services and support to local operations staff.

Trademark protection

The Company has registered its trademark in Oman. However, the Company also uses "Part of RSA Group" trademark and the RSA Group logo, which is registered in the name of RSA plc. The Company intends to take the necessary legal measures in the future to protect its trademark and brands.

The Company's competitive position partially depends on its ability to use its name and logo on its media and marketing materials and on the systems which market its services, products and programs. The Company's inability to prevent the violation of its right in Oman could adversely affect its brand and the Company may incur more costs in the exercise of its activities, which in turn impairs the operations of the Company. The Company is also dependent upon its relationship with RSA Middle East and the continuing existence of the TSA, as explained in detail above.

Loss of reputation and drop in consumer confidence

The Company's reputation may also be adversely affected by negative publicity associated with those that it insures. Any negative publicity or reduction in consumer confidence in the insurance industry generally (whether logical or not) or loss of confidence in the Company, RSA Group, or their brands, could result in a loss of existing clients and business and might result in the inability to retain qualified employees, which would have a material adverse effect on the Company's business, financial conditions and prospects.

Failure to maintain adequate minimum capital

Insurance companies in Oman such as Al Ahlia Insurance are required to maintain a minimum level of capital as per the Insurance Law. The Company's capital position can be adversely impacted by a number of factors, in particular factors that erode the Company's capital resources and could impact the quantum of risk to which the Company is exposed. Such factors include lower than expected earnings and accumulated market impacts. In addition, any event that erodes current profitability and/or might reduce future profitability or make profitability more volatile could impact the Company's capital position.

The minimum paid-up capital for an insurance company is OMR 10 million. As at 31 December 2016, the Issued and Paid-Up Share Capital is OMR 10 million. Any failures to meet regulatory capital requirements in the future would likely lead to intervention by CMA, which may require the Company to take steps to restore capital to acceptable levels, for example, by compelling the Company to cease to write or reduce writing new business. The Company may also need to increase premiums, increase its reinsurance coverage or divest additional parts of its business and investment portfolio, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures need to be undertaken in a short timeframe. Failure of the Company to maintain adequate levels of capital could have a material adverse effect on the Company's business, prospects, financial condition and results of operations and may lead to cancellation of its insurance licence.

The Company has internal controls on the minimum capital which are significantly higher than the regulatory minimum capital required. As on December 31, 2016 the margin of solvency for the Company is 260% over the minimum capital required.

Inadequacy of reserves to cover claims and unexpired risks

As part of any insurance operation and in accordance with the Insurance Law, the Company maintains reserves and provisions as balance sheet liabilities to cover expected future claims, liabilities and obligations. These reserves are expected to represent estimates of amounts required to cover reported losses and unreported losses and to cover the related loss adjustment expenses. The Company's results depend upon the extent to which actual claims experience is consistent with the assumptions that it uses in setting its premiums and establishing its reserves, and the Company's provisions for outstanding claims, Unearned Premium Reserve and unexpired risks may prove to be insufficient to cover the Company's actual claims experience.

Provisions for outstanding claims cannot represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. These estimates are based on actuarial and statistical projections of facts and circumstances known at a given time; estimates of trends in claims severity and other variable factors, including new basis of liability and general economic conditions, and can change over time. The process of estimating reserves and future policy benefits involves a high degree of judgement and is subject to a number of variables. These variables can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, longevity, foreign currency movements, legal trends and legislative changes, among others. The process of estimating reserve liabilities is a difficult and complex exercise and involves many variables and subjective assumptions, including analyzing the history of settled claims.

Due to the nature of the underlying risks and the degree of uncertainty associated with the determination of the liabilities for unpaid insurance policy claims, the Company may not be able to determine precisely the amount actually required to settle these liabilities, and as a result it is possible that the Company's reserves at any given time will be inadequate. As a result, the reserves established for future insurance policy claims may prove to be insufficient and the Company may need to increase reserves, which may have a material adverse effect on its business operations, financial condition, cash flows, operating results and/or prospects. If actual claims exceed the Company's reserve for losses and loss expenses, the Company may be required to increase its reserves. This may result in additional expenses and costs and accordingly will decrease the net income and hence, the financial condition and results of the Company's operations.

The Company has an internal actuarial function consisting of qualified actuaries who in an independent and impartial manner provide services of reserve estimation, risk management and business analytics. The actuarial function combines statistical analyses of historical loss experience with qualitative business knowledge and expertise to set adequate reserves ensuring that the Company can settle all its claims liabilities as they fall due in a timely manner.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial liquid resources to meet its obligations that might arise from its underwriting operations as well as the Company's other obligations when they fall due, including having to do so at excessive cost. The Company's ability to access funding sources on favourable economic terms or its ability to liquidate its assets as needed to satisfy claims or for other purposes is dependent on a variety of factors, including a number of factors that are outside its control, such as general market conditions and confidence in the global banking system. The capital and credit markets may be subject to periods of extreme volatility and disruption, which could cause the Company's liquidity and credit capacity, and hence its ability to obtain necessary financing, to be constrained.

The Company has invested a significant portion of its investment book in fixed deposits with large regional banks which can be liquidated at short notice. The Company also does not have any outstanding debt facilities alleviating any concerns on immediate repayments.

Unsatisfactory investment returns

The operating results of the Company will depend in part on the performance of its invested assets. In addition, to the extent that the Company is unsuccessful in matching its investment portfolio with its liabilities, it may be forced to liquidate all or a portion of its investments and liquidation returns may be below the required level, which could have a material adverse effect on the business operations, financial position, cash-flows, operating results and/or prospects of the Company. The management of such investments needs an effective management system and a high degree of capability to select good quality and variety of investments. The investment portfolio is also subject to regulatory restrictions and unavailability of certain financial products, such as high risk-return financial derivatives, which may reduce the diversification of asset classes leading to reduction in returns on investment. If the Company is unable to diversify these investments, the Company's profitability and financial performance may be impacted. The Company employs a conservative investment strategy which has provided a consistent return over the past years and believes that it will be able to achieve similar consistent returns in future.

Changes in accounting policy and IFRS

Any change in the accounting policies followed by the Company, which arises internally or as a result of any changes to IFRS, could have a material impact on the financial results of the Company and its ability to declare and pay dividends.

Operations are subject to applicable laws, government regulation and licences

The Company conducts its insurance operations under the Insurance Licence which may be suspended, terminated or revoked if the Company does not comply with the terms of the Insurance Licence or any applicable provisions of the Insurance Law, Insurance Regulation or any other CMA rules and financial penalties may be imposed on the Company if the Company does not comply with any other applicable laws or regulations. The Company's business could also be materially adversely or beneficially affected by changes in existing law or regulatory practice, the interpretation of existing laws or the adoption of new laws or regulatory practice applicable to the Company. The imposition of fines or penalties, or the revocation or suspension of the Insurance Licence could have a material adverse or beneficial effect on the business, results of operations and financial condition of the Company, including the market price of the Shares.

Legal Risks

Legal and regulatory risks could arise in the documentation process of a particular insurance product as it involves the drafting of legal contracts to comply with Omani regulation. Other legal and regulatory issues may arise, both at a country and international level, for example with respect to data protection, bribery and corruption, sanctions and disclosure regulations.

Risk mitigation tools for this risk include approval of the products by the Company's underwriting team, the legal and compliance team and the CMA. It is anticipated that the Company's legal and compliance support team and reliance on RSA Group practice would serve to mitigate the aforementioned legal and compliance risks.

Required periodic reports

Pursuant to the CMA regulations, the Company must periodically produce financial statements and reports and disclose to the public all material information related to its business, its financial results, capital, ownership structure and financial position. Therefore, if the Company fails to comply with such requirements due to administrative or technical difficulties, the submission of required reports could be delayed, which could lead to the imposition of penalties or restrictions that may adversely affect the Company's profitability, its reputation, or its ability to operate in the future.

The Company has leveraged technology to facilitate better service and improve information flow and use of relevant technology allows the Company to provide reports and data required for smooth functioning of the business. The Company has put proper systems and procedures in place and is geared to meet these additional regulatory reporting requirements.

Disagreements with the insured and the actions, claims and procedures

The Company abides by the prompt settlement and payment of its liabilities towards insured claims; however, this does not guarantee that no disagreements would arise between some customers and the Company. This could lead to lawsuits being instituted against the Company before the judicial authorities, which in turn could expose it to reputational, judicial and statutory risks that may negatively impact the operations of the Company.

In the ordinary course of the business, the Company may pursue litigation or judicial claims against third parties and may also have litigation claims filed against it. Some of these claims may result in the payment of material compensations by the Company, which could adversely affect the financial standing or the operating results of the Company. Moreover, the amounts awarded by court judgments are constantly prone to increase due to inflation, which requires the Company to estimate any increase in trends and reflect it in the financial terms of issued policies. The inability of the Company to make accurate estimations (due to competition or supervision) or to apply price increments with immediate effect may lead to a potential decrease in its profitability.

It is also possible that the Company would be exposed to future review at any time by regulatory authorities. The Company may not be able to predict the volume or results of such reviews, liabilities or related consequences thereof (in the event that they occur) and the Company cannot guarantee that such review would not lead to any changes which adversely affect the Company's results and/or financial standing.

No existing market for the Offer Shares

Prior to the Offer, there has not been a public market for the Offer Shares. The Selling Shareholders cannot predict whether investor interest in the Company will lead to the development of an active trading market on the MSM, or otherwise, or how liquid any market that does develop might be. The Offer Price for the Offer Shares may not be indicative of prices that will prevail in the open market following the Offer.

The market price of the Offer Shares may fluctuate widely in response to different factors

Following the Offer, the market price of the Offer Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding the Offer Shares or securities similar to them or in response to various facts and events, including any regulatory changes affecting the Company's operations, variations in its half yearly or yearly operating results and its business developments or those of its competitors.

In addition, stock markets have from time to time experienced price and volume volatility, which, in addition to general economic and political conditions, could adversely or beneficially affect the market price for the Offer Shares. The value of the Offer Shares may go down as well as up, and the market price of the Offer Shares may not reflect the underlying value of the Company's business.

Dividend policy may not be fulfilled

Any payment of future dividends will be made taking into account the sufficiency of distributable reserves and liquidity in order to ensure the Company's operational needs and/or business growth are not limited by the unavailability of funds, as well as the Company's known contingencies. The distribution of dividends is subject to certain limitations and conditions as further set out in the Chapter 13 – Dividend Policy.

Dividend payments are not guaranteed and the Board may decide, in their absolute discretion, at any time and for any reason, not to recommend dividends. Further, any dividend policy, to the extent implemented, will significantly restrict the Company's cash reserves and may adversely affect its ability to fund unexpected capital expenditures. As a result, the Company may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible on attractive terms or at all.

Limited experience complying with listed company obligations

The Company has operated historically as a SAOC and, accordingly, the Management have limited experience managing an SAOG and complying with laws pertaining to SAOGs. In particular, the significant regulatory oversight and reporting obligations imposed on SAOGs will require substantial attention from the Management and may divert its attention away from the day-to-day management of the business, which could have an adverse effect on the Company's business, financial condition and results of operations, including the market price of the Shares.

The Company will ensure that sufficient time and resources are available for Management to carry on the business and ensure compliance with Applicable Law as well.

No lock-in period for Founder Members

Unlike a greenfield IPO, where the founder shareholders are restricted from disposing of their shares before the SAOG has published the balance sheets for the two consecutive years pursuant to Article 77 of the CCL, the CMA has clarified that no such restriction applies to a company transforming from an SAOC to an SAOG. Therefore, there is no restriction on the Founder Members from disposing of their Shares in the Company after the IPO.

However, disposal of Shares in an insurance company by a Founder Member would need to be approved by the CMA (as the insurance regulator) and generally Article 7 (b) prohibits a person from acquiring more than 25% shares in an SAOG without obtaining CMA's prior written consent.

CHAPTER 12

PROJECTED FINANCIAL STATEMENTS

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Independent auditor's report on Projected Financial Information

The Board of Directors of Al Ahlia Insurance Company SAOC

We have examined the accompanying projected financial statements (shareholders' projected statement of financial position, shareholders' projected statement of comprehensive income and shareholders' projected statement of cash flows) (together referred to as the "Financial Projections") of Al Ahlia Insurance Company SAOC for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019, as presented under heading "Chapter 12—Projected Financial Statements" of its Prospectus to be issued (the "Prospectus"), in accordance with the International Standard on Assurance Engagements. Management is responsible for the preparation and presentation of the projected financial statements including the assumptions set out in "Chapter 12—Projected Financial Statements" under heading "6 Key Assumptions" of the Prospectus and the Company's financial model (the "Financial Model") in accordance with the requirements of the Capital Market Authority of Oman ("CMA") on which they are based. It is our responsibility to provide the opinion required by the CMA.

We conducted our work in accordance with International Standard on Assurance Engagements 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". Our work included evaluating the basis of compilation of the Financial Projections and considering whether they have been properly compiled based upon the assumptions as detailed in the Prospectus, and whether the accounting policies detailed in the Prospectus are in accordance with the Company's accounting policies. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Financial Projections have been properly compiled on the basis stated and that the basis of accounting used for the Financial Projections is consistent with the Company's accounting policies. Because of the inherent uncertainties involved in forecasting the Financial Projections, the projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Consequently, we express no opinion on the validity of the assumptions on which the projection is based or on how closely the results actually achieved will compare with the projection. Our engagement does not provide any assurance whether the assumptions provide a reasonable basis for the Financial Projections.

In our opinion the projection has been properly compiled on the basis of the assumptions set out in "Chapter 12—Projected Financial Statements" of the Prospectus and as detailed in (i) "6 Key Assumptions" and (ii) the Financial Model and the basis of accounting used is consistent with the accounting policies of the company.

Since the Financial Projections and the assumptions on which they are based relate to the future and may therefore be affected by unforeseen events, we express no opinion as to whether the actual results reported will correspond to those shown in the Financial Projections and differences may be material. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and the variation may be material. Further, we emphasise that the projected information is not intended to, and does not, provide all the information and disclosures necessary to give a fair presentation in accordance with International Financial Reporting Standards.

This letter is required by CMA and is provided for the purpose of complying with the prospectus requirements as set out in the CMA listing rules, and may, therefore, not be appropriate for another purpose.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
19 June 2017

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Chartered Accountants Licence No. APC/17/2015, Management Consultants Licence No. OPC/11/2015, Commercial Register No. 1230865

1 Projected Statement of Financial Position

For Period – Years 2017 to 2019

ASSETS	2017 RO 'm	2018 RO 'm	2019 RO 'm
Cash and cash equivalents	0.87	0.36	0.43
Bank deposits	42.95	45.17	46.69
Premiums and insurance balances receivable	8.46	9.01	9.77
Reinsurer's share of outstanding claims	2.48	2.57	2.66
Other receivables and prepayments	4.93	5.26	5.35
Deferred tax asset	0.07	0.07	0.07
Other Investments	0.20	0.20	0.20
Property, Plant and Equipment	0.77	1.02	0.92
Goodwill	15.45	15.45	15.45
TOTAL ASSETS	**76.18**	**79.11**	**81.54**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10.00	10.00	10.00
Special reserve	11.78	11.78	11.78
Legal reserve	3.33	3.33	3.33
Contingency reserve	10.00	10.00	10.00
Revaluation reserve	0.12	0.12	0.12
Accumulated Earnings	2.11	2.43	2.83
TOTAL EQUITY	**37.34**	**37.66**	**38.06**
LIABILITIES			
Liabilities arising from insurance contracts: Unearned premium reserve	11.96	12.82	13.71
Gross outstanding claims	17.74	18.64	19.63
Reinsurance balances payable	3.08	3.18	3.27
Other liabilities and accruals	4.46	5.14	5.14
Income tax payable	1.60	1.67	1.73
TOTAL LIABILITIES	38.84	41.45	43.48
TOTAL EQUITY AND LIABILITIES	**76.18**	**79.11**	**81.54**

2 Projected Statement of Comprehensive Income

For Period – Years 2017 to 2019

	2017 RO 'm	2018 RO 'm	2019 RO 'm
Insurance premium revenue	27.66	29.80	31.86
Insurance premium ceded to reinsurers	(3.45)	(3.03)	(3.19)
Net insurance premium revenue	**24.21**	**26.77**	**28.67**
Commissions received on ceded reinsurance	0.56	0.59	0.62
Claims	(16.93)	(18.64)	(20.10)
Reinsurers' share of claims	1.90	1.82	2.01
Commissions paid	(2.53)	(2.66)	(2.79)
Deferred acquistion cost	0.25	0.11	0.11
Net underwriting result	**7.46**	**7.99**	**8.52**
General and administrative expenses	(6.12)	(6.36)	(6.66)
Investment income (net)	1.57	1.74	1.90
Profit before taxation	**2.91**	**3.37**	**3.76**
Income tax	(0.43)	(0.50)	(0.56)
Net Profit for the year	**2.48**	**2.87**	**3.20**
Total profit and income for the year	**2.48**	**2.87**	**3.20**

3 Projected Statement of Cash Flows

For Period – Years 2017 to 2019

	2017 RO 'm	2018 RO 'm	2019 RO 'm
Operating activities			
Profit before taxation	**2.91**	**3.37**	**3.76**
Adjustments for:			
Investment income (net)	(1.57)	(1.74)	(1.90)
Movement in unearned premium reserve	1.61	0.86	0.89
Allowance for impaired debts	0.06	0.06	0.06
Deferred acquisition cost	(0.25)	(0.11)	(0.11)
Depreciation	0.28	0.33	0.44
End of service benefits	0.09	0.09	0.09
Profit before changes in operating assets and liabilities:	**3.13**	**2.86**	**3.23**
Premiums and insurance balances receivable	(1.41)	(0.61)	(0.83)
Reinsurer's share of outstanding claims	(0.57)	(0.09)	(0.10)
Other receivables and prepayments	(0.46)	(0.23)	0.01
Gross outstanding claims	1.14	0.90	1.00
Reinsurance balances payable	0.46	0.10	0.10
Other liabilities and accruals	0.03	0.67	(0.01)
Cash flows from operations	**2.32**	**3.60**	**3.40**
Income tax paid	(0.55)	(0.43)	(0.50)
End of service benefits paid	(0.08)	(0.09)	(0.09)
Net cash from operating activities	**1.69**	**3.08**	**2.81**
Investing activities			
Purchase of premises and equipment	(0.66)	(0.58)	(0.34)
Bank deposits	(1.65)	(2.20)	(1.50)
Investment income	1.31	1.74	1.90
Net cash used in investing activities	**(1.00)**	**(1.04)**	**0.06**
Financing activities			
Dividend paid	(1.10)	(2.55)	(2.80)
Net cash used in financing activities	**(1.10)**	**(2.55)**	**(2.80)**
Net change in cash and cash equivalents	**(0.41)**	**(0.51)**	**0.07**
Cash and cash equivalents at the beginning of the year	1.28	0.87	0.36
Cash and cash equivalents at the end of the year	**0.87**	**0.36**	**0.43**

4 Projected Statement of Changes in Equity

For Period – Years 2017 to 2019

(RO mn)	Share Capital	Legal reserve	Contingency reserve	Special Reserve	Revaluation reserve	Accumulated Earnings	Total
Balance at 31 December 2016	**10.00**	**3.91**	**9.53**	**11.78**	**0.12**	**0.62**	**35.96**
Dividend paid relating to FY 2016						(0.60)	(0.60)
2017 Interim Dividend 5% Share Capital						(0.50)	(0.50)
Trf of excess Legal Reserve to Accumulated Earnings		(0.58)				0.58	-
Trf to Contingency Reserve			0.47			(0.47)	-
Profit for the year						2.48	2.48
Balance at 31 December 2017	**10.00**	**3.33**	**10.00**	**11.78**	**0.12**	**2.11**	**37.34**
Final dividend paid relating to FY 2017						(2.05)	(2.05)
2018 Interim Dividend 5% Share Capital						(0.50)	(0.50)
Profit for the year						2.87	2.87
Balance at 31 December 2018	**10.00**	**3.33**	**10.00**	**11.78**	**0.12**	**2.43**	**37.66**
Final dividend paid relating to FY 2018						(2.30)	(2.30)
2019 Interim Dividend 5% Share Capital						(0.50)	(0.50)
Profit for the year						3.20	3.20
Balance at 31 December 2019	**10.00**	**3.33**	**10.00**	**11.78**	**0.12**	**2.83**	**38.06**

5 Background & Proposed Activities

Background and proposed activities

Al Ahlia Insurance Company SAOC (the "Company") is an Omani closed joint stock company registered and incorporated in the Sultanate of Oman. The Company operates in Oman and writes short term insurance contracts covering general risks. The address of its registered office is PO Box 889, Postal Code 100 Muscat, Sultanate of Oman.

The Company is a Subsidiary of Royal & Sun Alliance Insurance (Middle East) BSc (c), whose registered address is Flat No - 81, Building No - 198, Road No - 2803, Block No – 428,P O Box 11871, Manama, Kingdom of Bahrain. The ultimate parent company is RSA PLC registered in UK.

The Company commenced its commercial operations on 1 July 2004 by acquiring the general insurance businesses of the Muscat branch of Royal & Sun Alliance Insurance Plc (Middle East) EC and W J Towell & Co. LLC, both related parties. On 30 April 2010, the Company acquired 99.99% of the issued and fully paid share capital of formerly Al Ahlia Insurance Company SAOC. With effect from 17 January 2011, the formerly Al Ahlia Insurance Company SAOC has been merged in to the Company.

As per Royal Decree 39/2014 dated 17th August 2014, all insurance Companies registered under Commercial Companies Law shall be a Public Joint Stock Company and the paid up capital shall be not less than RO 10 million within 3 years from the date of the Royal Decree. The Company's existing paid up capital is RO 10 million and the Company has initiated a process to become a Public Joint Stock Company through an IPO in the Muscat Securities Market.

6 Key Assumptions

General Hypothetical Assumptions

These projected financial information and the assumptions have been prepared by the Company to cover a three year period.

- All current applicable laws and regulations governing the activities of the Company will remain in effect, and no new laws or regulations, either favourable or unfavourable, will be enacted that would in any way effect the projected statements of financial position, statements of comprehensive income and cash flow statements.
- Responsible and competent business management practices will be followed.
- The Company will continue to be taxable based on current applicable tax laws of the Sultanate of Oman.
- All infrastructural requirements needed to support the Company's activities will be in place and function efficiently.
- The projected financial information does not reflect the impact of any operational or business risk not in the ordinary course of business during the period covered by the projected financial information.

Specific Hypothetical Assumptions

Statutory Deposit
The Company has deposited RO 150,000 as per requirements of the CMA in a local bank account.

Property, Plant and Equipment
Capital expenditures are projected to be RO 655,677, RO 581,028 and RO 336,094 from year one to year three respectively. The majority of the fixed assets purchased during these years relate to IT equipment.

The written down value (WDV) of fixed assets are projected to be RO 773k, RO 1,024k and RO 922k from year one, two and three respectively, after taking into account the impact of additions and depreciation charged.

Property, furniture and fittings are projected taking into consideration the number and size of branches opening each year.

Future projections assume no fair value gain or losses for land and buildings and assumes no revaluation surplus to be released for any disposals in period.

Investments

The Company is expected to abide by the investment restrictions as agreed by the Capital Market Authority. The Company's asset allocation will be mainly in cash and bank balances which make up 99% of the investment base. Between 2017 and 2019 a projected return of between 3.7% and 4.1% is assumed.

No derecognition or impairment of financial instruments is projected in years 2017 to 2019.

Investment Base between 2017 and 2019:

OMR '000	2017	2018	2019
Bank Deposits	42,949	45,149	46,649
Held-to-maturity investments	87.4	87.4	87.4
Investments at fair value through profit or loss	35.9	0.0	0.0
Available-for-sale investments	71	71	71
Total Investments	**43,144**	**45,308**	**46,808**

Future projections assume no gain or losses on available for sale investments.

Contributions receivable

The receivable balances from insured are expected to be around 32% of gross written premium between 2017 and 2019. Receivable days are projected to be between 117 and 119 days between years 2017 to 2019.

Provision for bad debts

Provision for impairment against a receivable must be established if there is objective evidence that the Al Ahlia will not be able to collect the amount due. Projected financials assumes bad debt to be 1% of total receivables.

Deferred Acquisition Costs

Deferred acquisition costs are projected to move in line with movements in unearned premium reserve (UPR). Expense deferred acquisition costs are projected to be approximately 8% of UPR movements. Commission deferred expense costs are projected to be approximately 5% of UPR movements.

Reinsurance Share of unearned contributions

Reinsurance share of unearned contributions is projected as per Oman Insurance Company Law of 1979 calculated at 45% of the net ceded premiums for the year for all classes of business.

Reinsurance Share and Excess of Loss share of technical provisions

Retention is projected to be 90% of Gross Written, which is in line with current underwriting and claims strategy.

Excess of Loss reinsurance premium cover is in place to cover catastrophic events on all personal and commercial portfolios, projected at circa 3% of GNPI for years 2017 to 2019. Projected costs are based on historic rates which are adjusted for current market conditions.

The Company is planning to recourse to the facultative market whenever risks exceed the capacity of its treaties, projected at circa 2% of GWP for years 2017 to 2019. Projected costs are based on historic rates which are adjusted for current market conditions.

The Company is planning to front and cede all specialty insurance (Property, Engineering, Marine and Casualty), projected at circa 6% of GWP for years 2017 to 2019. Projected costs are based on historic rates which are adjusted for current market conditions.

No impairment of reinsurance asset is assumed in projected years.

Reinsurers share of outstanding claims are projected to be around 14% of gross outstanding claims.

Outstanding claims and IBNR

Projected outstanding claims and IBNR are produced by:

- Taking prior year closing reserves position as the current year opening position.
- A paid percentage is applied to the projected net incurred claims for the current year. The remainder of claims (unpaid claims), is added to the current year reserve.
- This is completed for all years between 2017 and 2019.
- The paid percentages used between 2017 and 2019 ranges between 90% and 95% of net incurred claims.

Unearned Contributions/Net Earned Premium

Net earned premium is calculated by applying an earning pattern to GNPI. The criteria of this earnings pattern is one that allows for 55% earnings to flow through into the current financial year and 45% of earnings to flow thought into the next financial year. All policies lengths are assumed to be 12 months.

Expenses

The 3 year projected expense base is mainly made up from Staff Expenses, IT Costs, Depreciation and Premises Costs.

Staff Expenses

Staff are made up of 168 employees in 2017 which stays constant until 2019. Staff costs include annual salary, bonus provision, insurance cover and other benefits. A base wage inflation of 4% has been assumed in years 2017 – 2019.

IT Costs

IT Costs are assumed to stay broadly flat throughout the 3 year projection. These costs do not include depreciation.

Depreciation

Depreciation is provided on a straight-line basis on all premises and equipment, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives of the assets as follows:

Building	over 40 years
Motor vehicles	over 3 years
Furniture and equipment	over 3-4 years

Premises Cost

2017 Premises costs are 11% higher than 2016 premises costs predominantly due to the addition of 3 new branches between H2 2016 and H1 2017. Between 2017 and 2019 a 3% rate increase is assumed in the projections.

Other Expenses

Other expenses make up less than a third of the expense base and contain costs such as marketing, travel, bad debt provision and intercompany recharges. These costs remain broadly flat between years 1 to 3.

Gross Written Premium

Projected gross written premium is made up of 2 elements: retained business and new business.

Retained Business

Retained business is calculated by taking the prior year gross premium as an opening position. The opening position cleansed for non renewing items, including gross ups and non-renewing policies, which provides a renewable base. A retention rate is applied to the renewable base which produced the retained business.

Projected non renewing business and retention rates are broadly in line with historic trends.

The retention rate is projected using a combination of historic trends and future strategic price changes.

New Business

New business is calculated using a combination of historic run rates and new strategic initiatives, which includes the opening of 3 new branches opening between H2 2016 and H1 2017. New business equates for between 35% and 45% of total gross written premium.

Gross written premiums are projected to grow by a CAGR of 7.5% over the next 3 years, driven by new business initiatives.

Gross Net Premium Income

Gross net premium income is equal to gross written premium less reinsurance written premium costs, other than excess of loss reinsurance premium.

Net Written Premium

Net written premium is the result of gross net premium income less excess of loss reinsurance premium.

Claims Ratio

Projected claim costs are produced by applying projected claim ratios to projected earned premium. Historical claim ratios are produced by looking at historical claims costs divided by historical earned premium. Historical claim ratios are then adjusted for projected claim initiatives such as price repair changes and business mix changes. Claim costs are split into 2 categories, attritional claims and large & weather claims:

Attritional Claims

Attritional claims consist of smaller less volatile claims capable of accurate projections. Attritional claims projections are based on the latest performance.

Large and Weather Claims

Large and weather claims consist of larger more volatile and less predictable claims. Due to the volatile nature of the claims, projections are based on an historical averaging period of 5 years. The average is computed based on a disaggregated business category. In the case of Personal Motor, the average is adjusted for unusually large claims which occurred in 2012 and 2013. Commercial Property and Casualty large loss ratios have been adjusted upwards based on Management's view that the average is understating the ongoing risk of large losses in these categories.

Adjustments to historic claims performance

Future Price changes – projected price changes are based on current market trends and company strategy.

Business Mix – favourable new business mix is projected driven by new strategic projects.

Claim Initiatives - favourable claim initiatives have been projected, driven by new strategic projects.

Prior Year Claims Development

No future prior year claims development is projected.

Claim ratio for the period of 2016 (actual), 2017 (projected), 2018 (projected) and 2019 (projected) are 61.5%, 62.1%, 62.8% and 63.1% respectively.

Acquisition costs (commission)

Commission expense is expected to be 9% of gross written premium. Within this there will be a mix of sales distribution channels where acquisition commission will range from 0% to 25%.

Business which is acquired through direct channels such as branches don't have any commission costs, so 0% is projected in years 2017 – 2019.

Business which is acquired through brokers or affinity partners will have commission costs attached, based on historic performance projected commission rates are between 6% and 25% of GWP depending on the distribution channel and portfolio. The weighted average of commission paid for the period of 2016(Actual), 2017 (projected), 2018 (projected) and 2019 (projected) are 9.1%, 8.8%, 8.7% and 8.5% respectively.

Taxation

Tax is recognised in the projected statement of comprehensive income as the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. A tax rate of 15% has been assumed throughout 2017 – 2019.

Foreign Currencies

All financial projections assume no impact of moving foreign exchange rates as Al Ahlia has minimal foreign exposure on its books.

Accrued Interest

Accrued interest is projected based on projected returns from bank deposits. Projected returns of between 5% and 6% have been used, which is broadly in line with historic performance.

Sundry Receivables

Sundry receivables are projected to be between 2% and 3% of gross written premiums, which is broadly in line with historic performance.

Other Receivables and Prepayments

Other Receivables and Prepayments are projected to be between 16% and 17% of gross written premiums, which is broadly in line with historic performance.

Other Liabilities and Accruals

Other liabilities and accruals are projected to be between 16% and 17% of gross written premiums, which is in line with 2016 levels.

Legal Reserve

In 2017 it is projected that the company will do a capital restructure, subject to the relevant regulatory approval to transfer RO 576,090 from the legal reserve to retained earnings, leaving the legal reserve equal to RO 3,333,333, which is one third of the Company's paid up capital and therefore meets regulatory requirements. It will remain at RO 3,333,333 between 2017 and 2019.

Dividend Policy

From 2017 the Company will perform 2 dividends per annum an interim and a final dividend. It is assumed that the interim dividend will be equal to 5% of the Paid Up Share Capital, RO 500,000.

7 Accounting Policies

Basis of Preparation

The projected financial information is presented in million Rial Omani (RO), (unless stated otherwise), since that is the currency in which the majority of the transactions are denominated.

The projected financial information have been prepared on the historical cost basis except for financial instruments at fair value through profit and loss and land and building.

The accounting policies have been consistently applied in dealing with items that are considered material in relation to the Company's projected financial information for all the years presented.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances and time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that have an original maturity of more than three months from the date of acquisition are excluded from cash and cash equivalents.

Premiums and insurance balances receivable

Premiums and insurance balances receivable are measured at amortised cost and carried at estimated realizable value. An estimate is made for impaired debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Investments securities

The Company classifies its investments upon initial recognition into the following categories:

1. Investments at fair value through profit or loss
2. Held-to-maturity investments
3. Available-for-sale investments

Investments at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.
- A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition.

Held-to-maturity investments

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities and which the Company has the intention and ability to hold to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. After initial measurement, held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'investment income' in the statement of profit or loss.

Available-for-sale (AFS) investments

The Company has investments in unlisted shares that are not traded in an active market and whose fair value cannot be reliably measured, but are classified as AFS investments and stated at cost less accumulated impairment. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Trade and settlement date accounting:

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated at the rate of exchange ruling at that date. All exchange differences arising are taken to the profit or loss.

Revenue Recognition

Revenue represents income from insurance premiums and returns from bank deposits and investments. Revenue from these items is recognised on a time apportionment basis using the effective profit rate of return on outstanding balances.

Premiums earned

Net premiums, after deducting policy acquisition costs, are recognised as revenue. Premiums are taken into income over the term of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the profit or loss in order that revenue is recognised over the period of risk.

Unearned premium are those premiums written in a year that relate to period of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent period is deferred as a provision for unearned premium. An additional provision is created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Companies Law of 1979 calculated at 45% of the net retained premiums for the year for all classes of business in the general insurance business.

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Deferred acquisition costs is calculated as a percentage of unearned premium reserve, includes an element of commission and is recognised as a portion of premium earned.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to profit or loss as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provision for reported claims not paid as at the reporting date is made on the basis of individual case estimates. In addition, a provision based on 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 in the following year is included in the underwriting account for that year.

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.

Amounts due to reinsurers are estimated in a manner consistent with the related reinsured policies and in accordance with the reinsurance contract.

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 projected statement of financial position until the claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "Premiums and insurance balances receivable". Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Contributions Receivable

Contributions receivable represent contributions under collection on account of policies underwritten and are carried at nominal value less impairment losses and provision for doubtful debts, if any.

Contributions receivable include sundry receivables, receivables from related parties and premium & insurance balances receivable.

Insurance claims

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The 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 required are made to the provision. Adequacy of the claims estimates on an overall basis is also assessed by an independent actuary and adjustments if required are recorded in the underwriting account. General insurance claims provisions are not discounted for the time value of money.

Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Expenses

Expenses are recognised on an accrual basis.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the projected statement of comprehensive income on a straight-line basis over the period of the lease.

Property, plant and equipment

Property and equipment other than land and building, are stated at cost less accumulated depreciation and any impairment in carrying value. Land and building are initially recorded at cost and subsequently measured at fair value.

When an asset is fair value, any increase in the carrying amount arising on revaluation is credited directly to projected statement of other comprehensive income under the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, in which case the increase is credited to profit or loss to the extent of decrease previously expensed. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited to the retained earnings.

Depreciation is provided on a straight-line basis on all premises and equipment, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives of the assets as follows:

Building	over 40 years
Motor vehicles	over 3 years
Furniture and equipment	over 3-4 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

For revalued assets, any surplus arising on revaluation is recognised in projected statement of other comprehensive income except that the surplus reverses a previous revaluation deficit on the same asset recognized in profit or loss, in which case the credit to that extent is recognized in profit or loss. Any deficit on revaluation is recognized in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case debit to that extent is recognized in projected statement of other comprehensive income. Incremental depreciation on revaluation surplus is transferred to retained earnings on annual basis.

Employees End of Service Benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period.

With respect to its national employees, the Company makes contributions to the Omani Public Authority for Social Insurance under Royal Decree No. 72/91 for Omani employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Dividend

Dividends on investments are recognized in profit or loss when the Company's right to receive the dividends is established.

Legal Reserve

As required by the Commercial Companies Law of Oman, 10% of the profit each year is required to be transferred to legal reserve until such time as the reserve equals one third of the Company's paid up capital, at the end of 2016 the reserve is 39%of share capital.

Contingency Reserve

In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business at the reporting date is transferred from retained earnings to contingency reserve. Whereas 1% of the life assurance premiums in case of the life assurance business is transferred from retained earnings to contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital or RO 5 Million for foreign companies. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

Projections show that this reserve will reach the RO 10 million in 2017, which is equal to the company's share capital. Therefore no increases to this reserve can be seen in 2018 or 2019.

Derecognition of financial instruments

The derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income Tax

Taxation is provided for in accordance with Omani tax regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Other liabilities

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Commissions earned and paid

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

Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

CHAPTER 13
DIVIDEND POLICY

Right to receive dividends

The Offer Shares rank equally with all other Shares for any rights to dividends that may be declared and paid in respect of the Financial Year ending 31 December 2017 on a pari-passu basis, and any subsequent years.

Following the Offer, the Shareholders' register of the Company maintained by the MCDC will be amended to enable new Shareholders to receive dividends declared.

Dividend Policy

The Management proposes to follow a balanced dividend payout policy, subject to working capital and operational expenditure obligations.

Any decision to pay dividends to Shareholders and the amount of such dividends will be at the discretion and upon the recommendation of the Board of Directors, subject to the Articles and applicable Laws.

Dividends will be distributed in Omani Rials.

The Company's dividend policy is subject to provisions contained in the CCL, its Articles. These are summarised as follows:

- The CCL requires a proposed dividend payment to be approved by the passing of a resolution at shareholders meetings, and that a dividend must be paid out of net profits or out of optional reserves subject to the provisions of Article 106 of the CCL.
- In accordance with the CCL, in each Financial Year, 10 % of the net profits after tax of every Company must be transferred to a legal reserve until the reserve amounts to at least one-third of the Company's Issued and Paid Up Share Capital. The legal reserve may not be distributed to Shareholders by way of dividend. The reserve is currently at 39% of share capital hence no further transfers are required.
- In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business at the reporting date is required to be transferred from retained earnings to Contingency Reserve. The Company may discontinue this transfer when the reserve equals to the Issued and Paid Up Share Capital. No dividend shall be declared in any Financial Year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the CMA. Currently the Company's Issued and Paid Up Share Capital is RO 10m and the Contingency Reserve is RO 9.528m. As per the Insurance Regulations, it is expected that the appropriation from 2017 financial results will increase the Contingency Reserve to the maximum requirement as per the Insurance Regulations, subsequent to 2017 appropriation of profits to Contingency Reserve may not be required which could help increased dividend payout to Shareholders.

The Company anticipates paying dividends on semiannual basis. The interim dividend shall be maximum of 5% of the capital. The amount of interim and annual dividends and the determination of whether to pay dividends in any year may be affected by a number of factors, including but not limited to the business prospects, financial performance, free cash availability, and the outlook for the insurance sector and other macro-economic factors.

Further, the forecast dividend payment set out in the table below are subject to various assumptions and forecasts as set out in "Chapter 12 – Projected Financial Statements" of this Prospectus. The forecast dividend table should also be read in conjunction with the risk factors relating to dividend payments under "Chapter 11 – Risk Factors and Mitigants" of this Prospectus.

Forecast dividend, subject to determination of whether to pay dividends in any year may be affected by a number of other factors	Total Dividends (OMR mn)	Dividend per share (Bzs)
August/September 2017	1.10	11.0
March/April 2018	2.05	20.5
August/September 2018	0.50	5.0
March/April 2019	2.30	23.0
August/September 2019	0.50	5.0
March/April 2020	2.70	27.0
August/September 2020	0.50	5.0

The Company's forecast dividends are only estimates and the actual dividend distribution for any given year may vary. The amount of annual dividends and the determination of whether to declare dividends in a given year may be affected by a number of factors including the Company's regulatory requirements, business prospects, financial performance, credit rating, capital expenditure requirements, financial covenants, market trends and the outlook for the local and regional insurance sector. The forecast estimated dividends as per above are based on various assumptions and forecasts as set out in "Chapter 12 – Projected Financial Statements" of this Prospectus. The above table should also be read in conjunction with the risk factors relating to the dividend payment under "Chapter 11 – Risk Factors and Mitigants" of this Prospectus.

CHAPTER 14
VALUATION AND PRICE JUSTIFICATION

I. Overview

The Company's unique investment propositions which are crucial to delivering returns for the shareholders can be summarized into five groups:

i. Experienced founders with a proven track record
ii. Robust business model built on operational excellence
iii. Solid growth plans to counter the current challenging markets
iv. Consistent profitability backed by a strong balance sheet
v. Attractive investment

Each of these are discussed and elaborated below.

Experienced founders with a proven track record

- **International parentage from RSA Group**

  The Company draws upon RSA Group's international parentage and its 300 years of insurance experience who will continue to be a majority and strategic investor in the Company. RSA Group is one of the world's leading multinational insurance groups and employs approximately 13,500 people, serving approximately 9 million customers in more than 100 countries. RSA Group has a long trading history in the Middle East region spanning more than 55 years and a presence in Oman of over 40 years. The strong relationship with RSA Group enables the Company to access market leading products, services and expertise from the various businesses they operate around the world.

- **Reputed local partners provide guidance and support**

  The Company is advised and guided by experienced and reputed local shareholders OMINVEST, W.J Towell and OHI. Together with RSA, they have laid the strong foundations of a successful and sustainable insurance company.

- **Experienced management team**

  The Company has an executive management team with extensive experience and knowledge in international and Omani insurance with over 150 years of collective experience at the executive level. The experience and performance of the Company's executive management team has been critical in achieving its business results. The management's experience helps the Company make timely strategic and business decisions in response to evolving customer needs and market conditions.

- **Global best practices in corporate governance; won corporate governance excellence awards**

  The Company operates a highly respected corporate governance model. It was the proud winner of the CMA's Best Corporate Governance Award across all CMA governed companies in 2013 & 2014. The Company has also received strong regional recognition, winning 'Best Insurer of the Year – Oman' award for 2011, 2012, 2014 and 2015 from the prestigious MENA Insurance Review. More recently, RSA ME was the winner of "Best Insurer of the Year – MENA" for 2017, awarded by the MENA Insurance Review.

Robust business model built on operational excellence

- **Disciplined approach to business selection**

  The Company has a strong technical discipline and benefits from the globally applied standards developed by the RSA Group. The discipline and standards are applied to enhance performance of people, processes, controls, tools and technology, with the aim to be a leader in the development of the Oman insurance market. This has resulted in the Company consistently achieving amongst the lowest Loss Ratios and is one of only two companies to post positive Underwriting Results for the last six years.

- **Differentiated reinsurance strategy resulting in high retention**

  The Company's financial philosophy is to leverage its technical strengths to manage and absorb attritional losses and retain profit from risk acceptance rather than share all these benefits with reinsurers. In consequence, the Company focuses its reinsurance on large loss events to protect its financial results. The Company's success at increasing levels of retention has largely been due to recruiting, retaining and developing capable people and combining these with well-designed processes and technology to ensure it properly understands and accepts better risk exposures and manages risk and indemnity settlements.

- **Well-developed distribution network**

  The Company operates a well-developed, multi-channel, pan Oman distribution network including 25 branches and strong co-branded relationships in motor affinity with access to a significant share of all new car sales. The Company has a strong broker presence with a high share of business with major brokers leveraging global relationships of RSA Group with a number of global and regional brokers. In addition, the Company partners with a number of longstanding directly serviced corporate commercial accounts.

- **Best in class brands with high customer awareness**

  Al Ahlia Insurance operates with two strong brands : "RSA" is globally recognised as a leader in the commercial segment and, in the retail segment, "Al Ahlia" is Oman's 2nd best insurance brand in terms of spontaneous customer awareness.

- **Strong and well defined risk management framework**

  The Company places emphasis on managing its risk portfolio, with control measures in place as part of an overall risk management framework. As part of this framework, the Company has a range of governance and compliance steps, along with regular internal audit activity, with the aim of ensuring the effective management of risk, and compliance with regulatory and RSA Group requirements.

Solid growth plans to counter the current challenging markets

- **Expansion in product portfolio to target select high quality profitable segments**

  The Company is planning to expand the product propositions which may also include claims service level commitments and additional cover options. In the motor insurance business, the Company is planning to selectively target new segments to achieve profitable growth. Within the commercial lines of its business, the Company is planning to investigate opportunities in small and medium enterprises and plans to offer the first ever 'quote and bind' proposition in Oman.

- **Continuous expansion in the multichannel distribution network**

  The Company believes that its multi-channel diversified distribution network helps it navigate economic cycles. Where one distribution channel may be significantly impacted, there is always access to other distribution channels. This means ready access to different customer segments and a reduction in concentration risk. The Company will continue to focus on deepening existing broker and affinity partner relationships and also seek new affinity partners. In 2017, the Company has opened two new branches with another one to open later in the year and has extended the working hours of all the Muscat branches till 7pm.

- **Focus on exploring non-traditional channels**

  The Company is planning to further diversify its distribution channels by increasing its focus on digital channels. The Company has recently launched its online sales capabilities and believes that its fully transactional website will offer improved information, service and speed. To complement its online sales service, the Company has also launched a fully enabled contact centre for inbound sales and customer service calls. The contact centre will also have the ability for outbound calling. The Company believes that digital technology has influenced and will continue to significantly influence customer advocacy, information search and insurance sales. The Company expects online sales to play an increasingly larger role in the sale of personal line products like motor, travel, home & home contents and personal accident insurance.

- **Leverage technology to improve service delivery and customer retention**

  The Company is leveraging technology across the value chain from pre-sales, fulfilment and post-sales to provide a convenient experience to its customers, with easily accessible information and a smoother sale and service process to its distributors. This will result in improved customer on-boarding, employee and distributor productivity, and quality of sales. The Company believes that customer retention is essential for the business and is focused on strengthening mechanisms to increase renewal premiums. The Company also monitors customer behaviour to identify any triggers for proactive intervention.

Consistent profitability backed by a strong balance sheet

- **Track record of consistent profitability resilient to business cycles**

  Al Ahlia Insurance is one of only two general insurance companies in Oman to have consistently delivered underwriting profits as well as positive investment income since 2011. The Company's track record of producing underwriting profits even in the most challenging market environment makes it one of the strongest performing general insurers in Oman.

- **Robust capital position provides the Company financial flexibility**

  The Company had a strong capital position as at December 31, 2016 with a combined (General and Life) solvency ratio of 260% above the minimum levels prescribed by the CMA. The Company has not received a shareholder capital injection since acquisition of the Former Al Ahlia in 2010. This provides the Company with a flexibility to capture any uptick in future growth without the need for raising any additional capital as well as distribute a significant portion of profits.

- **Conservative reserving policy provides ability to withstand future shocks**

  The Company adopts a conservative reserve policy based on timely actuarial assessment at end of each quarter. The Company believes that it has one of the strongest reserves for Incurred but Not Reported (IBNR) both as percent of outstanding claims as well as percent of net incurred claims as compared to its peers.

- **High quality investment book generating stable and visible returns**

  The Company adopts a conservative investment strategy of high quality, low risk and low volatility predominantly investing a significant portion of the investment book in fixed income instruments from high rated companies. The investment strategy ensures that the Company receives consistent investment returns with minimal risk. Currently, a major portion of the investment book is invested in the fixed deposits of various high rated regional banks of duration between one to five years.

The Company's past and projected financials are provided below.

Key Financials (OMR mn)	2012	2013	2014	2015	2016	2017e	2018e	2019e
GWP	33.3	34.4	33.4	30.9	26.4	28.7	30.7	32.8
NWP	23.2	28.2	27.2	26.7	22.3	25.8	27.6	29.6
Underwriting Results*	1.6	2.0	2.4	1.5	1.4	1.3	1.6	1.8
Investment income	0.7	1.0	0.9	0.9	1.2	1.6	1.7	1.9
Profit after tax	1.8	2.5	2.9	2.1	2.1	2.5	2.9	3.2
Loss Ratios (%)	67.7%	68.7%	63.6%	65.4%	61.5%	62.1%	62.8%	63.1%
COR (%)	92.3%	92.4%	91.1%	94.3%	94.3%	94.5%	93.9%	93.6%
Return on equity (%)#	11.1%	14.5%	15.3%	10.8%	10.1%	11.3%	12.9%	14.2%
Overall solvency margin (%)	174%	170%	195%	265%	260%	225%	216%	212%

* Net of general & administrative expenses

\# Excludes goodwill

Visibility in returns to investors in form of consistent dividends

- **Target payout ratio of 100% of distributable profits**

  The Company has fully funded the legal reserve and based on the Projected Financial Information, the Company expects that the requirement for contingency reserves under the Insurance Regulations will also be fulfilled in 2017. In addition, due to robust capital position, the Company has the flexibility to distribute 100% of its profits.

- **Projected earnings of the Company is backed by high visibility in investment income**

  The earnings of the Company comprises of underwriting results and investment income. Due to the investment strategy employed by the Company, the investment income primarily consists of interest earned on fixed deposits from highly rated institutions. This provides high visibility to the projected earnings in the form of stable income with limited volatility.

- **Post-IPO dividends and semi-annual dividends**

  The Company has announced a dividend of 11 Bzs per share payable in August/September 2017, which will be available to all investors including the public investors post the IPO. In addition, the Company is proposing a semi-annual dividend profile consisting of an interim and final dividend as mentioned in Chapter 13 – Dividend Policy which will provide a regular semi-annual stream of dividends for the investors.

II. Offer Price

The Offer Price of Bzs 300 has been arrived at after considering the valuation methodology appropriate for insurance companies and prevalent market conditions.

Valuation Methodologies

The methods used are as follows:

A. Relative valuation; and

B. Dividend discount model (DDM) valuation

These methods along with their advantages and disadvantages have been explained below:

A. Relative Valuation Method

Under this approach, the valuation is benchmarked against other listed comparable companies in the insurance sector with similar regulatory framework and risk-return profile i.e. operations, cash flows, capital structure, growth plans, etc. The relative valuation is generally based on current financial results or projections for the next 1 to 2 years where available. The benchmarks which are frequently used for relative valuation in the insurance sector include the dividend yield method and the price to book multiple. We have also provided details on the price to earnings multiple for information purposes only.

Advantages of Relative Valuation method	Disadvantages of Relative Valuation method
– Based on publicly available information – Market efficiency theoretically implies that trading valuation should reflect all publicly available information – Can indicate the value of a company without reflecting a control premium – Takes into consideration current market conditions	– It may sometimes be difficult to find a sample of truly comparable companies. This is mitigated by the presence of a number of listed insurance companies in Oman and the region which have similar business – Valuation may be affected by thin trading, small capitalization, ownership restrictions, limited coverage, etc. – External variables such as M&A activity and regulatory scrutiny may affect stock prices

Comparables

Various factors have been taken into account for identifying the list of comparable companies including nature of business, geographies, size and market characteristics. The Comparables have been divided into the following categories:

Omani Insurance companies

- Oman United Insurance Company SAOG (“OUIC”)
- Dhofar Insurance Company SAOG (“DIC”)
- Muscat National Holdings SAOG (“MNH”)
- Al Madina Takaful Company SAOG (“Al Madina”)
- Takaful Oman SAOG (“Takaful Oman”)

Prominent regional insurance companies

- Qatar Insurance Company (“QIC”)
- The Company for Cooperative Insurance (“Tawuniya”)
- Bupa Arabia for Cooperative Insurance (“Bupa”)
- Qatar General & Reinsurance Company (“Qatar GenRe”)
- Al Wathba National Insurance Company (“Al Wathba”)
- Mediterranean & Gulf Insurance (“Med Gulf”)
- Al Rajhi Company for Cooperative Insurance (“Al Rajhi”)
- Gulf Insurance Group KSCP (“GIG”)
- Al-Ahleia Insurance Co SAKP (“Ahleia”)
- Saudi United Cooperative Insurance Company (“SUCIC”)

Company	Country	Market capitalization (OMR mn)	Dividend Yield(1)	Price to book ratio(2)	Price to Earnings ratio(3)
DIC	Oman	41	0.0%	2.0	n.m.
OUIC	Oman	38	7.9%	1.4	10.0
Takaful Oman	Oman	18	0.0%	2.3	n.m.
Al Madina	Oman	17	6.3%	0.8	26.6
MNH	Oman	9	5.8%	0.5	5.4
Average (Omani)			**4.0%**	**1.4x**	**14.0x**
Median (Omani)			**5.8%**	**1.4x**	**10.0x**
QIC	Qatar	2,055	2.1%	1.7	15.9
Tawuniya	KSA	1,258	5.1%	3.3	12.1
Bupa	KSA	976	1.3%	4.7	15.0
Qatar GenRe	Qatar	362	3.8%	0.5	16.4
Al Wathba	UAE	277	1.2%	3.2	49.2
Med Gulf	UAE	208	0.0%	2.1	29.9
Al Rajhi	KSA	193	0.0%	4.4	21.2
GIG	Kuwait	130	7.3%	1.2	8.2
Ahleia	Kuwait	121	7.3%	0.9	11.0
SUCIC	KSA	119	0.0%	2.7	10.7
Average (Regional)			**2.8%**	**2.5x**	**18.9x**
Median (Regional)			**1.7%**	**2.4x**	**15.5x**

Source: Company filings, stock exchange data. Closing prices taken as of 30th April 2017

(1) Based on dividend announced in the trailing twelve months (TTM). The average proposed dividends for the next three years has been used for Al Ahlia Insurance

(2) Based on the latest available book value per share

(3) Based on EPS of TTM

Relative valuation: Dividend yield

Due to the stable business model as well as expected regular dividend stream for the Company backed by 100% payout policy, dividend yield is considered the primary relative valuation benchmark for the Company. The Company has projected to pay dividends of Bzs 11 per Share in 2017 to all the prospective Shareholders. Since the Shares are expected to be issued to the prospective Shareholders by mid-August, the annualized dividend yield translates to 8.8% at the Offer Price of Bzs 300 per share. The average dividend yield for the next four years for the Company compares favorably to the average dividend yield of 4.0% for Omani insurance companies and 2.8% for the regional insurance companies.

Dividends	2017e	2018e	2019e	2020e	Average
Dividends (OMR mn)	1.10	2.55	2.80	3.20	**2.41**
Dividends (Bzs per share)	11.0	25.5	28.0	32.0	**24.1**
Dividend yield at the Offer Price*	8.8%	8.5%	9.3%	10.7%	**9.3%**

* 2017 dividend yield annualized for 5 months of Post-IPO holding

Relative Valuation: Price to book (PB) multiple

The PB ratio is considered to be an appropriate method for valuing the Company considering that the insurance companies generally follow mark to market accounting practices. Hence, the PB ratio is a relevant benchmark to value insurance companies. Moreover, it also provides an estimate of the attractiveness of the Offer Price to the prospective investors who can link the Company's Share Price to the intrinsic value of the Share. At the Offer Price of Bzs 300 per share, the PB ratio of the Company works out to 0.80 times based on the projected book value per share (BVPS) as on 31-Dec-2017. This translates into a discount of c.43% to the average Omani insurance companies of 1.4 times BVPS and a discount of c.68% to the average regional insurance companies of 2.5 times BVPS.

	2017e	2018e	2019e	Average
Projected Book value per share (Bzs)	373	377	381	**377**
Implied P/B Multiple at the Offer Price	0.80x	0.80x	0.79x	**0.80x**

Relative Valuation: Price to earnings (PE) multiple

For information purposes, the Company has also provided with P/E comparison in view of a growth business model. At the Offer Price of Bzs 300 per share, the P/E ratio of the Company works out to 11.1 times for FY 2017, which is at a discount of c.21% to the average Omani insurance companies of 14.0 times and a discount of c.41% to the average regional insurance companies of 18.9 times.

	2017e	2018e	2019e	Average
Net Profits (OMR mn)	2.48	2.87	3.20	**2.85**
EPS (Bzs per share)	24.8	28.7	32.0	**28.5**
Implied PE Multiple at the Offer Price	12.1x	10.5x	9.4x	**10.5x**

B. Dividend Discount Model (DDM) Valuation Method

The DDM method of valuation captures the value of a company based on estimated future dividend streams, discounted to a present value. The key components for DDM include:

- Dividends: The projected dividends expected to be received by the investors
- Terminal value: Value at the end of the projections period (horizon period). The terminal value is estimated by capitalizing the dividends of the last year of projections by using the discount rate and terminal growth rates
- Discount rate: The rate used to discount projected Free Cash Flow (FCF) and terminal value to their present values

For companies expected to operate in perpetuity like Al Ahlia Insurance, the terminal value is estimated and discounted to present value. This present value is then used to evaluate the attractiveness of an investment opportunity at a given price.

Advantages of DDM method	Disadvantages of DDM method
– DDM may be one of the most theoretically sound valuation methods – Forward-looking analysis, based on cash flow (and, therefore, potentially less influenced by accounting rules), and likely takes account of all contractual arrangements as well as expected operating strategy – Potentially less influenced by volatile market conditions – Allows valuation of the entire business in aggregate or of each of its components separately	- Valuation may be highly sensitive to underlying assumptions for future dividends, terminal growth rate and discount rate; - Valuation are dependent on projections, which may be affected by technological, macroeconomic and regulatory changes.

DDM Valuation:

Valuation per share

The price per Share in Baizas based on projected dividends as per Chapter 15 – Dividend Policy and under various scenarios and terminal value assumptions in as follow:

	Expected terminal growth rate		
Discount rate	**3%**	**4%**	**5%**
9%	377	416	469
10%	367	406	457
11%	358	395	445

CHAPTER 15
RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Related Party Transactions

Related Parties are defined as the Company's shareholders and its affiliates, directors, key management personnel, business entities that have the ability to control or exercise significant influence in financial and operating decisions of the Company. Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

Significant transactions with Related Parties

The Company had the following significant transactions with related parties during the year/ period:

31 December 2016

	Other receivables RO	Premiums and insurance receivable RO	Re-insurance balances payable RO	Outstanding claims payable RO	Other Payables RO
Major shareholders	-	39,752	1,288,404	-	810,722
Other related parties	-	48,924	209,281	2,226,823	-
	-	88,676	1,497,685	2,226,823	810,722
31 December 2015					
Major shareholders	1,423,126	-	1,343,232	-	47,383
Other related parties	-	48,191	149,653	689,867	-
	1,423,126	48,191	1,492,885	689,867	47,383

Amounts due to Related Parties

The Company paid the following amounts to related parties during the year/ period:

31 December 2016

	Premiums Written RO	Commission paid RO	Gross Incurred Claims RO	Technical service fees RO
Major shareholders	-	-	-	450,000
Other related parties	1,602,257	170,841	2,499,867	-
	1,602,257	170,841	2,499,867	450,000
31 December 2015				
Major shareholders	-	-	-	309,004
Other related parties	1,917,576	197,558	1,228,677	-
	1,917,576	197,558	1,228,677	309,004

Related party Transactions and Material Contracts

The following table provides details of some of the key related party transactions and material contracts of the Company:

Particulars	Counterparty	Date of Execution	Date of Expiry
Technical Services Agreement	Royal & Sun Alliance Insurance plc (UK)	12 December 2013 (effective 1 January 2013)	This Agreement is valid for an initial term of one year and will remain in force after the initial term unless terminated in accordance with the agreement.
Business Co-operation Agreement	Royal & Sun Alliance Insurance plc (UK)	28 February 2017 (effective 1 January 2017)	This Agreement will remain in force until terminated in accordance with the Agreement.
Reinsurance Agreement (Catastrophe Excess of Loss Reinsurance – Document no: UHR15017)	QBE Re (Europe) Limited, Sirius International Insurance Corporation, Berkley Re UK, TransRe Zurich Ltd, XL Re Europe SE, Everest Reinsurance Company and New India Assurance Company Limited.	1 January 2017	This Agreement is valid for a term of one year expiring on 31 December 2017 (both days inclusive).
Reinsurance Agreement (Property Risk and Catastrophe Excess of Loss Reinsurance - Document no: UHR15717)	Swiss Re Europe SA	1 January 2017	This Agreement is valid for a term of one year expiring on 31 December 2017 (both days inclusive).
Reinsurance Agreement (Property Risk and Catastrophe Excess of Loss Reinsurance - Document no: UHR15617)	QBE Re (Europe) Limited, TransRe Zurich Ltd, Everest Reinsurance Company and New India Assurance Company Limited.	1 January 2017	This Agreement is valid for a term of one year expiring on 31 December 2017 (both days inclusive).
Reinsurance Agreement (Risk Excess of Loss Reinsurance Document no: UHR15217)	QBE Re (Europe) Limited, Sirius International Insurance Corporation, TransRe Zurich Ltd, XL Re Europe SE, Everest Reinsurance Company, New India Assurance Company Limited and Partner Reinsurance Europe SE.	1 January 2017	This Agreement is valid for a term of one year expiring on 31 December 2017 (both days inclusive).

Particulars	Counterparty	Date of Execution	Date of Expiry
Reinsurance Agreement (Risk Excess of Loss Reinsurance Document no: UHR14917)	QBE Re (Europe) Limited, Sirius International Insurance Corporation, TransRe Zurich Ltd, XL Re Europe SE, Everest Reinsurance Company, New India Assurance Company Limited Partner Reinsurance Europe SE, SCOR Global P&C SE and R+V Versicherung AG.	1 January 2017	This Agreement is valid for a term of one year expiring on 31 December 2017 (both days inclusive).
Reinsurance Agreement (Catastrophe Excess of Loss Reinsurance Document no: UHR15517)	QBE Re (Europe) Limited, Sirius International Insurance Corporation, TransRe Zurich Ltd, XL Re Europe SE, Everest Reinsurance Company, New India Assurance Company Limited, SCOR Global P&C SE and Lioyd's Underwriter Syndicate No 4444 CNP.	1 January 2017	This Agreement is valid for a term of one year expiring on 31 December 2017 (both days inclusive).
Terms of Business Agreement (Risk Transfer)	Fenchurch Faris Insurance Services LLC	Effective from 11 November 2015	Valid until terminated in accordance with the terms of the agreement.
Terms of Business Agreement (Risk Transfer)	Assarain Insurance Services LLC	10 January 2012	Renewable annually unless terminated or suspended in accordance with the terms of the agreement.

Related Party Transactions under the Code of Corporate Governance

Following the IPO, the Company's 'Related Parties' shall comprise the persons or entities categorised as related parties under the Code of Corporate Governance (9th Principle). Principle 9(2) provides that an individual person is deemed a 'Related Party' of a company if such person:

(a) was a director of the company, its parent company or any of its subsidiary or associate companies in the past twelve months.

(b) has significant influence on the company and its performance.

(c) is among the top senior executives of the company or its parent company, such as the chief executive officer, general manager or an employee who reports directly to the board.

(d) holds or controls 10% or more of the voting rights in the company, its parent company or any of its subsidiary or associate companies.

(e) is a first degree relative of any of the persons fulfilling the points a, b, c and d above;

(f) is an associate of any of the business entities stated in (3) below, wherein he/ she holds individually at a minimum 25% of the voting rights.

Principle 9(3) provides that an entity is deemed a 'Related Party' of a company, if such entity:

(a) is a member of the same group, i.e. a parent enterprise, subsidiary or an associate;

(b) is a Joint venture of the company or related enterprises;

(c) Persons identified in Principle 9(2) hold jointly or severally at a minimum 25% of voting rights or the right to direct their resolutions or have significant control thereof;

(d) is a commercial enterprise the directors of which act according to the company's will;

(e) is pension fund or end of service project providing end of service scheme for the employees of the company or any of its related enterprises.

CHAPTER 16
CORPORATE GOVERNANCE

Certain sections of this Chapter summarise the issues relating to corporate governance based on the Articles, the CCL and the rules and regulations issued by the CMA, in particular, the Code of Corporate Governance. The description provided in this Chapter is only a summary and does not purport to give a complete overview of the Articles, nor of the relevant provisions of the CCL, the Code of Corporate Governance or the CMA rules and regulations.

Overview

This section details the composition of the Board and the Management. It also highlights the corporate governance practices that the Company has, or will have, in place.

Board

Current Board Composition

The current Board of Directors was elected on 29 March 2015 (except as indicated below), and its members shall hold office for a period of three years from such date and until the third AGM, which follows this date. In the event that the date on which the third AGM is held is more than three years following the date on which the current Board was elected, then the term of the Board shall be extended up to the date of such AGM, pursuant to Article 95 of the CCL.

The current composition of the Board of Directors, in accordance with Article 17 of the Articles is as follows:

Name	Representing	Executive/Non-Executive	Independent/ Non-Independent[1]
Anwar Ali Sultan	W.J. Towell	Non-Executive	Independent
Christopher Dooley	RSA ME	Non-Executive	Non-Independent
Laurence Loughnane*	Personal Capacity	Non-Executive	Non-Independent
Ranga Gorur	OHI	Non-Executive	Independent
Jonathan Cope**	Personal Capacity	Non-Executive	Non-Independent
Shahid Rasool	Personal Capacity	Non-Executive	Non-Independent
Fadi Aboul Hosn***	Personal Capacity	Non-Executive	Non-Independent
David Paul Harris***	Personal Capacity	Non-Executive	Non-Independent
Shrikanth Shenoy	OMINVEST	Non-Executive	Non-Independent

Note 1: The CMA has directed the Company to have a board with a minimum of 1/3rd Independent Director within 2 months of the date of listing on the MSM and to convene an OGM to elect one Independent Director in order to comply with the requirement to have three Independent Directors on the Board.

* Elected in March 2017.
** Elected in March 2017.
*** Appointed as a temporary director by the Board at its meeting held on 19 June 2017. The Company will convene an OGM within two months from the date of listing of the Company to elect two non-executive directors.

Biographical Information of the Members of the Board

Name:	Anwar Ali Sultan
Position:	Chairman
Education:	• Graduate • Diploma in Business Administration and Shipping
Experience:	• Chairman – Al Ahlia Insurance Co SAOC, Oman • Chairman – Jotun Paints Co LLC, Oman • Chairman – Wilhelmsen Towell Co LLC, Oman • Chairman – Readymix Muscat LLC, Oman • Chairman – Premix LLC, Oman • Chairman – Readymix Gulf Ltd, UAE • Chairman – Majan Distribution Co LLC, Oman • Director – W J Towell & Co LLC, Oman • Director – Towell Construction & Co LLC, Oman • Director – Jotun UAE Ltd, Dubai, UAE • Director – Jotun Powder Coatings, Dubai, UAE • Director – Enhance (Mutrah Cold Stores LLC), Oman • Director – Nestle Oman Trading Co LLC, Oman
List of Other Directorships:	• Chairman - Majan Glass Co. SAOG • Director - National Detergent Co. SAOG

Name:	Christopher Dooley
Position:	Deputy Chairman
Education:	• Bachelor of Arts (Hons)- Compton Park School of Business (now University of Wolverhampton)- 1982 • Chartered Insurer- Associate Chartered Insurance Institute- 1986 • Diploma (Direct Marketing) UK Institute of Direct Marketing- 1999
Experience:	• Feb 2011- date: RSA ME - CEO, United Arab Emirates and Managing Director, Bahrain • 2015 to date: Committee Member, Insurance Business Group, UAE • March 2010- Feb 2011: CEO, Royal & Sun Alliance Insurance (Hong Kong) Ltd • July 2005- Feb 2010: Director and CEO, Insurance Australia Group (Thailand) Ltd trading as NZI • May 1999- Dec 2002: Director Corporate Partners, Customers & People, Asia, Royal & Sun Alliance Asia Regional team, Singapore • May 1997- May 1999: Regional Manager, Asia (Brokers & Customers), Royal & Sun Alliance Global Risks Asia, Singapore • May 1995- May 1997: Development Manager, Asia, Royal Insurance International (Royal Sun Alliance), Hong Kong
List of Other Directorships:	• Al Alamiya For Cooperative Insurance Committee, KSA • Royal & Sun Alliance insurance (ME) BSC (c) Bahrain

Name:	**Laurence Loughnane**
Position:	Member
Education:	UK A-Level Economics, Cardinal Newman, Luton, UK, 1978
Experience:	• 2016 – Regional Chief Underwriting Officer, RSA Middle East Leading Underwriting, Pricing and Reinsurance for RSA's four Middle East businesses - UAE, Saudi Arabia, Oman and Bahrain • 2015 – Pricing and Underwriting Director, RSA Asia, Middle East and Russia • Board Member InTouch Insurance (RSA Russia) • 2014 – Motor and Personal Lines Portfolio Director, RSA Emerging Markets • Supervisory Board member Lietuvos Draudimas (RSA Lithuania) • 2012 – Motor and Personal Lines Portfolio Director, RSA Central & Eastern Europe and Middle East • 2011 – Underwriting and Claims Director, RSA Central and Eastern Europe • 2010 – Pricing Director, RSA Central and Eastern Europe • 2008 – Portfolio Director SME, RSA UK. • 2000 – 2008 – Various Head of Roles in Aviva Insurance UK, London and Norwich
List of Other Directorships:	None.

Name:	**Ranga Gorur**
Position:	Member
Education:	Bachelor of Science, Fellow Member of the Institute of Chartered Accountants of India, Member of CPA Australia
Experience:	Chief Finance Officer, OHI Group of Companies – Since November 2006.
List of Other Directorships:	Computer Stationery Industry SAOG United Finance Co. SAOG

Name:	**Jonathan Cope**
Position:	Member
Education:	• Edinburgh University: MA in History, First Class Honours • BPP Law School: PGDL, LPC
Experience:	• Head of Legal, UK & International, RSA (since February 2017) • Managing Counsel, Group Legal, RSA (2016 – 2017) • Group Legal Counsel, RSA (2013 – 2015) • Associate, Weil Gotshal & Manges (2011 – 2013) • Associate, Debevoise & Plimpton LLP (2007 – 2011) • Associate, Freshfields Bruckhaus Deringer LLP (2004 – 2007) • Qualified Company Secretary with the Institute of Chartered Secretaries and Administrators (ICSA)
List of Other Directorships:	• Director of the following RSA Group companies: • RSA Accident Repairs Limited • Royal Insurance (UK) Limited • Royal & Sun Alliance Property Services Limited

Name:	**Shahid Rasool**
Position:	Member
Education:	• Chartered Financial Analyst (CFA) from the Institute of Chartered Financial Analysts (ICFA), USA • MBA from the University of Chicago Booth School of Business, IL, USA
Experience:	• Chief Investment officer (2014 to Present). OMINVEST, Muscat • Head of Public Securities (2009 – 2012). QINVEST, LLC, Doha • Head of Investments (2005-2009), First Gulf Bank, Abu Dhabi
List of Other Directorships:	• Oman National Investment Corporation SAOC • Ubhar Capital SAOC • Oman Real Estate Investment & Services SAOC • Oman ORIX Leasing Company SAOG

Name:	**David Paul Harris**
Position:	Member
Education:	• Bachelor of Arts (Hons) – Banking, Insurance & Risk Management • Associate of Chartered Insurance Institute (ACII)
Experience:	• 2008 to date • Feb 2008 to date - Distribution Director, UAE & Bahrain, Royal & Sun Alliance Insurance (Middle East) • Feb 2005 to Feb 2008 – Managing Director, Dubai, HSBC Insurance Brokers • Sept 2000 to Feb 2005: Sales & Marketing Manager / Acting MD, Goodhealth Worldwide LTD • Oct 1997 to Sept 2000: Corporate Manager, National Company for Cooperative Insurance • Jan 1996 to Sept 1997: Retail Manager, Royal Bank of Scotland
List of Other Directorships:	None.

Name:	**Fadi Aboul Hosn**
Position:	Member
Education:	• Master of Business Administration (MBA) from University of Strathclyde, UK, 2003 • Bachelor of science in Business Administration and Accounting, From the California State University, USA, 1994 • Award in Financial Planning from the Chartered Insurance Institute (CII), UK, 2009

Experience:	• CFO of Al Alamiya for Cooperative Insurance, a public joint stock company in Saudi Arabia operating in the insurance sector, since 2013 to Present • Member of the Finance sub-committee of the Saudi Arabia Insurance Industry Executive Committee (IEC), since 2013 to Present • Director of Finance and Administration at Wehbe Insurance Services, an Emirati limited liability company operating in the insurance sector, from 2004 to 2012 • Group Financial Controller at GET Group\Global Information Technology, an UAE limited liability company operating in the IT sector, from 1999 to 2004 • Business and IT Consultant at High Tech Computer Associates , a public partnership operating in the IT sector in the USA, from 1996 to 1999 • Accounting and Finance Manager at Royal Fortune Incorporated, a public partnership operating in the trading sector in the USA, from 1990 to 1996
List of Other Directorships:	None.

Name:	**Shrikanth Shenoy**
Position:	Member
Education:	• Masters in Management Studies (Finance), Mumbai University, 1998 • Bachelor of Engineering (BE), Bangalore University, 1995
Experience:	• 2015 – Present : OMINVEST SAOG, Head – Public Equities, Managing the Public Equities Portfolio of the Company. • 2006-2015: ONIC Holding SAOG, Head-Investments, Managing the Investments of the Company.
List of Other Directorships:	• Oman Chlorine SAOG • National Finance House, Bahrain

Compliance with Applicable Laws

The Company shall undertake to have, within two months from the date of its listing on the MSM, a Board that complies with the Code including the requirement for Independent Directors and Non-Executive Directors set out in the Code of Corporate Governance, which represents the interests of all Shareholders.

Appointment of the Board

The Board will be elected by the General Meeting of the Shareholders by direct secret ballot. Each Shareholder shall have a number of votes equal to that of the Shares held by him. A Shareholder shall have the right to use the entirety of his votes in support of one nominee or divide his Shares among other nominees of his choice through the voting card. It follows from that that the total number of votes given to the nominees by one Shareholder must not exceed the total number of Shares owned by him. The proposed Directors who receive the most votes in the ballot shall be declared elected subject to the Board including the requisite number of Independent Directors.

Subject to Article 95 of the CCL and the Board Election Rules, and without prejudice to the Articles, nominees to the membership of the Board must:

- be of good conduct and sound reputation;
- be at least 25 years old;
- not be unable to settle their indebtedness to the Company;
- not be declared insolvent or bankrupt unless the state of insolvency or bankruptcy has ceased pursuant to the law;
- not be convicted of a felony or dishonourable crime unless rehabilitated in accordance with law;
- not be a member or a representative of a juristic person in more than four public joint stock companies based in Oman once appointed to the Board in question;
- be authorised to nominate himself for Board membership by the juristic person if he is nominated in such capacity;
- not be Chairman of more than two SAOGs with their principal place of business in Oman;
- not be a member of the board of directors of an SAOG or SAOC, which is based in Oman and which is carrying out similar objects to that of the Company;
- present an acknowledgement which contains a statement of the number of Shares held by the nominee in the Company if he is a Shareholder and that he will not dispose of them to the extent that he will be deprived of his status as a Shareholder, throughout the term of his office; and
- not participate in the management of a competing business except with the approval of the General Meeting and such approval shall be renewed annually.

Without any prejudice to the regulations of the CCL mentioned above, the following conditions will be fulfilled while forming the Board:

- the Board shall comprise exclusively of Non-Executive Directors;
- a minimum of one-third of the total Board (subject to a minimum of two members) will be composed of Independent Directors in accordance with the rules and conditions issued by the CMA as have been set out in the Code of Corporate Governance, from time to time; and
- a juristic Shareholder will not be represented by more than one representative on the Board.

If a member of the Board ceases to meet any of the conditions necessary for membership of the Board, he/she must inform the Board and his/her place will be considered vacant from the date of receipt of that information; otherwise, his/her membership will terminate from the date the Company finds out this information, without prejudice to his/her liability in accordance with law, and his/her place will be filled in accordance with the provisions of Article 98 of the CCL.

The Board will elect a Chairman and a Deputy Chairman from its members. The Deputy Chairman will officiate as Chairman when the latter is absent. The Chairman of the Board must implement the resolutions of the Board and must conduct the regular business of the Company under the supervision and control of the Board of Directors in accordance with the authority specified in the Articles and the Company's internal regulations.

Role of the Board

The primary role of the Board is to supervise and monitor the Management within a framework of prudent and effective controls that enable risk to be properly assessed and managed and to fulfil its statutory and regulatory obligations under Applicable Law.

Powers of the Board

The Board has full authority to perform all acts required to manage the Company in accordance with its objectives and with the primary objective of creating value for the Shareholders. This authority is not limited or restricted except as provided by Applicable Law, by the Articles or by a resolution of the Shareholders. The day-to-day management of the Company is performed by the Management, as described in subsequent paragraphs contained in this Chapter.

Some of the principal functions of the Board include:

- to approve the Company's commercial and financial policies, together with its estimated budget, with a view to achieving the objects of the Company and to maintain and promote the rights of its Shareholders;
- to develop, review and update necessary plans from time to time in order to put into operation the Company's objectives and carry out its activities in light of the purpose underlying its establishment;
- to supervise the performance of the executive management and to ensure that the work proceeds in a manner which achieves the Company's objectives in light of the purpose underlying its establishment;
- to appoint the chief executive officer, chief financial officer of the Company head of internal audit unit or compliance officer (if any) as well as determining their rights and responsibilities;
- to approve the financial statements related to the Company's business and work results as submitted by the executive management to the Board quarterly, in a way which reflects the true financial position of the Company;
- to include in the annual report presented to the annual OGM of the Shareholders the reasons which justify the ability of the Company to pursue its specified activities and the achievement of its objectives;
- to appoint a secretary to the Board in its first meeting and to hold four meetings per annum provided that the interval between two consecutive meetings may not exceed four months; and
- to include in the financial statements a full statement of all amounts which a Director may have received during the course of each year.

The Board must not perform the following acts unless expressly authorised to do so by the Articles or by a resolution of the Shareholders at a General Meeting:

- make donations, except donations required by the business wherever they are small and customary amounts;
- sell all or a substantial part of the Company's assets;
- pledge or mortgage the assets of the Company, except to secure debts of the Company incurred in the ordinary course of the Company's business; or
- guarantee debts of third parties, except guarantees made in the ordinary course of business for the sake of achieving the Company's objectives.

The Company will be bound by all acts performed by its Board, its Chairman, its CEO and other members of the Management, as long as they act in the name of the Company and within the scope of their powers.

The Board, in cases other than the distribution of dividends and approving the balance sheet, profit and loss account, and reports of the audit committee and auditors, may pass resolutions without the need to convene a meeting of the Board if all members of the Board approve the same in writing

Pursuant to Article 107 of the CCL, Article 64 of the CML and Article 301 of the Executive Regulations, it is not permitted for any member of the Board or Management to utilise the information that reaches them in the capacity of their positions or jobs to gain any benefit for themselves or their minor children or for any of their relatives to the fourth degree as a result of transactions in the Shares. It is also not permitted for any member of the Board or Management who has a direct or indirect interest in any authority that is involved in activities which are aimed at influencing the price of Shares.

This restriction is explained in the chapter relating to "Insider Trading" regulations contained in the Executive Regulations, which:

- define who an insider is (as any person who is in a position to have access to undisclosed material information and includes directors, executive management and any person who may have obtained such information as a consequence of his employment or family relationships or otherwise); and
- impose reporting obligations on issuers with respect to the list of directors, executive management and their spouses and relatives of the first degree and any amendments in such list.

Insider trading is punishable by fines and imprisonment under the CCL, the CML and the Executive Regulations.

A member of the Board or senior management or other related party of the Company must not have any direct or indirect interest in the transactions or contracts concluded by the Company for its account, except those concluded in accordance with the rules and regulations of the CMA.

The members of the Board will be liable to the Company, the Shareholders and third parties for damages caused by their acts in violation of Applicable Law and their acts which fall beyond the scope of their powers, or by any fraud or negligence in the performance of their duties or by their failure to act prudently under certain circumstances.

A lawsuit may not be instituted against the members of the Board or their heirs regarding the works they have done while discharging their duties, unless the case is filed within five years from the earlier of (i) the date of the act or omission forming the basis of the complaint; or (ii) the date of the General Meeting at which the Board submitted the accounts of the Company for the period including the act or the shortcoming which is the reason for the complaint. This period will not apply to suits filed by the CMA.

Remuneration of the Board

The AGM will determine the annual remuneration and sitting fees of the Chairman and the members of the Board at not more than 5 per cent. of the net annual profits of the Company after providing for taxation and deducting the legal and optional reserves in accordance with Article 106 of the CCL and setting aside or distributing the dividends to Shareholders at not less than 5 per cent. of the Company's net profits. The maximum total over-all limit on the entire remuneration and sitting fees paid by the Company will be OMR 200,000, with a sub-ceiling of OMR 10,000 as a sitting fee for each Director per annum. In the event the Company makes losses or insufficient profit to the extent that setting aside or distributing dividends to the Shareholders is not possible, remuneration and sitting fees will be determined in accordance with the rules issued by the CMA. The remuneration will be distributed amongst the members of the Board in such proportions and manner as they, by agreement, may determine, failing which the remuneration will be divided equally among the Board members. A member of the Board will be eligible for compensation for his services if he is assigned a special task or travels or does something related to the Company's affairs.

Board Committee

In order to assist the Board in performing its obligations, the Board may form committees to advise it and make recommendations on certain matters. The Board has constituted an Audit & Risk Committee comprising 3 directors and a nomination and remuneration committee, which also comprises of 5 directors. The Board may establish other committees from time to time. Each committee shall be established in accordance with the provisions of the Code of Corporate Governance.

Audit & Risk Committee

The members of the Audit & Risk Committee are:

Name of Director	Position	Independent/ Non-Independent
Gorur Ranga	Chairman	Independent
Chris Dooley	Member	Non-Independent
Shahid Rasool	Member	Non-Independent

Note: The composition of the restructured audit committee (as above) was approved by the Board at its meeting held on 19 June 2017. Within a period of two months from the date of the listing of the Company, the Audit and Risk Committee will be reconstituted to ensure that it consists of a majority of Independent Directors.

The role of the Audit & Risk Committee involves:

- Considering the name of the auditor in the context of their independence (particularly with reference to any other non-audit services), fee and terms of engagement, and recommending the auditors to the board for appointment.
- Reviewing the audit plan and results of the audit.
- Implementing appropriate systems to check financial fraud and ensure the fairness of financial statements.
- Oversight of the internal audit function.
- Oversight of the adequacy of the internal control systems.
- Oversight of financial statements in general including the review of annual and quarterly financial statements before issue, qualifications contained in draft financial statements, and discussions of accounting principles therein and changes in accounting standards adopted by the Company.
- Serving as a channel of communication for the Board with the external and internal auditors.
- Reviewing risk management policies.
- Reviewing proposed related party transactions and making suitable recommendations to the Board.
- Consideration and review of the internal audit system, and consequently submitting an annual written report outlining its opinion and recommendations.
- Consideration of the internal audit reports and follow up remedial action with regard to the comments therein.
- Providing recommendations to the board of directors vis-à-vis the appointment and removal of external auditors as well as specifying their fees. The recommendation must bear in mind the independence of such auditors.
- Following up the work of the external auditors and approving any non- audit services which they are assigned during the audit process.
- Consideration of the audit plan in conjunction with the external auditor and comment thereon.
- Consideration and follow up of the comments of the external auditor on the financial statements.
- Consideration of quarterly and annual financial statement prior to their presentation to the board, providing opinion and recommendations.
- Consideration of the adopted accounting policy, providing opinions and recommendations thereon to the board.
- Ascertaining the adequacy and sufficiency of the internal control systems, either through examining the regular reports of internal and external auditors or appointment of external consultants.

- Overseeing the preparation of financial statements including but not limited to the following:
  - Reviewing annual and quarterly financial statements prior to publication.
  - Reviewing the reservations and qualifications of external auditors in the draft financial statements (if any).
  - Discussing accounting principles in general, focusing on any changes in accounting policies and principles that have taken place and their impact on the financial position of the company.
  - Ensuring compliance with disclosure requirements prescribed by CMA.
- Serving as a communication channel between the board, external auditors and the internal auditor.

Following the IPO, the Audit & Risk Committee shall comprise at least three Directors, the majority of whom shall be from the Independent Directors. In all cases, the chairperson of the audit committee shall be selected from out of the Independent Directors of the audit committee. At least one of the members of the Audit & Committee should have financial and accounting expertise. The Audit & Risk Committee will also be responsible for recommending the appointment and remuneration of a suitably qualified and experienced person for the position of internal audit manager of the Company. Such person will be charged with responsibility for the following:

- Developing the internal audit strategy for the Company.
- Auditing operations and financial statements of the Company.
- Ensuring the Company's compliance with laws and regulations applicable to the Company.
- Preparing periodic reports to the Board with respect to the adequacy and effectiveness of the Company's system of internal control, accounting and financing controls and on other issues on which the internal audit manager is requested to report by the audit committee of the Board.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee (NRC) are:

Name of Director	Position	Independent/ Non-Independent
Anwar Ali Sultan	Chairman	Independent
Jonathan Cope	Member	Non-Independent
Laurence Loughnane	Member	Non-Independent
Shrikanth Shenoy	Member	Non-Independent
Christopher Dooley	Member	Non-Independent

Note: The above composition of the NRC was approved by the Board at its meeting held on 19 June 2017.

The role of the NRC involves:

- assisting the Shareholders, while electing the Board at a general meeting in the nomination of proficient directors and the election the most fit for purpose;
- assisting the Board in selecting the appropriate and necessary executives for the executive management of the Company;
- assisting the Company in formulating clear, credible and accessible policies to inform shareholders about directors' and executives' remuneration subject to the provisions of Administrative Decision No. 11/2005 on the rules of remuneration and sitting fees for directors of public joint stock companies;
- developing and deploying additional performance based criteria to determine the bonus and remuneration of the chief executive officer and senior executive management of the Company.
- submitting to the Board an annual plan of action;
- providing succession planning for the executive management;
- developing a succession policy or plan for the Board or at least the chairperson;

- preparing detailed job descriptions of the role and responsibilities for directors including the chairperson;
- identifying and nominating qualified persons to act as interim directors on the Board in the event a seat becomes vacant;
- nominating qualified persons to assume senior executive positions, as required or directed by the Board;
- preparing a bonus, allowances and incentive policy for the executive management;
- reviewing such policies periodically, taking into account market conditions and company performance.

Investment Committee

The Board decided at its meeting held on 19 June 2017 to dissolve the Investment Committee as this committee is not a mandatory requirement under the Code. However, the Board may reconsider this at a later date.

Senior Management Team

The current composition of the senior management team is as follows:

Name	Position
Lloyd East	Managing Director
Praveen Kumar	Chief Financial Officer
Addal Sarwar	Retail Director
Kevin Moss	Technical & Commercial Director
Richard Byford	Claims Director
Utpal Kapadia	IT Director
Aman Gupta	Senior Manager Risk and Compliance

Biographical Information of the Senior Management Team

Name:	Lloyd East
Position:	Managing Director
Education:	BA (Hons) Business Studies, Sheffield City Polytechnic, 1990
Year of Joining:	2011
Experience:	• 2014-date – Regional CEO, RSA Middle East & CEO, Al Ahlia Insurance Co. Oman • 2016 to date - Deputy Chairman, Oman Insurance Association • 2011-2014 – CEO, Al Ahlia Insurance, RSA Oman • 2009-2011 – Group Director of Marketing Effectiveness, RSA plc • 2008-2009 – Sales and Marketing Director, Salaam Halal Insurance • 2004-2008 – Managing Director, Automobile Association Financial Services

Name:	Praveen Kumar
Position:	Chief Financial Officer
Education:	• Bachelor of Science (Mathematics), University of Madras - 1992 • Chartered Accountancy, Institute of Chartered Accountants of India 1996 • Professional Certification in Derivatives Market -1998 • Management Accountancy (CIMA-UK) • Certified Public Accountancy (CPA-USA) • Post Graduate Diploma in Risk Management (Institute of Risk Management –UK)
Year of Joining:	2007

Experience:	• CFO Oman and ME, RSA – Since Apr 2016 • CFO Oman, Al Ahlia (RSA – Oman); Sept 2007 – Mar 2016 • Head of Finance, NLGIC, Oman Jan 2004 – Aug 2007 • Senior Financial Consultant, CMA; February 2002 – December 2003 • Group Finance & Admin Manager- Sharooq Investment Services Co. SAOG; January 1999 – January 2002 • Senior Executive Officer – National Stock Exchange of India; February 1997 to January 1999 • Article Clerk – R. Janakiraman & Co. India; 1992 – 1996.

Name:	**Addal Sarwar**
Position:	Retail Director
Education:	• Bsc Management Sciences (Hons) • Specialisation: Operational Maths and Statistical Anaylsis • Leicester De Montfort University, United Kingdom (2003)
Year of Joining:	February 2016
Experience:	• Direct Marketing Head – Middle East & North Africa at AIG; 2013 • Assistant Direct Marketing Manager – Middle East & Africa at AIG; 2011-2013 • Sponsor Development Manager – Arabia Region at AIG; 2007-2010 • Value Optimization Analyst – Unsecured Lending & Cards at Barclays Bank; 2005-2007 • Database Marketing Analyst at Creation Financial Services; 2004-2005

Name:	**Kevin Moss**
Position:	Technical & Commercial Director
Education:	• Senior Associate of Australian & New Zealand Institute of Insurance & Finance (2005) • Tier One Insurance Broking PS146 (Australia - 2003-2004) • Associate of the Chartered Insurance Institute (UK - 1992) • Business & Technical Certificate in Business & Finance, (UK - 1985) (Distinction) • Oman Insurance Association Technical Committee (2012 - current member) • Australian & New Zealand Institute of Insurance & Finance (Australia - current member) • Chartered Insurance Institute (UK - current member) • CII Society of Fellows (UK - current member) • Vice Chairman, Life & Healthcare Committee, Bahrain Insurance Association (2000 – 2002) • Riyadh Insurance Forum (1994 - 1998) • CII Examination Secretary in Riyadh (1995 – 1998)
Year of Joining:	2011

Experience:	• Technical Director – Al Ahlia Insurance • Casualty & Property Portfolio Manager Middle East – RSA Group • Senior Manager-Underwriting – Kuwait Qatar Insurance Company KSCC • Broker Team Manager & Client Account Manager - Bruce Insurance Brokers, Perth • Technical Project Manager- Norwich Union Middle East • Deputy Manager (Technical & Development) - Norwich Union Insurance (Gulf) BSC (c), Bahrain • Regional Underwriting Manager - National Company for Co-operative Insurance, Jeddah, Saudi Arabia • Manager, Corporate Marketing & Sales - National Company for Co-operative Insurance, HO, Riyadh, Saudi Arabia • Account Broker Manager & Account Broker - Sedgwick Global, London • Account Executive - Robert Barrow Insurance Brokers, London • Senior Broker - Alexander Stenhouse (UK) Ltd, London • Senior Underwriter - Iron Trades Mutual Insurance Company, London

Name:	**Richard Byford**
Position:	Claims Director
Education:	• Chartered Associate of the Chartered Insurance Institute, UK • Leadership Development Programme (LDP) 2012 • Certificate in Business Management (Credit) – Lancaster University, UK • Certificate of Professional Competence in National Road Haulage Operations, UK • National General Certificate in Occupational Safety and Health (NEBOSH), UK – with Credit • Secondary Education- Royal Belfast Academical Institute, Belfast, Northern Ireland
Year of Joining:	2015
Experience:	• Business & Training Consultant; 2015 • Regional Head of Claims and Risk Engineering Central Eastern Europe & Middle East – Dubai – RSA Insurance; 2012 -2014 • Regional Head of Claims for Asia & Middle East-Dubai – RSA Insurance; 2009-2012 • Regional Head of Risk Management Solutions Asia & Middle East-Dubai- RSA Insurance; 2006-2009 • Regional Head of Risk Management Solutions Asia & Middle East-Dubai – RSA Insurance; 2006 -2009 • Risk Control Team Manager- RSA Insurance; 2003-2006 • Senior Risk Control Consultant – RSA Insurance; 1994-2003 • Commercial Development Underwriter; 1989 -1994 • Commercial Insurance Underwriter; 1984 -1989

Name:	**Utpal Kapadia**
Position:	IT Director
Education:	Master's in Computer Management
Year of Joining:	2006

Experience:	• Over 24 years of IT experience of which 21 years in the field of Non-Banking Financial sector. • At Al Ahlia since 2006, primarily responsible for the management, strategy and execution of IT business systems, infrastructure and Information Security to suit and align with business needs

Name:	**Aman Gupta**
Position:	Senior Manager Risk and Compliance
Education:	• Chartered Insurance Professional, ACII, / Chartered Insurance Institute, UK / 2017 • Chartered Insurance Professional, Sr. Associate, / Australian and New Zealand Insurance Federation, Australia / 2015 • Diploma (with distinction in Takaful Insurance) / Chartered Insurance Institute, UK / 2011 • Fellowship / Insurance Institute of India, Mumbai, India / 2005 • Institutional Occupational Safety and Health Certification (IOSH), UK / 2015 • Certified Compliance & Anti Money Laundering Professional / Henley Business School, UK / 2014 • Certified Information Technology Insurance Professional (CITIP) / BCS, UK / 2010 • Trained Lean Six Sigma Green Belt / Motorola University, USA / 2010 • Oracle Certified Professional (OCP) / Oracle Corporation, California, USA / 2001 • M.F.C (Master of Finance and Control / Punjab University, India / 1999 • B.A. (Economics) / Punjab University, Chandigarh, India / 1997 • Fellow Life Member / Insurance Institute of India • Active Member / Chartered Insurance Institute, UK • Active Member / Australian and New Zealand Insurance Federation, ANZIF, Australia
Year of Joining:	2008
Experience:	• Risk and Compliance Officer, Al Ahlia, Dec 2011 till date • Ast. Manager, Operations Effectiveness, CSR & BCM, Al Ahlia, Oct 2010 – Nov. 2011 • Operations Manager, RSA Insurance Co., Apr. 2008 - Sep2010 • Assistant Manager – Underwriting (Personal & Commercial Lines Underwriting Head, Muscat Insurance Co. (Aug 2007 to Feb 2008) • Senior Underwriter – Commercial Lines, Muscat Insurance Co. (Aug 2006 to Jul 2007) • Administrative Officer, The New India Assurance Co. Ltd, India, (Dec 2005 to July 2006) • Assistant Administrative Officer, The New India Assurance Co. Ltd, India, (Apr 2004 to Dec 2005) • Regional IT/TSS Coordinator, Punjab Region, The New India Assurance Co. Ltd, India, (Jul 2000 to Apr 2004) • Assistant, The New India Assurance Co. Ltd, India, (Mar 1997 to Jun 2000) • Apprentice Assistant, The New India Assurance Co. Ltd, India, (Oct 1995 to Oct 1996)

Internal Regulations

In accordance with the provisions set out in Article 68 of the CCL, the Company is required to adopt internal regulations for regulating its management, business and personnel affairs through its Board, within one year from the date of registration of the transformation of the Company as an SAOG. Accordingly, the Company shall implement corporate governance processes that meet the CMA's requirements for an SAOG as required by the CCL and by the CMA's regulations including the Code of Corporate Governance. These regulations shall cover at least the following, separately from the rules and regulations of the CMA:

- Organisational structure of the Company, including the responsibilities related to the various posts within the Company and the reporting structure/procedures;
- Specifying the extent of authority vested in each post with regard to approval of financial expenditure;
- Specifying the allowance for meetings, remuneration and other privileges as prescribed in respect of the members of the Board of Directors and Board committees, and the basis for their calculation;
- Policies related to procurement and other transactions concerning the Company (works and procurement manual) and service contracts;
- The minimum level of information required to be submitted to the Board;
- Authorities, duties and responsibilities relevant to executive management and Board committees;
- Policies related to human resources including salaries, appointment, development, training, promotions and termination of services and covering other relevant aspects;
- Investment policies;
- Policies in relation to related party transactions;
- Policies and procedures for disclosure of material information in a transparent and timely manner to the CMA and the MSM including procedures to classify/ identify material information and the determination of the right to access such information by officers of the Company; and
- Any other regulations that the Board may deem necessary to achieve an adequate level of corporate governance.

CHAPTER 17
RIGHTS AND LIABILITIES OF SHAREHOLDERS

Shareholders' liabilities

The liability of a Shareholder will be limited to payment of the nominal value of the Shares for which the Shareholder has subscribed. The Shareholder will not be liable for the debts of the Company except to the limit of the nominal value of the Shares subscribed.

Shareholders' rights

All the Shares enjoy equal and inherent rights in accordance with the CCL. These rights include the following:

- the right to receive dividends declared by the General Meeting;
- preferential rights to subscribe for any new Shares;
- the right to share in the distribution of the proceeds of the Company's surplus assets on liquidation;
- the right to transfer Shares in accordance with applicable law;
- the right to access the Company's balance sheet, profit and loss account and Shareholders' register;
- the right to be invited to attend the General Meeting and vote in such meetings personally or by proxy (each Shareholder will have one vote for each Share owned);
- the right to apply for annulment of any resolution made by the General Meeting or the Board of Directors, if such resolution(s) are contrary to the Articles, or the internal regulations of the Company, in accordance with Article 10 of the Articles and Article 8 of the CML, provided that Shareholders who own at least 5% of the Company's issued share capital shall have the right to submit such an application to the CMA;
- the right to institute legal proceedings on behalf of the Shareholders of the Company against the Board or the auditors of the Company; and
- the right to approach the CMA (provided that the move is supported by Shareholders who own at least 5 per cent. of the Shares), to request the CMA to exercise its authority to suspend resolutions of the General Meeting which are made in favour of a certain category of Shareholders or against a certain category of Shareholders, or in the interest of the members of the Board or others.

Reports and statements

The Board shall prepare unaudited quarterly financial statements for the first, second and third quarter of each Financial Year. It shall also prepare an annual report within two months from the end of each Financial Year, comprising the audited balance sheet, profit and loss statement, cash flow statement, changes in shareholder's equity, report of the Board of Directors, report on the discussions held by the Board and their analysis and report on the organisation and management of the Company. These statements should be disclosed at least two weeks prior to the OGM through the electronic transmission system on the MSM website.

The unaudited quarterly financial statements of the Company shall be forwarded to the Information Centre within thirty days from the end of each quarter or any other legal period prescribed by the disclosure rules and conditions issued by the CMA though the private electronic transmission system of the Information Centre. The said Information Centre shall also be provided with two copies duly endorsed by the Board. The Company shall also have it published within the aforementioned period.

In accordance with Article 280 of the Executive Regulations (as amended), the Company shall disclose its initial quarterly and annual unaudited financial results immediately after preparation; however disclosure shall be made within maximum 15 days of the end of the quarter or the end of the Financial Year as the case may be.

The Company's disclosure in relation to its initial results shall include the following:

- Total sales or revenues;
- Sales costs or total expenses;
- Net expected profit after deduction of tax allocation;
- Comparison of the same items for the same period during the previous year;
- Any other items required by CMA or the issuer deem necessary to disclosure.

It shall be noted in the Company's disclosure that the results are initial and unaudited.

Annual General Meeting and Ordinary General Meetings

The AGM shall be held, each year during the first three (3) months following the end of the Financial Year, at such venue, day and time as incorporated in the notice of the meeting.

The Board shall extend an invitation to the Shareholders to attend the AGM within three months from the date of end of the Company's Financial Year. The AGM shall be responsible for the deliberation of the following:

- to study and approve of the report of the Board of Directors;
- to study and approve of the report on the management and organization of the Company;
- to review the auditor's report and approve the balance sheet and profit and loss statement of the Company;
- to study and approve the corporate governance report;
- To review the report on declaration of dividend. However, such dividend shall be distributed only from the net profit generated or from the Special Reserves Accounts subject always to the provisions set out in Article 106 of the CCL;
- To review the report on the sitting allowance for the meetings of the members of Board and committees constituted under it for the forthcoming Financial Year and approve the same;
- To review the annual remuneration (if any) of the members of the Board of Directors for the Financial Year;
- To consider and approve transactions entered into by the Company with related parties during the previous Financial Year (if any);
- To make a note of any expected transactions with related parties during the next Financial Year (if any);
- To appoint auditors for the next financial year and fix their fees, taking into consideration the provisions laid down in the law for such appointment; and
- To elect members to the Board in case of expiry of the term of office of one or more of them or in the case of a vacancy that has arisen on the Board.

The Board shall establish the agenda of the OGM. If the OGM is convened by the auditors, the agenda shall then be established by them. The Board, or the auditors if necessary, shall include in the agenda any proposal put forward by Shareholders who represent more than 10 per cent. of the Issued and Paid Up Share Capital of the Company provided that such proposal is submitted for inclusion in the agenda at least one month before the date of the meeting.

The resolutions of the OGM shall not be valid unless the meeting is attended by Shareholders or their proxies who represent at least half of the Issued and Paid Up Share Capital of the Company. If such a quorum is not formed, a second meeting shall be called to discuss the same agenda. The second OGM shall be notified to the Shareholders in the same manner as the first meeting, at least one week prior to the date set for the second OGM. The resolution of the meeting shall be valid regardless of the number of shares represented, provided that such meeting is held within one month from the date of the first meeting. The resolution of the OGM shall be adopted by simple majority of votes cast.

Extraordinary General Meetings

An EGM will be convened to decide on issues such as:

- a reduction or increase in the Authorised Share Capital;
- the dissolution, liquidation or merger of the Company;
- sale of the Company's business or its disposal in any form or manner;
- an amendment to the Articles;
- the issue of negotiable bonds by public subscription or private placement; and
- the transformation or change of the legal form of the Company into another legal form.

The resolutions of the EGM shall not be valid unless the meeting is attended by Shareholders or proxies representing at least three quarters of the Company's Issued and Paid-Up Share Capital. Failing such a quorum, a second meeting shall be convened to discuss the same agenda. The Shareholders shall be notified of the second EGM in the same manner as the first EGM, at least two weeks prior to the date set for the second meeting.

The resolutions of the second EGM shall be valid if the meeting is attended by Shareholders or proxies representing more than half of the Company's Issued and Paid Up Share Capital, provided such meeting is held within six weeks of the date of the first EGM.

The resolutions of the EGM shall be adopted by a majority of three quarters of the votes cast in respect of a resolution, provided such resolution must always receive votes in favour representing more than 50% of the Company's Issued and Paid-Up Share Capital.

Any shareholder or any interested party may refer to the Primary Commercial Court within five years from the date on which the meeting was held, to decide on nullification of any decision if taken during a General Meeting in violation of the CCL, the provisions of the Articles, the company's internal regulations, or through deceit or misuse of authority.

Lock-up Period - Exemption from the applicability of Article 77 of the CCL

Article 77 of the CCL restricts the founders of a public joint stock company from disposing of their shares in such company, before it has published two balance sheets for two consecutive financial years, starting from the date of commencement of actual production or actual business by the company. Article 77 of the CCL does not apply in the context of a company under transformation from an SAOC into an SAOG where such company has been in existence for 3 years. Therefore there is no restriction on the Founder Members from disposing of their shares in the Company after the IPO subject to obtaining applicable regulatory consents and approvals in accordance with Applicable Law.

General restrictions on transfer of ownership of the Shares

The shareholding of each Shareholder may not exceed the maximum limit prescribed and provided for in the Articles, the CCL and the CML respectively, unless the necessary approvals are secured.

Any person whose shareholding, along with his minor children's shareholding, reaches 10 per cent. or more of the Company's Issued and Paid-Up Share Capital, is required to advise the CMA of the same in writing. Further, the Shareholder must inform the CMA in writing of any transaction or dealing which leads to any further increase in this percentage immediately after it happens.

No single person or related person up to the second degree may hold 25 per cent. or more of the shares of a SAOG, save in accordance with the rules issued by the CMA on the subject.

Transfer of shares by a Founder Member in an insurance company would require prior approval of the CMA (as insurance regulator) pursuant to provisions of the Licence Regulations issued by the CMA (Decision No. 31/2007).

CHAPTER 18
MARKET INFORMATION

Background

The MSM was established on 21 June 1988 by Royal Decree 53/88 and is the only stock exchange in Oman. Subsequently, on 9 November 1998, Royal Decree 80/98 promulgating the Capital Market Law established the CMA as regulator of the MSM. The MSM is a governmental entity subject to the supervision of the CMA. The CMA has issued a new Code of Corporate Governance for companies listed on the MSM, which came into effect on 22 July 2016.

The MSM Index was established in 1992 with a base date of June 1990. The number of companies included in the index sample has increased over time, and currently stands at 30 companies.

Listing Requirements

Prior to applying for listing on the MSM, a company is required to obtain the approval of the CMA and the Director General of the MSM. The applicant is required to submit a listing application to the MSM within one month from the date of registration along with the following documents and information:

- certificate of commercial registration;
- list of authorised signatories and specimens of their signatures;
- copies of the company's Memorandum and Articles;
- the prospectus relating to the offering;
- an attested copy of the minutes of the constitutive general meeting; and
- any additional requirements of the CMA.

Reporting Requirements

Each listed company must, amongst other things:

- disclose its initial unaudited quarterly financial results immediately following the approval of such results by the executive management of the Company (and prior to approval by the Board), which must occur within 15 days from the end of the relevant quarter;
- prepare quarterly unaudited financial statements for the first, second and third quarters of the Financial Year in the prescribed form within 30 days from the end of the quarter (45 days for those with subsidiaries) and disclose the same immediately after approval by the Board;
- the quarterly unaudited financial statements referred to in the previous paragraph should include total sales or revenues, sales costs or total expenses, net profit after deduction of tax and any other items required by CMA;
- prepare annual audited financial statements in accordance with IFRS and file the same with the CMA within two months from the end of the financial year or 14 days prior to the General Meeting;
- immediately inform the CMA in the event of, amongst other things: a change of name or address; amendment to its memorandum and/or articles of association of the company; a change of any director or member of the management team of the company, giving reasons; closure of any branch or termination of dealing with any agent; change of external auditor of the company; any attachment or mortgage on the company's assets; any unexpected losses affecting the financial position of the company, giving reasons; and any proceedings instituted by or against the company that may have a material impact on the financial position of the company.

Clearance and Settlement

The MCDC is responsible for maintaining shareholder records and providing custody services for securities and investment funds listed on the MSM, bonds and sukuks traded on the MSM, and other securities issued by the Government. All transactions that take place on the MSM are settled on a book-entry clearing basis on T (Trade Day)+3.

Settlement Method

The MSM has adopted a multilateral netting system under which transactions are cleared and settled on a net basis by a broker. After the clearing of the transactions by the MSM, the transfers of securities ownership is done through the book-entry system which is operated by the MSM.

Settlement Procedure

At the end of each trading session, the amount of securities and money to be delivered and/or paid on the settlement day is determined through the netting process and reflected in the MCDC's settlement report. Transactions are finally settled on T (Trade Day) +3 in the way of delivery against payment. Ownership of purchased securities are transferred among investors' trading accounts and the cash settlement is done among brokers through the designated settlement bank.

Trading

Trading in securities is carried out on the MSM over five working days per week, excluding official holidays, and for three hours a day.

The MSM has an electronic trading system which:

- automatically blocks purchase orders which exceed the limits of the broker's bank guarantee or reach the limit of the special order provided by law; and
- enables all companies and entities whose securities are listed in the MSM, and their registrars, to view the register of their own shares.

Before an investor can trade in securities on the MSM, the investor needs to apply for and obtain an Investor Number, the issuance of which automatically triggers the creation of an investor account for the custody of securities traded in the MSM. Individual investors who seek to trade securities on the MSM need to maintain an investor account with MCDC and a trading account with an accredited (CMA licensed) broker.

Trades in all securities are settled in dematerialised form.

The shareholder's Investor Number identifies the investor account at MCDC used to transfer shares to and from the account each time the investor buys or sells shares. When the investor intends to sell shares, he is required to transfer the quantities of shares to his broker's trading account.

The process of securities trading starts when an investor formally requests his broker to purchase or sell a security, according to specific conditions.

An investor is responsible for all costs associated with trading securities and is required to pay, upon request of his broker, all the amounts necessary to cover his transactions, in particular the purchasing price and commissions or other fees required by the MSM.

Trading System

The MSM operates on an automated screen-based and order-driven trading system which matches buying and selling orders of the investors. Investors can place their orders with the MSM accredited brokers, who enter these orders into the trading system. Then, the system automatically matches buy and sell orders of a particular security based on the price and quantity requirements.

The trading system also generates and displays details of current and historical trading activity, including prices, volumes traded and outstanding buy and sell orders.

A trading mechanism for handling block trades also exists, it is known as the 'special order' process.

Trading Sessions

Trading sessions take place from Sunday to Thursday (except public holidays in Oman) as follows:

	Time
Pre-Opening Session	09:00 to 10:00
Trading Session	10:00 to 13:00
Closing	13:00

Suspension of Trading

The MSM may temporarily suspend trading of any listed security if there is information or rumour that may affect the price of the security or in case the company restructures its capital or splits its shares. Trading of the securities of any company shall also be suspended if the company is dissolved or liquidated. In certain circumstances the company may request a suspension of trading.

Trading Performance

The table below shows the number of listed companies, the number of traded shares, the value of traded shares and the number of executed transactions as at 31 December for each of the years indicated.

	2014	2015	2016
Number of listed companies	119	119	119
Number of traded shares (millions)	6,202	5,734	4,633
Value of traded shares (OMR millions)	2,270	1,390	959
Number of executed transactions (thousands)	414	262	201
Market capitalisation (OMR millions)	14,560	15,779	17,288

Source: MSM Annual Statistics Data

CHAPTER 19
SUBSCRIPTION CONDITIONS AND PROCEDURES

Offer Structure

	Category I Investors	Category II Investors
No. of Offer Shares	16,250,000	8,750,000
Percentage of Offer Shares	65	35
Basis of Allotment	Pro-rata	Pro-rata
Minimum Subscription	1,000 Shares and thereafter in multiples of 100 Shares	250,100
Maximum Subscription	250,000	2,500,000
Terms of Payment of Application Money	100% on application	100% on application

Eligibility for the Subscription of Offer Shares

The Offer will be open to Omani and non-Omani Persons. All GCC Persons are treated as Omani Persons for the purpose of owning shares in Omani SAOGs.

No single person or related person up to a second degree can hold 25 per cent or more of the shares of an SAOG, except with the explicit approval of the CMA.

Prohibitions with Regard to the Applications for Subscription

In accordance with the CML, the following persons shall not be permitted to subscribe to the Offer:

- Sole proprietorship establishments: The owners of sole proprietorship establishments may only submit Applications in their personal names.
- Trust accounts: Customers registered under trust accounts may only submit Applications in their personal names.
- Multiple Applications: An Applicant may not submit more than one Application.
- Joint Applications: Applicants may not submit applications in the name of more than one individual (including on behalf of legal heirs).

All such Applications will be rejected without contacting the Applicant.

Subscription on Behalf of Minor Children

- For the purpose of this Offer, any person under 18 years of age on the date of submission of an Application will be considered as a minor.
- Only a father may subscribe on behalf of his minor children.
- If an Application is made on behalf of a minor by any person other than the minor's father, the person submitting the Application will be required to attach a valid Shariah (Legal) Power of Attorney issued by the competent authorities authorising him or her to deal in the funds of the minor through sale, purchase and investment.

Applicant's Number with MCDC

- Any Applicant who subscribes for the Offer Shares must have an account and Investor Number with the MCDC. Any Applicant may apply to obtain an Investor Number and open an account by completing the MCDC application form. This may be obtained from the MCDC's Head Office or its website at www.mcd.gov.om, or from brokerage companies licensed by the MSM. The completed form may be submitted by an Applicant through any of the following channels:
  - At the head office of the MCDC, at P.O. Box 952, Postal Code 112, Ruwi, Muscat, Sultanate of Oman.
  - At the branch of the MSM based in Salalah, Oman, Tel:+968 23299822, Fax:+968 23299833.
  - At the office of any brokerage company licensed by the MSM.
  - By sending a facsimile to MCDC at +968 24817491.
  - By opening an account through the MCDC website at www.mcd.gov.om.
- In order to open an account with the MCDC, a juristic person will be required to furnish a copy of its constitutional documents, in the form prescribed by the MCDC, along with a completed MCDC application form in order to open an account and receive an Investor Number.
- Applicants who already hold accounts with the MCDC are advised, before the Offer, to confirm their details as noted in the Application. Applicants may update their particulars through any of the channels mentioned above.
- All correspondence including allocation notices and dividend cheques will be sent to Applicant's address as recorded at the MCDC. Applicants should ensure that their addresses as provided to the MCDC are correct and kept up-to-date.
- Each Applicant should obtain from the MCDC its Investor Number as the Investor Number will be required in order to complete the Application. Each Applicant is responsible for ensuring that the Investor Number set out in their Application is correct. Applications not bearing the correct Investor Number will be rejected without contacting the Applicant.
- For more information on these procedures, Applicants should contact the MCDC:

  Muscat Clearing & Depository Co., SAOC
  P.O. Box 952, Postal Code 112, Ruwi, Muscat, Sultanate of Oman
  Tel: +968 2482 2222; Fax: +968 2481 7491
  www.mcd.gov.om

Offer Period

The Offer Period will commence on 4 July 2017 and end on 2 August 2017 with the end of the official working hours of the Collecting Banks.

Allocation in Case of Oversubscription

In case of oversubscription, the Offer shall be split between the eligible investor groups, in the following portions:

Category I Investors: 16,250,000 Offer Shares, being 65 per cent of the Offer, for Persons applying for a maximum of 250,000 Offer Shares. Distribution of Offer Shares shall be on a pro-rata basis.

Category II Investors: 8,750,000 Offer Shares, being 35 per cent of the Offer, for Persons applying for a minimum of 250,100 Offer Shares. Distribution of Offer Shares shall be on a pro-rata basis.

In accordance with Article 65 of the CCL, a minimum number of Offer Shares may with the approval of the CMA be distributed equally among subscribers, taking into consideration small subscribers and the remaining Offer Shares shall be allocated on a pro-rata basis to subscribers in proportion to the shares subscribed for.

Allocation in Case of Undersubscription

In case of undersubscription, any undersubscription in any category shall be carried to the other category. The final allocation on the above basis will be decided by the Financial Adviser & Issue Manager and Al Ahlia Insurance in consultation with the CMA. In case of undersubscription in both categories, following allotment of Shares to Investors and completion of Listing, Al Ahlia and the CMA will agree on the follow-up procedures concerning the unsubscribed shares.

Minimum Limit of Public Subscription

The minimum number of Offer Shares for Category I Investors will be 1,000 Offer Shares and in multiples of 100 Offer Shares thereafter. For Category II Investors, it will be 250,100 Offer Shares and in multiples of 100 Offer Shares thereafter.

Maximum Limit of Public Subscription

The maximum number of Offer Shares that can be applied for by a Category I Investor is 250,000 Offer Shares. The maximum limit for a Category II investor is 10 per cent. of the total Offer size which equates to 2,500,000 Offer Shares. It is not permissible for any Applicant to subscribe for more than this amount.

For the purpose of calculation of this percentage, the application for the subscription of the father (or guardian) shall be aggregated with the applications submitted on behalf of the minor children. If the volume of the Offer Shares subscribed exceeds the said percentage, the Offer Shares registered under each application shall be reduced proportionately before making the allotment.

Neither Al Ahlia Insurance nor the Financial Adviser & Issue Manager shall be liable for any changes in applicable laws or regulations that occur after the date of this Prospectus. Applicants are advised to make their own independent investigations to ensure that their Applications comply with prevailing laws and regulations.

Terms of Payment

- The Selling Shareholders will open an escrow account entitled the "Al Ahlia Insurance IPO" account with each of the Collecting Banks for the collection of the Application Money.
- This escrow account will be managed by each Collecting Bank, which, after allotment and refunds, will transfer the balances in such account to the Issue Manager.
- Each Applicant can pay by cash, draw a cheque or demand draft or instruct an account transfer for the amount payable at the time of submission of the Application and/or on allocation.

Particulars of the Bank Account of the Investor

- Each Applicant is required to furnish the particulars of the Applicant's bank account (registered in the name of the Applicant). The Applicant must not use the bank account number of any other person except in the case of minor children only.
- If the bank account of the Applicant is registered with a bank other than one of the Collecting Banks, the Applicant will be required to submit a document to confirm the details of the bank account particulars as provided in the Application. This can be done by submitting any document from the bank of the Applicant that states the account number and name of the account holder. Documents that may be accepted include account statements or a letter or any document issued by the bank confirming this information. The Applicant is responsible for ensuring that the evidence submitted is legible and contains the required information. The Applicant is not obliged to submit any evidence with regard to the accuracy of its bank account if it is subscribing through the Collecting Bank where it maintains its account. In this case, the bank will be required to verify and confirm the correctness of the Applicant's account through its own system and procedures or through the evidence submitted to it by the Applicant.

- All Category II Investors who have an account with a bank will be required to submit a document to confirm the details of the bank account particulars as provided in the Application. This can be done by submitting any document from the bank of the Applicant that states the account number and name of the account holder. Documents that may be accepted include account statements or a letter or any document issued by the bank confirming this information. The Applicant is responsible for ensuring that the evidence submitted is legible and contains the required information.
- In accordance with the instructions of the CMA, the details of the bank account will be listed in the records of the MCDC for transferring any refund as well as for crediting the dividends distributed by the companies listed on the MSM. For Applicants who already have bank accounts registered with the MCDC the account mentioned in the Application will be used for the transfer of refunds only.
- Any Application containing the bank account number of a person other than the Applicant will be rejected, with the exception of Applications made on behalf of minors that contain the bank accounts particulars of their fathers.

Documentation Required

- Submission of a document confirming the accuracy of the bank account number provided in the Application is only required where the bank account is registered with a bank that is not the Collecting Bank.
- A copy of a valid power of attorney duly endorsed by the competent legal authorities must be included in the event the subscription is on behalf of another person (with the exception of a subscription made by a father on behalf of his minor children).
- In case of applications by juristic persons (non-individuals) which are signed by a person in his or her capacity as an authorised signatory, a copy of adequate and valid documentation should be attached.

Mode of Application

- The Applicant will be responsible for furnishing all particulars and will ensure the correctness and validity of the information set out in the Application. The Applicant will be required, before completing the Application, to carefully read this Prospectus, including the conditions and procedures governing the subscription.
- The Applicant will be required to fill in the Application and furnish copies of all particulars as noted on the Application.
- The Applicant will be required to submit the Application to one of the Collecting Banks, together with the Application Money and the documents in support of the Application.
- Cheque or demand draft for the Application Money will be in favour of "Al Ahlia Insurance IPO".

Banks Receiving the Applications

Applications will be accepted by any one of the Collecting Banks during official bank hours only. The Collecting Bank receiving the subscription is required to accept the Application after confirmation of compliance with the procedures set out in this Prospectus. The Collecting Bank must instruct the Applicants to comply and fulfil any requirements set out in the Application.

Applicants must submit an Application to one of the Collecting Banks on or before the Offer Closing Date. The Collecting Bank shall refuse any Application received after the official working hours on the Offer Closing Date.

Payment into Escrow Account

- All Investors will, with the submission of the Application, pay the Application Money by cash, or draw a cheque or demand draft or instruct an account transfer for the amount payable at the time of submission of the Application and/or on allocation in favour of "Al Ahlia Insurance IPO".
- Where an Investor has been allocated fewer Offer Shares than indicated in the Application or at a price lower than the price at which the Application Money was calculated, the excess amount, if any, paid on Application, will be refunded to the Investor from the escrow account of "Al Ahlia Insurance IPO".

Acceptance of the Applications

The Collecting Banks will not accept Applications in the following circumstances:

- If the Application does not bear the signature of the Applicant.
- If the Application Money is not paid by the Applicant in accordance with the conditions set out in this Prospectus.
- If the Application Money is paid by cheque and the cheque is dishonoured for any reason whatsoever.
- If the Application does not include the Applicant's Investor Number registered with the MCDC.
- If the Application is submitted in joint names.
- If the Applicant is a sole proprietorship or trust account.
- If the Investor Number furnished in the Application is incorrect.
- If the Applicant submits more than one Application in the same name, all of them will be rejected.
- If the supporting documents are not enclosed with the Application.
- If the Application does not contain all the particulars of the bank account of the Applicant.
- If the particulars of the bank account provided in the Application are found to be incorrect or not relevant to the Applicant, with the exception of Applications submitted in the names of minor children, who are allowed to make use of the particulars of the bank accounts held by their fathers.
- If the power of attorney is not attached to the Application in respect of an Applicant who subscribes on behalf of another person (with the exception of fathers who subscribe on behalf of their minor children).
- If the Application does not comply with the legal requirements as provided for in this Prospectus.

If the Collecting Bank receives an Application that does not comply with the procedures set out in this Prospectus, efforts will be made to contact the Applicant so that the mistake may be corrected. If the Applicant does not rectify the Application within a specified period, the Collecting Bank will return the Application together with the Application Money to the Applicant.

Refusal of Applications

The Financial Adviser & Issue Manager may reject any Application under any of the conditions referred to above, subject to securing the approval of the CMA and submission of a comprehensive report furnishing the details of the Applications that are rejected and the reasons behind the rejections.

Enquiry and Complaints

Any Applicant who intends to seek clarification or file complaints with regard to issues related to the allotment or rejection of Applications or refund of the Application Money in excess of the subscription, may contact the branch of the Collecting Bank where the subscription was made. In case there is no response from the Collecting Bank, the Applicant may contact the person whose details are set out below:

Bank	Contact Name	Postal Address	Contact Details
bank muscat S.A.O.G.	Ahmed Al Busaidi	P.O. 134, P.C. 112, Ruwi, Sultanate of Oman	Tel: +968 2476 8064 Fax: +968 2478 7764 Email: ahmedbu@bankmuscat.com
Bank Dhofar S.A.O.G.	Ali Redha I. Al Lawati	P.O. 1507, P.C. 112, Ruwi, Sultanate of Oman	Tel: +968 2479 0466 (Ext. 422) Fax: +968 2479 1131 Email: ibo@bankdhofar.com
National Bank of Oman S.A.O.G.	Hussain Ali Abdullah Al Lawati	P.O. 751, P.C. 112, Ruwi, Sultanate of Oman	Tel: +968 2477 8757 Fax: +968 2477 8993 Email: hallawati@nbo.co.om
Oman Arab Bank S.A.O.C.	Marwan Al Khouli	P.O. 2010, P.C. 112, Ruwi, Sultanate of Oman	Tel: +968 2475 4500 Fax: +968 2412 5128 Email: marwan.alkhouli@oman-arabbank.com
Bank Sohar S.A.O.G.	Ali Abdul Hossain Mohamed	P.O. 44, P.C. 114, Sultanate of Oman	Tel: +968 9661 0101 Fax: +968 2476 1886 Email: ali.mohamed @banksohar.net
Ahli Bank S.A.O.G.	Amin Al Balushi	P.O. 545, P.C. 116, Sultanate of Oman	Tel: +968 2457 7830 Fax: +968 2456 7841 Email: amin.albalushi@ahlibank.om

If the Collecting Bank fails to resolve the complaint with the Applicant, it will refer the subject matter to the Financial Adviser & Issue Manager and keep the Applicant informed of the progress and development in respect of the subject matter of the dispute.

Allotment Letters and Refund of Money

The Financial Adviser & Issue Manager will arrange to allot the Offer Shares to Applicants within 15 days after the end of the Offer Period after receiving the approval of the CMA on the basis of allotment. The Financial Adviser & Issue Manager will also refund the excess money to eligible Applicants within 15 days after the end of the Offer Period and after receiving the approval of the CMA. The Financial Adviser & Issue Manager will arrange to send allotment letters to Applicants who have been allotted Shares through MCDC to their addresses registered with the MCDC.

Proposed Timetable

The following table shows the expected time schedule for completion of the subscription procedures:

Procedure	Date
Commencement of subscription	4 July 2017
Closing of subscription	2 August 2017
Due date for the Financial Adviser & Issue Manager to receive the subscription data and final registers from the Collecting Banks	10 August 2017
Notification to the CMA of the outcome of the subscription and the proposed allotment	13 August 2017
Approval of the CMA of the proposed allotment	14 August 2017
MCDC to commence refund and dispatch the notices regarding allotment	16 August 2017
Listing of the Offer Shares with MSM	17 August 2017

Listing and Trading of the Offer Shares

The Offer Shares will be listed with MSM in accordance with the laws and procedures in force on the date the application is made for the listing and registration. The above listing date is an estimated date and the exact date will be published on the MSM website.

Responsibilities and Obligations

The Financial Adviser & Issue Manager, the Collecting Banks and the MCDC must abide by the responsibilities and obligations set out by the directives and regulations issued by the CMA. The Financial Adviser & Issue Manager and the Collecting Banks must also abide by any other responsibilities that are provided for in the agreements entered into among them and Al Ahlia Insurance and the Selling Shareholders.

The parties concerned will be required to take remedial measures with regard to any liability arising from any negligence committed in the performance of the functions and responsibilities assigned to them. The Financial Adviser & Issue Manager will be the entity responsible before the regulatory authorities for taking suitable steps and measures for redressing such liability.

CHAPTER 20
HISTORICAL FINANCIAL STATEMENTS

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AL AHLIA INSURANCE COMPANY SAOC

Financial statements
for the year ended 31 December 2014

Registered address:

P.O.Box 889
Ruwi PC 100
Sultanate of Oman

Al Ahlia Insurance Company SAOG
(Under Transformation)

Report and financial statements
for the year ended 31 December 2014

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Independent auditor's report to the shareholders of Al Ahlia Insurance Company SAOC

Report on the financial statements

We have audited the financial statements of Al Ahlia Insurance Company SAOC ("the Company") set out on pages 3 to 37, which comprise the statement of financial position as at 31 December 2014, and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Continued on page 2

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C.R. No. 1/30936/6

KPMG

Continued from page 1

Independent auditor's report to the shareholders of Al Ahlia Insurance Company SAOC (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirement.

In our opinion, the financial statements of the Company as at and for the year ended 31 December 2014, in all material respects, comply with:

- The relevant disclosure requirements of the Capital Market Authority; and
- The Commercial Companies Law of 1974, as amended.

23 February 2015

KPMG

Statement of financial position at 31 December

	Notes	2014 RO	2013 RO
Assets			
Cash and cash equivalents	5	**807,059**	102,890
Bank deposits	6	**37,138,163**	32,364,805
Premiums and insurance balances receivable	7	**9,464,728**	11,381,344
Reinsurer's share of outstanding claims	20	**7,438,809**	8,022,702
Other receivables and prepayments	8	**4,067,590**	2,908,816
Investments at fair value through profit or loss	9	**675,287**	746,930
Deferred tax asset	23	**52,169**	89,954
Available-for-sale investments	9	**71,429**	71,429
Premises and equipment	11	**385,162**	420,901
Goodwill	12	**15,448,529**	15,448,529
Total assets		**75,548,925**	71,558,300
Equity and liabilities			
Capital and reserves			
Share capital	13	**10,000,000**	10,000,000
Special reserve	13	**11,784,883**	11,784,883
Legal reserve	14	**3,909,423**	3,909,423
Contingency reserve	15	**6,716,682**	5,461,187
Revaluation reserve	16	**118,188**	118,923
Accumulated profit		**1,688,114**	1,334,053
Total equity		**34,217,290**	32,608,469
Liabilities			
Liabilities arising from insurance contracts:			
Unearned premium reserve	17	**12,673,412**	12,860,280
Gross outstanding claims	20	**19,993,763**	19,750,848
		32,667,175	32,611,128
Reinsurance balances payable		**3,329,255**	1,844,459
Other liabilities and accruals	18	**4,056,843**	3,633,949
Income tax payable	23	**1,278,362**	860,295
Total liabilities		**41,331,635**	38,949,831
Total equity and liabilities		**75,548,925**	71,558,300

These financial statements were approved and authorized for issue by Board of Directors on 23 February 2015.

Anwar Ali Sultan
Director

Lloyd East
Director

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Notes	2014 RO	2013 RO
Insurance premium revenue	19	**33,882,638**	33,925,333
Insurance premium ceded to reinsurers	19	**(6,454,619)**	(7,564,532)
Net insurance premium revenue	19	**27,428,019**	26,360,801
Commissions received on ceded reinsurance		**1,188,681**	1,415,556
Claims	20	**(19,835,011)**	(22,744,445)
Reinsurers' share of claims	20	**2,395,814**	4,636,762
Deferred acquisition cost		**213,493**	501,946
Commissions paid		**(2,875,325)**	(2,573,045)
Net underwriting result		**8,515,671**	7,597,575
General and administrative expenses	22	**(6,084,062)**	(5,586,966)
Investment income (net)	21	**910,176**	970,545
Other income – net		**22,888**	20,285
Profit before taxation		**3,364,673**	3,001,439
Income tax	23	**(455,852)**	(495,501)
Net profit and other comprehensive income for the year		**2,908,821**	2,505,938

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of changes in equity

for the year ended 31 December 2014

	Share capital RO	Share premium RO	Special reserve RO	Legal reserve RO	Contingency reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
Balance at 1 January 2013	22,569,767	6,479,999	–	462,964	4,288,372	119,853	(2,248,656)	31,672,299
Share buyback	(784,884)	(784,884)	–	–	–	–	–	(1,569,768)
Transfer to special reserve	(11,784,883)	–	11,784,883	–	–	–	–	–
Release of revaluation reserve	–	–	–	–	–	(930)	930	–
Transfer to contingency reserve	–	–	–	–	1,172,815	–	(1,172,815)	–
Transfer to accumulated losses	–	(2,248,656)	–	–	–	–	2,248,656	–
Profit for the year	–	–	–	–	–	–	2,505,938	2,505,938
Transfer to legal reserve	–	(3,446,459)	–	3,446,459	–	–	–	–
Balance at 31 December 2013	10,000,000	–	11,784,883	3,909,423	5,461,187	118,923	1,334,053	32,608,469
Balance at 1 January 2014	**10,000,000**	**–**	**11,784,883**	**3,909,423**	**5,461,187**	**118,923**	**1,334,053**	**32,608,469**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(1,300,000)**	**(1,300,000)**
Release of revaluation reserve	**–**	**–**	**–**	**–**		**(735)**	**735**	**–**
Transfer to contingency reserve	**–**	**–**	**–**	**–**	**1,255,495**	**–**	**(1,255,495)**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,908,821**	**2,908,821**
Transfer to legal reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2014	**10,000,000**	**–**	**11,784,883**	**3,909,423**	**6,716,682**	**118,188**	**1,688,114**	**34,217,290**

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of cash flow

for the year ended 31 December 2014

	Notes	2014 RO	2013 RO
Cash flows from operating activities			
Profit before taxation		**3,364,673**	3,001,439
Adjustments for:			
Investment income (net)	21	**(920,376)**	(970,545)
Movement in unearned premium reserve		**(186,868)**	1,839,597
Deferred acquisition cost		**(213,493)**	(501,946)
Allowance for impaired debts		**(190,762)**	9,078
Depreciation on property and equipment	11	**134,109**	145,558
Provision for end of service benefits	18	**94,007**	72,595
Gain on sale of premises and equipment		**(8,620)**	(126)
Cash flows before changes in operating assets and liabilities:		**2,072,670**	3,595,650
Premiums and insurance balances receivable		**2,107,378**	2,177,839
Reinsurer's share of outstanding claims		**583,893**	2,025,305
Other receivables and prepayments		**(584,528)**	(86,878)
Gross outstanding claims		**242,915**	(1,044,433)
Reinsurance balances payable		**1,484,796**	(1,785,985)
Other liabilities and accruals		**362,755**	(1,791,522)
Cash generated from / (used in) operations		**6,269,879**	3,089,975
Income tax paid		**-**	(62,743)
End of service benefits paid	18	**(33,868)**	(15,679)
Net cash from operating activities		**6,236,011**	3,011,553
Cash flows from investing activities			
Purchase of premises and equipment	10	**(98,370)**	(166,104)
Proceed from disposal of premises and equipment		**8,620**	126
Increase in bank deposits (net)		**(4,773,358)**	(5,354,042)
Purchase / sale of investments		**(10,308)**	1,094,484
Investment income		**641,574**	523,309
Net cash used in investing activities		**(4,231,842)**	(3,902,227)
Dividend paid		**(1,300,000)**	-
Share capital reduction (pay back)		**-**	(1,569,768)
Net cash (used in) financing activities		**(1,300,000)**	(1,569,768)
Net change in cash and cash equivalents		**704,169**	(2,460,442)
Cash and cash equivalents at the beginning of the year		**102,890**	2,563,332
Cash and cash equivalents at the end of the year		**807,059**	102,890

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Notes to the financial statements

for the year ended 31 December 2014

1. General

Al Ahlia Insurance Company SAOC (the "Company") is an Omani closed joint stock company registered and incorporated in the Sultanate of Oman. The Company operates in Oman and writes short term insurance contracts covering general risks. The address of its registered office is PO Box 889, Postal Code 100 Muscat, Sultanate of Oman.

The Company is a Subsidiary of Royal & Sun Alliance Insurance (Middle East) BSc (c), whose registered address is Flat No - 81, Building No - 198, Road No - 2803, Block No – 428,P O Box 11871, Manama, Kingdom of Bahrain. The ultimate parent company is RSA PLC registered in UK.

The Company commenced its commercial operations on 1 July 2004 by acquiring the general insurance businesses of the Muscat branch of Royal & Sun Alliance Insurance Plc (Middle East) EC and W J Towell & Co. LLC, both related parties. On 30 April 2010, the Company acquired 99.99% of the issued and fully paid share capital of formerly Al Ahlia Insurance Company SAOC. With effect from 17 January 2011, the formerly Al Ahlia Insurance Company SAOC has been merged in to the Company.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2014, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for year beginning on 1 January 2014.

2.1 Standards, Amendments and interpretations that are not yet effective and have not been early adopted by the Company

IFRS 9 – Financial Instruments – (effective on or after 1 January 2018)

IAS 32 – Financial Instruments: Presentation – (effective on or after 1 January 2015)

IFRS 15 - Revenue from contracts with Customers (effective on or after 1 January 2017) - IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Management have assessed that these standards will not have significant impact on the financial statements of the Company.

3. Summary of significant accounting policies

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, applicable requirements of the Commercial Companies Law of 1974 as amended, and disclosure requirements of the Capital Market Authority.

Basis of preparation

These financial statements are presented in Rial Omani (RO) since that is the currency in which the majority of the transactions are denominated.

Notes to the financial statements

for the year ended 31 December 2014

3. Summary of significant accounting policies (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value and land and buildings which are valued at revalued amount.

The accounting policies have been consistently applied in dealing with items that are considered material in relation to the Company's financial statements for all the years presented.

Business combination

Acquisition of business is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All significant intercompany transactions and balances are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of insurance business acquired as of the date of acquisition. The cost of acquisition is the amount of cash paid and the fair value of other purchase consideration. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Where recoverable amount is more than the carrying amount, no impairment is recognized in the profit or loss.

Intangible assets

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expenses on intangible assets are recognized in profit or loss.

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that have a maturity of more than three months from the date of acquisition are excluded from cash and cash equivalents.

Premiums and insurance balances receivable

Premiums and insurance balances receivable are carried at estimated realizable value. An estimate is made for impaired debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Investment securities

The Company classifies its investments upon initial recognition into the following categories:

- Investments at fair value through profit or loss
- Held-to-maturity investments
- Available-for-sale investments

Investments at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities and which the Company has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'investment income' in the statement of profit or loss.

Notes to the financial statements
for the year ended 31 December 2014

3. Summary of significant accounting policies (continued)

Investment securities (continued)

Available-for-sale (AFS) investments

Listed shares held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market and whose fair value cannot be reliably measured, but that are also classified as AFS investments and stated at cost. Fair value is determined in the manner described in note 30. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Premises and equipment

All assets, other than land and building, are stated at cost less accumulated depreciation and any impairment in carrying value. The Company's land and building are subsequently revalued, on an asset-by-asset basis, to their market values.

When an asset is re-valued, any increase in the carrying amount arising on revaluation is credited directly to other comprehensive income under the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, in which case the increase is credited to profit or loss to the extent of decrease previously expensed. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited to the retained earnings.

Depreciation is provided on a straight-line basis on all premises and equipment, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives of the assets as follows:

Building	over 40 years
Motor vehicles	over 3 years
Furniture and equipment	over 3-4 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

3. Summary of significant accounting policies (continued)

Impairment and uncollectibility

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or company of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the profit or loss. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value; less any impairment loss previously recognized in the profit or loss;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

c) For assets carried at amortized cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Non-financial assets

At each reporting date, the Company assesses if there is any indication of impairment of non-financial assets other than goodwill. If an indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss in the profit or loss. The Company 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 or reversals are recognized immediately in the profit or loss. Any impairment loss recognized for goodwill is not reversed in a subsequent period.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to profit or loss as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provision for reported claims not paid as at the reporting date is made on the basis of individual case estimates. In addition, a provision based on 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 in the following year is included in the underwriting account for that year.

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 profit or loss and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Notes to the financial statements

for the year ended 31 December 2014

3. Summary of significant accounting policies (continued)

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.

Amounts due to reinsurers are estimated in a manner consistent with the related reinsured policies and in accordance with the reinsurance contract.

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 claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "Premiums and insurance balances receivable". Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

End of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period.

With respect to its national employees, the Company makes contributions to the Omani Public Authority for Social Insurance under Royal Decree No. 72/91 for Omani employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Other liabilities

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Fair values

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Premiums earned

Premiums are taken into income over the terms of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the profit or loss in order that revenue is recognised over the period of risk.

Unearned premium is calculated based on higher of 1/365 method or the amount required by the Insurance Companies Law of Oman calculated at 45% of the net retained premiums for the year for all classes of business.

3. Summary of significant accounting policies (continued)

Premiums earned (continued)

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Deferred acquisition costs is calculated as a percentage of unearned premium reserve, includes an element of commission and is recognised as a portion of premium earned.

Commissions earned and paid

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

Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income

Dividends on investments are recognized in profit or loss when the Company's right to receive the dividends is established.

Income tax

Taxation is provided for in accordance with Omani tax regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated at the rate of exchange ruling at that date. All exchange differences arising are taken to the profit or loss.

4. Critical accounting judgment and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year.

Notes to the financial statements

for the year ended 31 December 2014

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, carried at fair value through profit or loss, or available-for-sale or held-to-maturity investments.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of available-for-sale investments

The Company determines whether available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Key sources of estimation uncertainty

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

(a) Insurance claims

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The 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 required are made to the provision. Adequacy of the claims estimates on an overall basis is also assessed by an independent actuary and adjustments if required are recorded in the underwriting account. General insurance claims provisions are not discounted for the time value of money.

Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

(b) 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 recognised in profit or loss and an unexpired risk provision created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months of the reporting date.

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

Key sources of estimation uncertainty (continued)

(c) Useful lives of premises and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

(d) Allowance for impaired debts

Allowance for impaired debts is based on management's best estimates of recoverability of the amounts due and the number of days for which such debts are due.

(e) Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which it relates to. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(f) Impairment of goodwill

The Company determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise the following:

	2014	2013
	RO	RO
Cash and bank	**807,059**	102,890

Bank balances amounting to RO 45,245 (2013 – RO 12,422), RO 13,781 (2013 – RO 14,283), RO 417 (2013- RO 423) and RO 110,755 (2013 - RO 411,315) are denominated in UAE Dirham's, Euro, Pound Sterling and US Dollars respectively.

6. Bank deposits

Bank deposits with a maturity of greater than three months from the value date of deposits	**37,138,163**	32,364,805

The deposits are held with commercial banks in Oman and carry annual interest rates ranging from 0.7% to 4.25% (2013 1.25% to 4.25%).

At the reporting date, the Company does not hold any bank deposits denominated in foreign currency (2013 – Nil).

Notes to the financial statements

for the year ended 31 December 2014

7. Premiums and insurance balances receivable

	2014	2013
	RO	RO
Customers	3,071,577	5,454,840
Agents and brokers	6,159,303	5,253,504
Reinsurance balances receivable	733,843	1,363,757
	9,964,723	12,072,101
Less: allowance for impaired debts	(499,995)	(690,757)
	9,464,728	11,381,344

Customers and reinsurance balance receivable include balances from the related parties amounting to RO 457,327 (2013 - RO 585,738) (Note 24).

Movements in allowance for impaired debts were as follows:

At 1 January	690,757	681,679
Charge during the year	60,500	96,455
Written off during the year	(251,262)	(87,377)
At 31 December	499,995	690,757

8. Other receivables and prepayments

Accrued interest	1,098,058	737,305
Receivable from related parties (Note 24)	1,233,258	321,863
Prepaid expenses	74,439	48,835
Deferred acquisition costs	1,255,488	1,041,995
Sundry receivables	406,347	758,818
	4,067,590	2,908,816

Deferred acquisition costs pertain to deferrable direct and indirect costs incurred in renewing and acquiring new insurance contracts during the financial period.

9. Investment securities

Investments at fair value through profit or loss	675,287	746,930
Available-for-sale investments	71,429	71,429
	746,716	818,359

9(a) Investments

	Fair value 2014 RO	Cost 2014 RO	Fair Value 2013 RO	Cost 2013 RO
Quoted*				
Banking	**418,747**	**449,860**	439,550	395,752
Industrial	**256,540**	**307,380**	307,380	214,011
Investments at fair value through profit or loss	**675,287**	**757,240**	746,930	609,763
Unquoted – services	**71,429**	**71,429**	71,429	71,429
Available for sale investments	**71,429**	**71,429**	71,429	71,429
Total Investments	**746,716**	**828,669**	818,359	681,192

* includes 4.5% Bank Muscat bonds

9(b) Details of the Company's investments in securities and bonds are set out below:

31 December 2014	% of overall Portfolio	Number of securities	Fair value RO	Cost RO
Bank Muscat shares	**59%**	**687,068**	**397,107**	**428,730**
Raysut Cement shares	**38%**	**154,076**	**256,540**	**307,380**
Bank Muscat Bonds 4.5%	**1.5%**	**102,039**	**10,820**	**10,820**
Bank Muscat Bonds 4.5%	**1.5%**	**102,039**	**10,820**	**10,310**
			675,287	**757,240**
31 December 2013				
Bank Muscat shares	57%	687,068	428,730	385,442
Raysut Cement shares	41%	154,076	307,380	214,011
Bank Muscat Bonds 4.5%	2%	102,039	10,820	10,310
			746,930	609,763

9(c) At the reporting date, details of the Company's investment holdings representing 10% or more of the investees' share capital are set out below:

31 December 2014	% of investees' share capital	Number of securities	Fair value RO	Cost RO
Orange Card Company SAOC	**14.28**	**71,429**	**71,429**	**71,429**
31 December 2013				
31 December 2013	14.28	71,429	71,429	71,429

Notes to the financial statements

for the year ended 31 December 2014

10. Restriction 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 and investments included in the statement of financial position at a total value of RO 33,333,529 (2013: RO 33,045,839). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

The Company has provided a bank guarantee to the Capital Market Authority of RO 300,000 (2013: RO 300,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 25).

11. Premises and equipment

	Land and Building	Motor vehicles	Furniture and equipment	Total
	RO	RO	RO	RO
Cost / valuation				
At 1 January 2013	198,713	160,627	1,463,795	1,823,135
Additions	–	–	166,104	166,104
Disposal	–	–	(1,212)	(1,212)
At 1 January 2014	**198,713**	**160,627**	**1,628,687**	**1,988,027**
Additions	**–**	**–**	**98,370**	**98,370**
Disposal	**–**	**(31,838)**	**–**	**(31,838)**
At 31 December 2014	**198,713**	**128,789**	**1,727,057**	**2,054,059**
Depreciation				
At 1 January 2013	1,857	132,712	1,288,211	1,422,780
Charge for the year	930	15,454	129,174	145,558
Disposal	–	–	(1,212)	(1,212)
At 31 December 2013	2,787	148,166	1,416,173	1,567,126
At 1 January 2014				
Charge for the year	**735**	**12,461**	**120,913**	**134,109**
Disposal	**–**	**(31,838)**	**–**	**(31,838)**
At 31 December 2014	**3,522**	**128,814**	**1,537,061**	**1,669,397**
Carrying value				
At 31 December 2014	**195,191**	**–**	**189,971**	**385,162**
At 31 December 2013	195,926	12,461	212,514	420,901

On 31 December 2014, In accordance with the Company's policy, land and buildings were re-valued at their open market value for existing use by a professional valuer. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount and the net amount restated to the revalued amount of the asset. If land and building had been carried at cost less depreciation, the carrying amount would have been RO 62,288 (2013 – RO 63,023).

12. Goodwill

Goodwill arising on acquisition

Goodwill represents amount arising on acquisition of formerly Al Ahlia Insurance Company SAOC on 30 April, 2010. With effect from 17 January, 2011 the formerly Al Ahlia Insurance Company SAOC has been merged into the Company.

	RO
Consideration transferred	**20,614,225**
Less: fair value of identifiable net assets acquired	**(5,165,696)**
Goodwill	**15,448,529**

Impairment testing

At the end of the reporting period, the Company assessed the recoverable amount of goodwill, using key assumptions including 5% terminal growth rate, cost of capital of 9% and determined that goodwill was not impaired. The impairment test is amongst others, significantly dependent on the cost of capital and achievement of projected results.

Had the discount rate increased up to 11%, no impairment provision would have been required.

13. Share capital

	2014	2013
	RO	RO
Authorised – ordinary shares of RO 1 each	**10,000,000**	10,000,000
Issued and paid up – ordinary shares of RO 1 each	**10,000,000**	10,000,000

Shareholders

The following shareholders of the Company own 10% or more of the Company's share capital:

	2014		2013	
	No of shares	%	No of shares	%
Royal & Sun Alliance Insurance (Middle East) BSc (c)	**7,000,000**	**70.00**	7,000,000	70.00
Oman National Investment Corporation Holding SAOG	**2,003,091**	**20.03**	2,003,091	20.03
	9,003,091	**90.03**	9,003,091	90.03

In 2013 a capital restructure program was executed where in the share capital was reduced from RO 22.569 million to RO 10 million by way of RO 1.569 million payback to the shareholders at RO 2 per share and creation of special reserve of RO 11.784 million.

14. Legal reserve

As required by the Commercial Companies Law of Oman, 10% of the profit for the year is required to be transferred to legal reserve until such time as the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution. The reserve is currently 39% of share capital hence no transfer required for current year.

Notes to the financial statements

for the year ended 31 December 2014

15 Contingency reserve

In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business at the reporting date is transferred from retained earnings to contingency reserve. Whereas 1% of the life assurance premiums in case of the life assurance business is transferred from retained earnings to contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital or RO 5 Million for foreign companies. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

16. Revaluation reserve

This represents the reserve as a result of revaluation of land and building (Note 11).

17. Unearned premium reserve

	2014	2013
	RO	RO
Gross	**15,041,366**	15,498,746
Reinsurers' share	**(2,367,954)**	(2,638,466)
	12,673,412	12,860,280
Movement during the year :		
At 1 January	**12,860,280**	11,020,683
Movement in statement of profit or loss	**(186,868)**	1,839,597
At 31 December	**12,673,412**	12,860,280

18. Other liabilities and accruals

	2014	2013
Due to related parties (Note 24)	**388,715**	309,936
Other payables	**1,735,613**	1,591,809
Accrued expenses	**724,887**	587,964
Provision for end of service benefits	**345,331**	285,192
Accounts payable	**862,297**	859,048
	4,056,843	3,633,949

Movements in the related liability for end of service benefits recognised in the statement of financial position are as follows:

	2014	2013
At 1 January	**285,192**	228,276
Accrued during the year	**94,007**	72,595
Paid during the year	**(33,868)**	(15,679)
At 31 December	**345,331**	285,192

19. Net insurance premium revenue

	2014 RO	2013 RO
Gross written premiums	**33,425,258**	34,441,659
Movement in unearned premiums	**457,380**	(516,326)
Insurance premium revenue	**33,882,638**	33,925,333
Reinsurance premiums ceded	**(6,184,107)**	(6,241,261)
Movement in unearned premiums	**(270,512)**	(1,323,271)
Insurance premium ceded to reinsurers	**(6,454,619)**	(7,564,532)
Net insurance premium revenue	**27,428,019**	26,360,801

20. Claims

The amount in the provision for outstanding claims, and the related reinsurer's share is as follows:

	2014		
	Gross RO	**Reinsurers' Share RO**	**Net RO**
At 1 January			
Claims incurred including IBNR	**19,750,848**	**(8,022,702)**	**11,728,146**
Add: claims provided during the year	**19,835,011**	**(2,395,814)**	**17,439,197**
	39,585,859	**(10,418,516)**	**29,167,343**
Less : insurance claims paid during the year	**(19,592,096)**	**2,979,707**	**(16,612,389)**
At 31 December	**19,993,763**	**7,438,809**	**12,554,954**
	2013		
At 1 January			
Claims incurred including IBNR	20,795,281	(10,048,007)	10,747,274
Add: claims provided during the year	22,744,445	(4,636,762)	18,107,683
	43,539,726	(14,684,769)	28,854,957
Less : insurance claims paid during the year	(23,788,878)	6,662,067	(17,126,811)
At 31 December	19,750,848	(8,022,702)	11,728,146

Claims include balances due to related parties amounting to RO 1,144,124 (2013 – RO 1,451,350)

Majority of the claims are expected to be paid within twelve months of the reporting date. The amounts due from reinsurers are contractually due within a maximum period of three months from the date of payment of the claims. Outstanding claims payable to related parties are disclosed in Note 25.

Notes to the financial statements

for the year ended 31 December 2014

21. Investment income (net)

	2014	2013
	RO	RO
Interest income	**952,159**	815,846
Net change in fair value of investments	**(81,950)**	137,170
Loss on disposal	**–**	(22,376)
Dividend income	**39,967**	39,905
	910,176	970,545

22. General and administrative expenses

	2014	2013
Staff costs	**3,864,203**	3,394,707
Depreciation (Note 11)	**134,109**	145,558
Central support expense	**432,732**	404,783
Rent	**302,448**	292,840
Telephone	**93,155**	92,880
IT expenses	**450,843**	402,835
Travel expenses	**91,003**	91,976
Other expenses	**715,569**	761,387
	6,084,062	5,586,966

23. Income tax

	2014	2013
Statement of comprehensive income:		
Current tax	**390,399**	318,021
Prior year's tax	**27,668**	167,165
Deferred tax	**37,785**	10,315
	455,852	495,501
Current liability:		
Current year	**390,399**	318,021
Prior years	**887,963**	542,274
	1,278,362	860,295
Deferred tax asset		
At 1 January	**89,954**	100,269
Movement for the year	**(37,785)**	(10,315)
At 31 December	**52,169**	89,954

The deferred tax asset comprises the following types of temporary differences:

	2014	2013
Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**30,017**	30,109
Deductible timing difference on provisions	**22,152**	59,845
At 31 December	**52,169**	89,954

23. Income tax (continued)

The tax rate applicable to the Company is 12% (2013 - 12%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 13.5% (2013 – 16.5%).

Set out below is reconciliation of income tax calculated on accounting profits with income tax expense for the year:

	2014	2013
	RO	RO
Profit before income tax	**3,364,673**	3,001,439
Less: statutory deduction	**(30,000)**	(30,000)
Tax calculated at the statutory income tax rate of 12%	**400,161**	356,573
Tax effect of:		
Income / gains not taxable	**(64,065)**	(88,799)
Prior year's tax	**27,668**	167,165
Expenses not deductible in taxable profit	**92,088**	60,562
Income tax expense	**455,852**	495,501

Status of tax assessment

Assessments of the Company and the formerly Al Ahlia Insurance Company SAOC in respect of tax years 2009 to 2013 have not been completed by the tax department. Management believes that tax assessed, if any, in respect of the unassessed tax years would not be material to the financial position of the Company at 31 December 2014.

24. Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains significant balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which the Management consider to be comparable with those adopted for arm's length transactions with third parties.

Notes to the financial statements

for the year ended 31 December 2014

24. Related party transactions (continued)

Balances with related parties included in the statement of financial position are as follows:

31 December 2014

	Other receivables	Premiums and insurance receivable	Re-insurance balances payable	Outstanding claims payable	Other Payables
	RO	RO	RO	RO	RO
Major shareholders	**1,233,258**	**-**	**699,262**	**-**	**388,715**
Other related parties	**-**	**457,327**	**-**	**970,109**	**-**
	1,233,258	**457,327**	**699,262**	**970,109**	**-**

31 December 2013

	Other receivables	Premiums and insurance receivable	Re-insurance balances payable	Outstanding claims payable	Other Payables
Major shareholders	-	-	-	-	309,936
Other related parties	-	585,738	436,179	916,485	-
	-	585,738	436,179	916,485	309,936

Transactions with related parties included in the statement of comprehensive income are as follows:

31 December 2014

	Premiums Written	Commission paid	Gross Incurred Claims	Technical service fees
	RO	RO	RO	RO
Major shareholders	**-**	**-**	**-**	**432,732**
Other related parties	**2,025,226**	**219,462**	**1,144,124**	**-**
	2,025,226	**219,462**	**1,144,124**	**432,732**

31 December 2013

	Premiums Written	Commission paid	Gross Incurred Claims	Technical service fees
Major shareholders	-	-	-	404,783
Other related parties	2,662,452	213,108	1,451,350	-
	2,662,452	213,108	1,451,350	404,783

Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2014	2013
	RO	RO
Short-term benefits	**505,035**	423,871
Employees' end of service benefits	**29,144**	18,863
	534,179	442,734

25. Contingent liabilities

Contingencies

The Company's bankers have provided financial guarantees to third parties on behalf of the Company amounting to RO 75,026 (2013 - RO 85,649).

The Company has provided a bank guarantee to the Capital Market Authority of RO 300,000 (2013 - RO 300,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 10).

Legal claims

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

26. Segmental information

The Company operates in the insurance industry. The Company's operating revenues arise primarily from insurance activities which are based in the Sultanate of Oman.

27. Risk management

Governance framework

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

Reinsurance risk

In common with other insurance companies, in order 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, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of 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 Company's maximum theoretical credit risk exposure in this connection is RO 7,438,809 (2013 - RO 8,022,702).

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

Notes to the financial statements

for the year ended 31 December 2014

27. Risk management (continued)

Interest rate risk (continued)

The Company's bank deposits carry fixed rate of interest and therefore, are not exposed to interest rate risk.

Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and accident and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Fire-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.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for owner / drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

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.

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.

The insurance risk arising from insurance contracts is not concentrated in any of the countries in which the Company operates.

Medical

-Medical insurance is sold as a group policy primarily to employers to cover the risk of employees' medical expenses in house or outpatient as per the terms of their respective agreements.

27. Risk management (continued)

Group life

For group life, the insurance risks are group protection primarily sold to the employees covering the lives of the employees.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Considering the fact that the Omani Rial is effectively pegged to US Dollar, the Company is not exposed to any material currency risk.

Equity and bond price risk

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

100% (2013 – 100%) of the Company's investments at the reporting date are within the Sultanate of Oman.

A 10% increase/decrease in the fair value of quoted investments at fair value through profit or loss will result in an increase/decrease in profits of RO 67,529 (2013 RO 74,693).

Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties.
- The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Premium and insurance balances receivable comprise a large number of customers mainly within Sultanate of Oman.
- The Company's bank balances and bank deposits are maintained with a range of international and local banks in accordance with limits, based on their credit standing, set by the board of directors.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

Notes to the financial statements
for the year ended 31 December 2014

27. Risk management (continued)

Credit risk (continued)

The following tables explain the credit position of the Company.

31 December 2014

	Not past due and considered good RO	Past due but not impaired RO	Impaired RO	Total RO
Premium and insurance balance Receivable	**5,632,924**	**3,831,805**	**499,994**	**9,964,723**
Reinsurers' share of outstanding Claims	**7,438,809**	**–**	**–**	**7,438,809**
investments in local bonds	**21,632**	**–**	**–**	**21,632**
Bank balances	**802,714**	**–**	**–**	**802,714**
Bank deposits	**37,138,163**	**–**	**–**	**37,138,163**
Other receivables	**2,737,663**	**–**	**–**	**2,737,663**
Total	**53,771,905**	**3,831,805**	**499,994**	**58,103,704**

31 December 2013

	Not past due and considered good RO	Past due but not impaired RO	Impaired RO	Total RO
Premium and insurance balance Receivable	7,925,161	3,456,183	690,757	12,072,101
Reinsurers' share of outstanding Claims	8,022,702	–	–	8,022,702
Investments in local bonds	10,820	–	–	10,820
Bank balances	98,895	–	–	98,895
Bank deposits	32,364,805	–	–	32,364,805
Other receivables	1,817,986	–	–	1,817,986
Total	50,240,369	3,456,183	690,757	54,387,309

The Company has made full provision towards its impaired receivable balances.

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

	Past due but not impaired						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	> 12 months	Total	Past due and impaired
31 Dec 14	**1,705,079**	**1,775,287**	**225,100**	**96,585**	**29,760**	**3,831,805**	**499,995**
31 Dec 13	2,583,142	552,485	248,550	72,006	–	3,456,183	690,757

27. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The majority of time deposits held by the Company at the reporting dates had original maturity periods not exceeding twelve months. The table below summaries the maturity of assets and liabilities of the Company based on remaining undiscounted contractual obligations. As the Company does not have any interest bearing liabilities, the totals in the table match the statement of financial position.

	31 December 2014			31 December 2013		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	RO	RO	RO	RO	RO	RO
ASSETS						
Bank deposits*	7,208,956	29,929,207	37,138,163	32,364,805	-	32,364,805
Premiums and insurance balances receivable	9,464,723	-	9,464,723	11,381,344	-	11,381,344
Reinsurers' share of outstanding claims	7,438,809	-	7,438,809	8,022,702	-	8,022,702
Investments at fair value through profit or loss	675,287	-	675,287	746,930	-	746,930
Available-for-sale investments	71,429	-	71,429	71,429	-	71,429
Other receivables	2,737,663	-	2,737,663	1,817,986	-	1,817,986
Cash and cash equivalents	807,059	-	807,059	102,890	-	102,890
TOTAL ASSETS	28,403,926	29,929,207	58,333,133	54,508,086	-	54,508,086
LIABILITIES						
Liabilities arising from insurance contracts						
gross outstanding claims	19,993,763	-	19,993,763	19,750,848	-	19,750,848
Reinsurance balances payable	3,329,255	-	3,329,255	1,844,459	-	1,844,459
Other liabilities and accruals	3,711,512	-	3,711,512	3,348,758	-	3,348,758
TOTAL LIABILITIES	27,034,530	-	27,034,530	24,944,065	-	24,944,065

* Bank deposits have been classified based on maturity date but can be liquidated within 3 days subject to necessary approvals

Notes to the financial statements

for the year ended 31 December 2014

28. Capital management

Capital management framework

Regulatory framework

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

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

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

29. Fair values of financial instruments

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.

Management believes that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

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

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29. Fair values of financial instruments (continued)

31 December 2014

	Level 1 RO	Level 2 RO	Total RO
Financial assets at FVTPL			
Quoted local	**675,287**	**-**	**675,287**
Available-for-sale financial assets			
Unquoted equities	**-**	**71,429**	**71,429**
Total	**675,287**	**71,429**	**746,716**

31 December 2013

	Level 1 RO	Level 2 RO	Total RO
Financial assets at FVTPL			
Quoted local	746,930	-	746,930
Available-for-sale financial assets			
Unquoted equities	-	71,429	71,429
Total	746,930	71,429	818,359

There were no Level 3 investments. There were no transfers between Level 1 and 2 during the year.

30. Proposed dividend

The Board of Directors at the meeting held on 23rd February 2015 proposed a cash dividend of 0.16 Baizas per share, for the year 2014 (2013: 0.13 Baizas per share). A resolution to approve the dividend will be presented to the shareholders at the Annual General Meeting.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting held on 23rd February 2015.

AL AHLIA INSURANCE COMPANY SAOC

Financial statements
for the year ended 31 December 2015

Registered address:

P.O.Box 889
Ruwi PC 100
Sultanate of Oman

Report and financial statements
for the year ended 31 December 2015

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Independent auditor's report to the shareholders of Al Ahlia Insurance Company SAOC

Report on the financial statements

We have audited the financial statements of Al Ahlia Insurance Company SAOC ("the Company") set out on pages 3 to 35, which comprise the statement of financial position as at 31 December 2015, and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Continued on page 2

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C.R. No. 1/30936/6

Continued from page 1

Independent auditor's report
to the shareholders of
Al Ahlia Insurance Company SAOC (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements of the Company as at and for the year ended 31 December 2015, in all material respects, comply with:

- The relevant disclosure requirements of the Capital Market Authority; and
- The Commercial Companies Law of 1974, as amended.

23 February 2016

KPMG

KPMG AUDIT · TAX · ADVISORY
P.O. Box 641 Ruwi · Postal Code 112
Sultanate of Oman

Statement of financial position at 31 December

	Notes	2015 RO	2014 RO
Assets			
Cash and cash equivalents	5	**1,513,483**	807,059
Bank deposits	6	**36,793,049**	37,138,163
Premiums and insurance balances receivable	7	**8,891,179**	9,464,728
Reinsurer's share of outstanding claims	20	**2,156,077**	7,438,809
Other receivables and prepayments	8	**4,955,893**	4,067,590
Investments at fair value through profit or loss	9	**31,333**	675,287
Deferred tax asset	23	**56,433**	52,169
Available-for-sale investments	9	**71,429**	71,429
Premises and equipment	11	**423,890**	385,162
Goodwill	12	**15,448,529**	15,448,529
Total assets		**70,341,295**	75,548,925
Equity and liabilities			
Capital and reserves			
Share capital	13	**10,000,000**	10,000,000
Special reserve	13	**11,784,883**	11,784,883
Legal reserve	14	**3,909,423**	3,909,423
Contingency reserve	15	**8,058,697**	6,716,682
Revaluation reserve	16	**117,470**	118,188
Accumulated profit		**823,953**	1,688,114
Total equity		**34,694,426**	34,217,290
Liabilities			
Liabilities arising from insurance contracts:			
Unearned premium reserve	17	**12,295,265**	12,673,412
Gross outstanding claims	20	**15,576,234**	19,993,763
		27,871,499	32,667,175
Reinsurance balances payable		**2,848,030**	3,329,255
Other liabilities and accruals	18	**3,493,527**	4,056,843
Income tax payable	23	**1,433,813**	1,278,362
Total liabilities		**35,646,869**	41,331,635
Total equity and liabilities		**70,341,295**	75,548,925

These financial statements were approved and authorized for issue by Board of Directors on 23 February 2016.

Lloyd East **Director**	**Anwar Ali Sultan** **Director**

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Notes	2015 RO	2014 RO
Insurance premium revenue	19	**32,047,276**	33,882,638
Insurance premium ceded to reinsurers	19	**(4,993,320)**	(6,454,619)
Net insurance premium revenue	19	**27,053,956**	27,428,019
Commissions received on ceded reinsurance		**856,248**	1,188,681
Claims	20	**(19,417,094)**	(19,835,011)
Reinsurers' share of claims	20	**1,717,808**	2,395,814
Deferred acquisition cost		**7,615**	213,493
Commissions paid		**(2,723,509)**	(2,875,325)
Net underwriting result		**7,495,024**	8,515,671
General and administrative expenses	22	**(5,959,333)**	(6,084,062)
Investment income (net)	21	**863,834**	910,176
Other income – net		**2,611**	22,888
Profit before taxation		**2,402,136**	3,364,673
Income tax	23	**(325,000)**	(455,852)
Net profit and other comprehensive income for the year		**2,077,136**	2,908,821

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of changes in equity

for the year ended 31 December 2015

	Share capital RO	Special reserve RO	Legal reserve RO	Contingency reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
Balance at 1 January 2014	10,000,000	11,784,883	3,909,423	5,461,187	118,923	1,334,053	32,608,469
Dividend paid	-	-	-	-	-	(1,300,000)	(1,300,000)
Release of revaluation reserve	-	-	-		(735)	735	-
Transfer to contingency reserve	-	-	-	1,255,495	-	(1,255,495)	-
Profit for the year	-	-	-	-	-	2,908,821	2,908,821
Transfer to legal reserve	-	-	-	-	-	-	-
Balance at 31 December 2014	10,000,000	11,784,883	3,909,423	6,716,682	118,188	1,688,114	34,217,290
Balance at 1 January 2015	**10,000,000**	**11,784,883**	**3,909,423**	**6,716,682**	**118,188**	**1,688,114**	**34,217,290**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**(1,600,000)**	**(1,600,000)**
Release of revaluation reserve	**-**	**-**	**-**	**-**	**(718)**	**718**	**-**
Transfer to contingency reserve	**-**	**-**	**-**	**1,342,015**	**-**	**(1,342,015)**	**-**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**2,077,136**	**2,077,136**
Balance at 31 December 2015	**10,000,000**	**11,784,883**	**3,909,423**	**8,058,697**	**117,470**	**823,953**	**34,694,426**

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of cash flow

for the year ended 31 December 2015

	Notes	2015	2014
		RO	RO
Cash flows from operating activities			
Profit before taxation		**2,402,136**	3,364,673
Adjustments for:			
Investment income (net)		**(867,797)**	(920,376)
Movement in unearned premium reserve		**(378,147)**	(186,868)
Deferred acquisition cost		**(7,615)**	(213,493)
Allowance for impaired debts		**110,000**	(190,762)
Depreciation on property and equipment	11	**123,467**	134,109
Provision for end of service benefits	18	**105,433**	94,007
Gain on sale of premises and equipment		**–**	(8,620)
Cash flows before changes in operating assets and liabilities:		**1,487,477**	2,072,670
Premiums and insurance balances receivable		**463,549**	2,107,378
Reinsurer's share of outstanding claims		**5,282,732**	583,893
Other receivables and prepayments		**(41,131)**	(584,528)
Gross outstanding claims		**(4,417,529)**	242,915
Reinsurance balances payable		**(481,225)**	1,484,796
Other liabilities and accruals		**(630,057)**	362,755
Cash generated from operations		**1,663,816**	6,269,879
Income tax paid		**(173,813)**	–
End of service benefits paid	18	**(38,692)**	(33,868)
Net cash from operating activities		**1,451,311**	6,236,011
Cash flows from investing activities			
Purchase of premises and equipment	11	**(162,195)**	(98,370)
Proceed from disposal of premises and equipment		**–**	8,620
Increase in bank deposits (net)		**345,114**	(4,773,358)
Purchase / sale of investments		**537,365**	(10,308)
Investment income		**134,829**	641,574
Net cash from/ (used in) investing activities		**855,113**	(4,231,842)
Financing Activities			
Dividend paid		**(1,600,000)**	(1,300,000)
Net cash used in financing activities		**(1,600,000)**	(1,300,000)
Net change in cash and cash equivalents		**706,424**	704,169
Cash and cash equivalents at the beginning of the year		**807,059**	102,890
Cash and cash equivalents at the end of the year		**1,513,483**	807,059

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Notes to the financial statements

for the year ended 31 December 2015

1. General

Al Ahlia Insurance Company SAOC (the "Company") is an Omani closed joint stock company registered and incorporated in the Sultanate of Oman. The Company operates in Oman and writes short term insurance contracts covering general risks. The address of its registered office is PO Box 889, Postal Code 100 Muscat, Sultanate of Oman.

The Company is a Subsidiary of Royal & Sun Alliance Insurance (Middle East) BSc (c), whose registered address is Flat No - 81, Building No - 198, Road No - 2803, Block No – 428,P O Box 11871, Manama, Kingdom of Bahrain. The ultimate parent company is RSA PLC registered in UK.

The Company commenced its commercial operations on 1 July 2004 by acquiring the general insurance businesses of the Muscat branch of Royal & Sun Alliance Insurance Plc (Middle East) EC and W J Towell & Co. LLC, both related parties. On 30 April 2010, the Company acquired 99.99% of the issued and fully paid share capital of formerly Al Ahlia Insurance Company SAOC. With effect from 17 January 2011, the formerly Al Ahlia Insurance Company SAOC has been merged in to the Company.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2015, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for year beginning on 1 January 2015.

2.1 Standards, Amendments and interpretations that are not yet effective and have not been early adopted by the Company

IFRS 9 – Financial Instruments – (effective on or after 1 January 2018)

IFRS 15 - Revenue from contracts with Customers (effective on or after 1 January 2018) - IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 16, 'Leases', (effective on or after 1 January 2019).

Management have assessed that these standards will not have significant impact on the financial statements of the Company.

3. Summary of significant accounting policies

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, applicable requirements of the Commercial Companies Law of 1974 as amended, and disclosure requirements of the Capital Market Authority.

Basis of preparation

These financial statements are presented in Rial Omani (RO) since that is the currency in which the majority of the transactions are denominated.

3. Summary of significant accounting policies (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value and land and buildings which are valued at revalued amount.

The accounting policies have been consistently applied in dealing with items that are considered material in relation to the Company's financial statements for all the years presented.

Business combination

Acquisition of business is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All significant intercompany transactions and balances are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of insurance business acquired as of the date of acquisition. The cost of acquisition is the amount of cash paid and the fair value of other purchase consideration. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Where recoverable amount is more than the carrying amount, no impairment is recognized in the profit or loss.

Intangible assets

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expenses on intangible assets are recognized in profit or loss.

Notes to the financial statements

for the year ended 31 December 2015

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that have a maturity of more than three months from the date of acquisition are excluded from cash and cash equivalents.

Premiums and insurance balances receivable

Premiums and insurance balances receivable are carried at estimated realizable value. An estimate is made for impaired debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Investment securities

The Company classifies its investments upon initial recognition into the following categories:

- Investments at fair value through profit or loss
- Held-to-maturity investments
- Available-for-sale investments

Investments at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities and which the Company has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'investment income' in the statement of profit or loss.

3. Summary of significant accounting policies (continued)

Investment securities (continued)

Available-for-sale (AFS) investments

Listed shares held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market and whose fair value cannot be reliably measured, but that are also classified as AFS investments and stated at cost. Fair value is determined in the manner described in note 30. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Premises and equipment

All assets, other than land and building, are stated at cost less accumulated depreciation and any impairment in carrying value. The Company's land and building are subsequently revalued, on an asset-by-asset basis, to their market values.

When an asset is re-valued, any increase in the carrying amount arising on revaluation is credited directly to other comprehensive income under the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, in which case the increase is credited to profit or loss to the extent of decrease previously expensed. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited to the retained earnings.

Depreciation is provided on a straight-line basis on all premises and equipment, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives of the assets as follows:

Building	over 40 years
Motor vehicles	over 3 years
Furniture and equipment	over 3-4 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

3. Summary of significant accounting policies (continued)

Impairment and uncollectibility

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or company of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the profit or loss. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value; less any impairment loss previously recognized in the profit or loss;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

c) For assets carried at amortized cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Non-financial assets

At each reporting date, the Company assesses if there is any indication of impairment of non-financial assets other than goodwill. If an indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss in the profit or loss. The Company 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 or reversals are recognized immediately in the profit or loss. Any impairment loss recognized for goodwill is not reversed in a subsequent period.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to profit or loss as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provision for reported claims not paid as at the reporting date is made on the basis of individual case estimates. In addition, a provision based on 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 in the following year is included in the underwriting account for that year.

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 profit or loss and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

3. Summary of significant accounting policies (continued)

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.

Amounts due to reinsurers are estimated in a manner consistent with the related reinsured policies and in accordance with the reinsurance contract.

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 claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "Premiums and insurance balances receivable". Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

End of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period.

With respect to its national employees, the Company makes contributions to the Omani Public Authority for Social Insurance under Royal Decree No. 72/91 for Omani employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Other liabilities

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Fair values

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Premiums earned

Premiums are taken into income over the terms of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the profit or loss in order that revenue is recognised over the period of risk.

Unearned premium is calculated based on higher of 1/365 method or the amount required by the Insurance Companies Law of Oman calculated at 45% of the net retained premiums for the year for all classes of business.

Notes to the financial statements

for the year ended 31 December 2015

3. Summary of significant accounting policies (continued)

Premiums earned (continued)

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Deferred acquisition costs is calculated as a percentage of unearned premium reserve, includes an element of commission and is recognised as a portion of premium earned.

Commissions earned and paid

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

Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income

Dividends on investments are recognized in profit or loss when the Company's right to receive the dividends is established.

Income tax

Taxation is provided for in accordance with Omani tax regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated at the rate of exchange ruling at that date. All exchange differences arising are taken to the profit or loss.

4. Critical accounting judgment and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year.

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, carried at fair value through profit or loss, or available-for-sale or held-to-maturity investments.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of available-for-sale investments

The Company determines whether available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Key sources of estimation uncertainty

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

(a) Insurance claims

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The 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 required are made to the provision. Adequacy of the claims estimates on an overall basis is also assessed by an independent actuary and adjustments if required are recorded in the underwriting account. General insurance claims provisions are not discounted for the time value of money.

Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

(b) 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 recognised in profit or loss and an unexpired risk provision created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months of the reporting date.

Notes to the financial statements

for the year ended 31 December 2015

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

Key sources of estimation uncertainty (continued)

(c) Useful lives of premises and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

(d) Allowance for impaired debts

Allowance for impaired debts is based on management's best estimates of recoverability of the amounts due and the number of days for which such debts are due.

(e) Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which it relates to. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(f) Impairment of goodwill

The Company determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise the following:

	2015	2014
	RO	RO
Cash and bank	**1,513,483**	807,059

Bank balances amounting to RO 36,075 (2014 – RO 45,245), RO 179 (2014- RO 417) and RO 390,174 (2014 - RO 110,755) are denominated in UAE Dirham's, Pound Sterling and US Dollars respectively.

6. Bank deposits

Bank deposits with a maturity of greater than three months from the value date of deposits	**36,793,049**	37,138,163

The deposits are held with commercial banks in Oman and carry annual interest rates ranging from 0.85% to 4.25% (2014- 0.7% to 4.25%).

At the reporting date, the Company does not hold any bank deposits denominated in foreign currency (2014 – Nil).

7. Premiums and insurance balances receivable

	2015	2014
	RO	RO
Customers	**3,410,241**	3,071,577
Agents and brokers	**5,252,239**	6,159,303
Reinsurance balances receivable	**785,805**	733,843
	9,448,285	9,964,723
Less: allowance for impaired debts	**(557,106)**	(499,995)
	8,891,179	9,464,728

Customers and reinsurance balance receivable include balances from the related parties amounting to RO 48,191 (2014 - RO 457,327) (Note 24).

Movements in allowance for impaired debts were as follows:

	2015	2014
At 1 January	**499,995**	690,757
Charge during the year	**110,000**	60,500
Written off during the year	**(52,889)**	(251,262)
At 31 December	**557,106**	499,995

8. Other receivables and prepayments

	2015	2014
Accrued interest	**1,937,615**	1,098,058
Receivable from related parties (Note 24)	**1,423,126**	1,233,258
Prepaid expenses	**81,143**	74,439
Deferred acquisition costs	**1,263,103**	1,255,488
Sundry receivables	**250,906**	406,347
	4,955,893	4,067,590

Deferred acquisition costs pertain to deferrable direct and indirect costs incurred in renewing and acquiring new insurance contracts during the financial period.

9. Investment securities

	2015	2014
Investments at fair value through profit or loss	**31,333**	675,287
Available-for-sale investments	**71,429**	71,429
	102,762	746,716

Notes to the financial statements

for the year ended 31 December 2015

9(a) Investments

	Fair value 2015 RO	**Cost 2015 RO**	Fair Value 2014 RO	Cost 2014 RO
Quoted*				
Banking	**31,333**	**21,639**	418,747	449,860
Industrial	**–**	**–**	256,540	307,380
Investments at fair value through profit or loss	**31,333**	**21,639**	675,287	757,240
Unquoted – services	**71,429**	**71,429**	71,429	71,429
Available for sale investments	**71,429**	**71,429**	71,429	71,429
Total Investments	**102,762**	**93,068**	746,716	828,669

* includes Bank Muscat bonds

9(b) Details of the Company's investments in securities and bonds are set out below:

31 December 2015	**% of overall Portfolio**	**Number of securities**	**Fair value RO**	**Cost RO**
Bank Muscat Bonds 4.5%	**35%**	**102,039**	**10,819**	**10,819**
Bank Muscat Bonds 4.5%	**35%**	**102,039**	**10,820**	**10,820**
Bank Muscat Bonds 3.5%*	**30%**	**102,039**	**9,694**	**–**
			31,333	**21,639**
31 December 2014				
Bank Muscat shares	59%	687,068	397,107	428,730
Raysut Cement shares	38%	154,076	256,540	307,380
Bank Muscat Bonds 4.5%	1.5%	102,039	10,820	10,820
Bank Muscat Bonds 4.5%	1.5%	102,039	10,820	10,310
			675,287	757,240

* Represents bonus bonds received from Bank Muscat.

9(c) At the reporting date, details of the Company's investment holdings representing 10% or more of the investees' share capital are set out below:

	% of investees' share capital	**Number of securities**	**Fair value**	**Cost**
31 December 2015			**RO**	**RO**
Orange Card Company SAOC	**14.28**	**71,429**	**71,429**	**71,429**
31 December 2014				
Orange Card Company SAOC	14.28	71,429	71,429	71,429

10. Restriction 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 and investments included in the statement of financial position at a total value of RO 34,736,061 (2014: RO 33,333,529). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

The Company has provided a bank guarantee to the Capital Market Authority of RO 300,000 (2014: RO 300,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 25).

11. Premises and equipment

	Land and Building	Motor vehicles	Furniture and equipment	Total
	RO	RO	RO	RO
Cost / valuation				
At 1 January 2014	198,713	160,627	1,628,687	1,988,027
Additions	–	–	98,370	98,370
Disposal	–	(31,838)	–	(31,838)
At 1 January 2015	**198,713**	**128,789**	**1,727,057**	**2,054,559**
Additions	**–**	**–**	**162,195**	**162,195**
Disposal	**–**	**–**	**(78,886)**	**(78,886)**
At 31 December 2015	**198,713**	**128,789**	**1,810,366**	**2,137,868**
Depreciation				
At 1 January 2014	2,787	148,166	1,416,173	1,567,126
Charge for the year	735	12,461	120,913	134,109
Disposal	–	(31,838)	–	(31,838)
At 31 December 2014	3,522	128,789	1,537,086	1,669,397
At 1 January 2015	3,522	128,789	1,537,086	1,669,337
Charge for the year	**718**	**–**	**122,749**	**123,467**
Disposal	**–**	**–**	**(78,886)**	**(78,886)**
At 31 December 2015	**4,240**	**128,789**	**1,580,949**	**1,713,978**
Carrying value				
At 31 December 2015	**194,473**	**–**	**229,417**	**423,890**
At 31 December 2014	195,191	–	189,971	385,162

On 31 December 2015, In accordance with the Company's policy, land and buildings were re-valued at their open market value for existing use by a professional value. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount and the net amount restated to the revalued amount of the asset. If land and building had been carried at cost less depreciation, the carrying amount would have been RO 61,570 (2014 – RO 62,288).

Notes to the financial statements
for the year ended 31 December 2015

12. Goodwill

Goodwill arising on acquisition

Goodwill represents amount arising on acquisition of formerly Al Ahlia Insurance Company SAOC on 30 April, 2010. With effect from 17 January, 2011 the formerly Al Ahlia Insurance Company SAOC has been merged into the Company.

	RO
Consideration transferred	**20,614,225**
Less: fair value of identifiable net assets acquired	**(5,165,696)**
Goodwill	**15,448,529**

Impairment testing

At the end of the reporting period, the Company assessed the recoverable amount of goodwill, using key assumptions including 5% terminal growth rate, cost of capital of 9% and determined that goodwill was not impaired. The impairment test is amongst others, significantly dependent on the cost of capital and achievement of projected results.

Had the discount rate increased up to 11%, no impairment provision would have been required.

13. Share capital

	2015	2014
	RO	RO
Authorised – ordinary shares of RO 1 each	**10,000,000**	10,000,000
Issued and paid up – ordinary shares of RO 1 each	**10,000,000**	10,000,000

Shareholders

The following shareholders of the Company own 10% or more of the Company's share capital:

	2015		2014	
	No of shares	%	No of shares	%
Royal & Sun Alliance Insurance (Middle East) BSc (c)	**7,000,000**	**70.00**	7,000,000	70.00
OMINVEST	**2,003,091**	**20.03**	2,003,091	20.03
	9,003,091	**90.03**	9,003,091	90.03

In 2013 a capital restructure program was executed where in the share capital was reduced from RO 22.569 million to RO 10 million by way of RO 1.569 million payback to the shareholders at RO 2 per share and creation of special reserve of RO 11.784 million.

14. Legal reserve

As required by the Commercial Companies Law of Oman, 10% of the profit for the year is required to be transferred to legal reserve until such time as the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution. The reserve is currently 39% of share capital hence no transfer required for current year.

15 Contingency reserve

In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business at the reporting date is transferred from retained earnings to contingency reserve. Whereas 1% of the life assurance premiums in case of the life assurance business is transferred from retained earnings to contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital or RO 5 Million for foreign companies. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

16. Revaluation reserve

This represents the reserve as a result of revaluation of land and building (Note 11).

17. Unearned premium reserve

	2015	2014
	RO	RO
Gross	**13,913,927**	15,041,366
Reinsurers' share	**(1,618,662)**	(2,367,954)
	12,295,265	12,673,412
Movement during the year :		
At 1 January	**12,673,412**	12,860,280
Movement in statement of profit or loss	**(378,147)**	(186,868)
At 31 December	**12,295,265**	12,673,412

18. Other liabilities and accruals

	2015	2014
Due to related parties (Note 24)	**47,383**	388,715
Other payables	**1,661,246**	1,735,613
Accrued expenses	**821,451**	724,887
Provision for end of service benefits	**412,072**	345,331
Accounts payable	**551,375**	862,297
	3,493,527	4,056,843

Movements in the related liability for end of service benefits recognised in the statement of financial position are as follows:

	2015	2014
At 1 January	**345,331**	285,192
Accrued during the year	**105,433**	94,007
Paid during the year	**(38,692)**	(33,868)
At 31 December	**412,072**	345,331

Notes to the financial statements
for the year ended 31 December 2015

19. Net insurance premium revenue

	2015	2014
	RO	RO
Gross written premiums	**30,919,837**	33,425,258
Movement in unearned premiums	**1,127,439**	457,380
Insurance premium revenue	**32,047,276**	33,882,638
Reinsurance premiums ceded	**(4,244,028)**	(6,184,107)
Movement in unearned premiums	**(749,292)**	(270,512)
Insurance premium ceded to reinsurers	**(4,993,320)**	(6,454,619)
Net insurance premium revenue	**27,053,956**	27,428,019

20. Claims
The amount in the provision for outstanding claims, and the related reinsurer's share is as follows:

	2015		
	Gross	Reinsurers' Share	Net
	RO	RO	RO
At 1 January			
Claims incurred including IBNR	**19,993,763**	**(7,438,809)**	**12,554,954**
Add: claims provided during the year	**19,417,094**	**(1,717,808)**	**17,699,286**
	39,410,857	**(9,156,617)**	**30,254,240**
Less : insurance claims paid during the year	**(23,834,623)**	**7,000,540**	**(16,834,083)**
At 31 December	**15,576,234**	**(2,156,077)**	**13,420,157**
	2014		
At 1 January			
Claims incurred including IBNR	19,750,848	(8,022,702)	11,728,146
Add: claims provided during the year	19,835,011	(2,395,814)	17,439,197
	39,585,859	(10,418,516)	29,167,343
Less : insurance claims paid during the year	(19,592,096)	2,979,707	(16,612,389)
At 31 December	19,993,763	7,438,809	12,554,954

Claims include claims related to related parties amounting to RO 1,228,677 (2014 – RO 1,144,124).

Majority of the claims are expected to be paid within twelve months of the reporting date. The amounts due from reinsurers are contractually due within a maximum period of three months from the date of payment of the claims. Outstanding claims payable to related parties are disclosed in Note 25.

21. Investment income (net)

	2015	2014
	RO	RO
Interest income	941,690	952,159
Net change in fair value of investments	-	(81,950)
Loss on disposal	(116,282)	-
Dividend income	38,426	39,967
	863,834	910,176

22. General and administrative expenses

Staff costs	3,746,013	3,864,203
Depreciation (Note 11)	123,467	134,109
Central support expense	309,004	432,732
Rent	305,088	302,448
Telephone	107,697	93,155
IT expenses	477,611	450,843
Travel expenses	52,058	91,003
Other expenses	838,395	715,569
	5,959,333	6,084,062

23. Income tax

Statement of comprehensive income:		
Current tax	308,252	390,399
Prior year's tax	21,012	27,668
Deferred tax	(4,264)	37,785
	325,000	455,852
Current liability:		
Current year	308,252	390,399
Prior years	1,125,561	887,963
	1,433,813	1,278,362
Deferred tax asset		
At 1 January	52,169	89,954
Movement for the year	4,264	(37,785)
At 31 December	56,433	52,169

The deferred tax asset comprises the following types of temporary differences:

Taxable timing difference on premises and equipment qualifying for accelerated tax relief	27,427	30,017
Deductible timing difference on provisions	29,006	22,152
At 31 December	56,433	52,169

Notes to the financial statements

for the year ended 31 December 2015

23. Income tax (continued)

The tax rate applicable to the Company is 12% (2014 - 12%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 13.5% (2014 – 13.5%).

Set out below is reconciliation of income tax calculated on accounting profits with income tax expense for the year:

	2015	2014
	RO	RO
Profit before income tax	**2,402,136**	3,364,673
Less: statutory deduction	**(30,000)**	(30,000)
Tax calculated at the statutory income tax rate of 12%	**284,656**	400,161
Tax effect of:		
Income / gains not taxable	**(28,363)**	(64,065)
Prior year's tax	**21,012**	27,668
Expenses not deductible in taxable profit	**47,695**	92,088
Income tax expense	**325,000**	455,852

Status of tax assessment

Assessments of the Company and the formerly Al Ahlia Insurance Company SAOC in respect of tax years 2010 to 2014 have not been completed by the tax department. Management believes that tax assessed, if any, in respect of the unassessed tax years would not be material to the financial position of the Company at 31 December 2015.

Tax rate is expected to increase from 12% to 15% with effect from 1 January 2016. This will impact the future calculation of deferred tax assets and liabilities, as well as income tax expense.

24. Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains significant balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which the Management consider to be comparable with those adopted for arm's length transactions with third parties.

24. Related party transactions (continued)

Balances with related parties included in the statement of financial position are as follows:

31 December 2015

	Other receivables	Premiums and insurance receivable	Re-insurance balances payable	Outstanding claims payable	Other Payables
	RO	RO	RO	RO	RO
Major shareholders	**1,423,126**	**-**	**1,343,232**	**-**	**47,383**
Other related parties	**-**	**48,191**	**149,653**	**689,867**	**-**
	1,423,126	**48,191**	**1,492,885**	**689,867**	**47,383**
31 December 2014					
Major shareholders	1,233,258	-	699,262	-	388,715
Other related parties	-	457,327	-	970,109	-
	1,233,258	457,327	699,262	970,109	-

Transactions with related parties included in the statement of comprehensive income are as follows:

31 December 2015

	Premiums Written	Commission paid	Gross Incurred Claims	Technical service fees
	RO	RO	RO	RO
Major shareholders	**-**	**-**	**-**	**309,004**
Other related parties	**1,917,576**	**197,558**	**1,228,677**	**-**
	1,917,576	**197,558**	**1,228,677**	**309,004**
31 December 2014				
Major shareholders	-	-	-	432,732
Other related parties	2,025,226	219,462	1,144,124	-
	2,025,226	219,462	1,144,124	432,732

Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2015	2014
	RO	RO
Short-term benefits	**476,313**	505,035
Employees' end of service benefits	**22,046**	29,144
	498,359	534,179

Notes to the financial statements

for the year ended 31 December 2015

25. Contingent liabilities

Contingencies

The Company's bankers have provided financial guarantees to third parties on behalf of the Company amounting to RO 71,476 (2014 - RO 75,026).

The Company has provided a bank guarantee to the Capital Market Authority of RO 300,000 (2014 - RO 300,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 10).

Legal claims

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

26. Segmental information

The Company operates in the insurance industry. The Company's operating revenues arise primarily from insurance activities which are based in the Sultanate of Oman.

27. Risk management

Governance framework

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

Reinsurance risk

In common with other insurance companies, in order 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, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of 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 Company's maximum theoretical credit risk exposure at the balance sheet date in this connection is RO 2,156,077 (2014 - RO 7,438,809).

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

27. Risk management (continued)

Interest rate risk (continued)

The Company's bank deposits carry fixed rate of interest and therefore, are not exposed to interest rate risk.

Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and accident and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Fire-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.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for owner / drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

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.

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.

The insurance risk arising from insurance contracts is not concentrated in any of the countries in which the Company operates.

Medical

-Medical insurance is sold as a group policy primarily to employers to cover the risk of employees' medical expenses in house or outpatient as per the terms of their respective agreements.

27. Risk management (continued)

Group life

For group life, the insurance risks are group protection primarily sold to the employees covering the lives of the employees.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Considering the fact that the Omani Rial is effectively pegged to US Dollar, the Company is not exposed to any material currency risk.

Equity and bond price risk

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

100% (2013 - 100%) of the Company's investments at the reporting date are within the Sultanate of Oman.

A 10% increase/decrease in the fair value of quoted investments at fair value through profit or loss will result in an increase/decrease in profits of RO 67,529 (2013 RO 74,693).

Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties.
- The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Premium and insurance balances receivable comprise a large number of customers mainly within Sultanate of Oman.
- The Company's bank balances and bank deposits are maintained with a range of international and local banks in accordance with limits, based on their credit standing, set by the board of directors.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

27. Risk management (continued)

Credit risk (continued)

The following tables explain the credit position of the Company.

31 December 2015

	Not past due and considered good RO	Past due but not impaired RO	Impaired RO	Total RO
Premium and insurance balance Receivable	**5,543,174**	**3,348,005**	**557,106**	**9,448,285**
Reinsurers' share of outstanding Claims	**2,156,077**	**–**	**–**	**2,156,077**
investments in local bonds	**31,333**	**–**	**–**	**31,333**
Bank balances	**1,513,483**	**–**	**–**	**1,513,483**
Bank deposits	**36,793,049**	**–**	**–**	**36,793,049**
Other receivables	**3,611,646**	**–**	**–**	**3,611,646**
Total	**49,648,762**	**3,348,005**	**557,106**	**53,553,873**

31 December 2014

	Not past due and considered good RO	Past due but not impaired RO	Impaired RO	Total RO
Premium and insurance balance Receivable	5,632,924	3,831,805	499,994	9,964,723
Reinsurers' share of outstanding Claims	7,438,809	–	–	7,438,809
Investments in local bonds	21,632	–	–	21,632
Bank balances	802,714	–	–	802,714
Bank deposits	37,138,163	–	–	37,138,163
Other receivables	2,737,663	–	–	2,737,663
Total	53,771,905	3,831,805	499,994	58,103,704

The Company has made full provision towards its impaired receivable balances.

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

	Past due but not impaired						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	> 12 months	Total	Past due and impaired
31 Dec 15	**2,046,538**	**955,403**	**181,970**	**163,117**	**977**	**3,348,005**	**557,106**
31 Dec 14	1,705,079	1,775,287	225,100	96,579	29,760	3,831,805	499,995

27. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The majority of time deposits held by the Company at the reporting dates had original maturity periods not exceeding twelve months. The table below summaries the maturity of assets and liabilities of the Company based on remaining undiscounted contractual obligations. As the Company does not have any interest bearing liabilities, the totals in the table match the statement of financial position.

	31 December 2015			31 December 2014		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	RO	RO	RO	RO	RO	RO
ASSETS						
Bank deposits*	**8,074,204**	**28,718,845**	**36,793,049**	7,208,956	29,929,207	37,138,163
Premiums and insurance balances receivable	**8,891,179**	**-**	**8,891,179**	9,464,723	-	9,464,723
Reinsurers' share of outstanding claims	**2,156,077**	**-**	**2,156,077**	7,438,809	-	7,438,809
Investments at fair value through profit or loss	**31,333**	**-**	**31,333**	675,287	-	675,287
Available-for-sale investments	**71,429**	**-**	**71,429**	71,429	-	71,429
Other receivables	**3,611,646**	**-**	**3,611,646**	2,737,663	-	2,737,663
Cash and cash equivalents	**1,513,483**	**-**	**1,513,483**	807,059	-	807,059
TOTAL ASSETS	**24,349,351**	**28,718,845**	**53,068,196**	28,403,926	29,929,207	58,333,133
LIABILITIES						
Liabilities arising from insurance contracts						
gross outstanding claims	**15,576,234**	**-**	**15,576,234**	19,993,763	-	19,993,763
Reinsurance balances payable	**2,848,030**	**-**	**2,848,030**	3,329,255	-	3,329,255
Other liabilities and accruals	**3,081,455**	**-**	**3,081,455**	3,711,512	-	3,711,512
TOTAL LIABILITIES	**21,505,719**	**-**	**21,505,719**	27,034,530	-	27,034,530

* Bank deposits have been classified based on maturity date but can be liquidated within 3 days subject to necessary approvals

28. Capital management

Capital management framework

Regulatory framework

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

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

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

29. Fair values of financial instruments

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.

Management believes that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

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

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements
for the year ended 31 December 2015

29. Fair values of financial instruments (continued)

31 December 2015

	Level 1 RO	Level 2 RO	Total RO
Financial assets at FVTPL			
Quoted local	**31,333**	**-**	**31,333**
Available-for-sale financial assets			
Unquoted equities	**-**	**71,429**	**71,429**
Total	**31,333**	**71,429**	**102,762**

31 December 2014

	Level 1 RO	Level 2 RO	Total RO
Financial assets at FVTPL			
Quoted local	675,287	-	675,287
Available-for-sale financial assets			
Unquoted equities	-	71,429	71,429
Total	675,287	71,429	746,716

There were no Level 3 investments. There were no transfers between Level 1 and 2 during the year.

30. Proposed dividend

The Board of Directors at the meeting held on 23 February 2016 proposed a cash dividend of 0.08 Baizas per share, for the year 2015 (2014: 0.16 Baizas per share). A resolution to approve the dividend will be presented to the shareholders at the Annual General Meeting.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting held on 23 February 2016.

AL AHLIA INSURANCE COMPANY SAOC

Financial statements
for the year ended 31 December 2016

Registered address:

P.O.Box 889
Ruwi PC 100
Sultanate of Oman

Report and financial statements
for the year ended 31 December 2016

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DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting the Annual Report on the business and operations together with the Audited Accounts of Al Ahlia Insurance Co SAOC for the year ended 31st December 2016.

Review of the year's performance

Al Ahlia Insurance Co SAOC is one of the leading general insurance providers in the Oman market. Despite challenging operating environments and economic downturn driven by low oil prices the company reported Profit after tax of RO 2,067,000 (2015 PAT – RO 2,077,000)

Financial Performance

The highlights of the financial results of the Company for the year 2016 are as follows:

(Omani Rials)

	2016	2015
Gross Written Premium	**26,393,063**	30,919,836
Profit /(Loss) after Tax	**2,067,587**	2,077,136

Dividend

The Directors recommended a dividend of RO 800,000 on equity shares for the year under review, after appropriating RO 1,469,000 toward the statutory stipulated contingency reserve.

Investments

The Company earned an investment income of RO 1217,000 for the year ended 31st December 2016. It continues to adopt a prudent investment policy with an emphasis on optimising return, whilst remaining conservative on risk. Majority of the assets in the Company's investment portfolio is made up of low risk and liquid investments.

Staff engagement

The Company had 167 full time employees as at December 31st 2016. The Company continues to focus on training and further enhancement of the skills of its employees. Some of the employees were also sponsored to attend international training and development programmes. At the end of the year 67.7% of the Company's employees were Omani nationals reflecting its commitment to the country's human resources development objectives.

Corporate Governance

Board of Directors

The current Board of Directors was elected in March 2015 for a three year term up to March 2018. The Board held four meetings during the year focusing on, amongst other aspects, the review and approval of the auditor's report and financial statements for 2015, approving the operational plans for 2016 and reviewing the performance of the Company.

The membership of the Board as at 31st December 2016 is as follows.

Name	Category	Position
Anwar Ali Sultan	Independent & Non Exec Director	Chairman
Ranga Gorur	Independent & Non Exec Director	Member
Shrikanth Shenoy	Independent & Non Exec Director	Member
Jonathan Cope	Independent & Non Exec Director	Member
Christopher Dooley	Independent & Non Exec Director	Deputy Chairman
Lloyd East	Executive Director	Managing Director
Laurence Loughnane	Independent & Non Exec Director	Member
Praveen Kumar	Executive Director	Member
Shahid Rasool	Independent & Non Exec Director	Member

Board Committees

The Board, following the appointment for a new term also reconstituted the Audit & Risk Committee and the Investment Committee for a further three year term. These Committees also met four times during the year. The memberships of the Committees as at 31st December 2016- is as follows

Audit & Risk Committee

Name	Designation	Role in Committee
Ranga Gorur	Independent & Non Exec Director	Chairman
Christopher Dooley	Independent & Non Exec Director	Member
Shrikant Shenoy	Independent & Non Exec Director	Member
Jonathan Cope	Independent & Non Exec Director	Member

Investment Committee

Name	Designation	Role in Committee
Christopher Dooley	Independent & Non Exec Director	Chairman
Shahid Rasool	Independent & Non Exec Director	Member
Ranga Gorur	Independent & Non Exec Director	Member
Jonathan Cope	Independent & Non Exec Director	Member
Lloyd East	Executive Director	Member

The purpose of the Audit & Risk Committee is to review the risk management and compliance arrangements and to monitor the integrity of the Company's financial statements and external audit process and internal audit function. It also recommends the appointment of the external Auditors to the Board and Shareholders for approval.

The purpose of the Investment Committee is to have strategic oversight of the investments of the Company subject to the regulatory guidelines in this regard.

Public Issue of Shares through Initial Public Offerring

As per Royal Decree 39/2014 dated 17th August 2014, all Insurance Companies registered under Commercial Companies Law shall be Public Joint Stock Company and the paid up capital shall be not less than RO 10,000,000/- within 3 years from the date of the Royal Decree

Al Ahlia Insurance Company SAOC's capital is RO 10,000,000/- and has initiated the process to become Public Joint Stock Company

Annual General Meeting

The next Annual General Meeting will be held at the Company's registered office in the last week of March 2017.

Auditors

KPMG, were appointed as our auditors for the year 2016 at the Annual General Meeting held in March 2016.

Acknowledgement

The Directors thank the officials and members of CMA for their continued guidance and co-operation and the Bankers, Brokers and Customers for their valuable support to the Company. The support and co-operation extended by all the Shareholders merit appreciation. The Directors also place on record, their deep sense of appreciation of the efforts and contribution of the management team and all the employees of the Company.

For and on behalf of the Board

Anwar Ali Sultan

Chairman
Al Ahlia Insurance Co SAOC
Muscat, Sultanate of Oman
Date: 23rd February 2017

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLIA INSURANCE SAOC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Ahlia Insurance Company SAOC (the "Company") set out on pages 7 to 39, which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the director's report set out on pages 1 to 3 and the Company's report on Corporate Governance, which we obtained prior to the date of this auditors' report.

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

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C.R. No. 1309366

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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.

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C.R. No. 1309366

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on other legal and regulatory requirements

We report that the financial statements of the Company as at and for the year ended 31 December 2016, in all material respects, comply with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of Commercial Companies Law of 1974, as amended.

23 February 2017

KPMG

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C.R. No. 1309366

Statement of financial position at 31 December

	Notes	2016 RO	2015 RO
Assets			
Cash and cash equivalents	5	**1,281,185**	1,513,483
Bank deposits	6	**41,303,194**	36,793,049
Premiums and insurance balances receivable	7	**7,113,464**	8,891,179
Reinsurer's share of outstanding claims	20	**1,910,224**	2,156,077
Other receivables and prepayments	8	**3,957,100**	4,955,893
Investments at fair value through profit or loss	9	**35,864**	31,333
Available-for-sale investments	9	**71,429**	71,429
Held-to-maturity investments		**87,419**	-
Property, plant and equipment	11	**401,486**	423,890
Deferred tax asset	23	**69,659**	56,433
Goodwill	12	**15,448,529**	15,448,529
Total assets		**71,679,553**	70,341,295
Equity and liabilities			
Capital and reserves			
Share capital	13	**10,000,000**	10,000,000
Special reserve	13	**11,784,883**	11,784,883
Legal reserve	14	**3,909,423**	3,909,423
Contingency reserve	15	**9,528,286**	8,058,697
Revaluation reserve	16	**116,752**	117,470
Retained earnings		**622,669**	823,953
Total equity		**35,962,013**	34,694,426
Liabilities			
Liabilities arising from insurance contracts:			
Unearned premium reserve	17	**10,350,738**	12,295,265
Gross outstanding claims	20	**16,597,431**	15,576,234
		26,948,169	27,871,499
Reinsurance balances payable		**2,619,377**	2,848,030
Other liabilities and accruals	18	**4,432,569**	3,493,527
Income tax payable	23	**1,717,425**	1,433,813
Total liabilities		**35,717,540**	35,646,869
Total equity and liabilities		**71,679,553**	70,341,295

These financial statements were approved and authorized for issue by Board of Directors on 23 February 2017.

Anwar Ali Sultan
Director

Lloyd East
Director

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Notes	2016 RO	2015 RO
Insurance premium revenue	19	**28,430,113**	32,047,276
Insurance premium ceded to reinsurers	19	**(4,221,528)**	(4,993,320)
Net insurance premium revenue	19	**24,208,585**	27,053,956
Commissions received on ceded reinsurance		**735,046**	856,248
Claims	20	**(15,568,539)**	(19,417,094)
Reinsurers' share of claims	20	**673,606**	1,717,808
Deferred acquisition cost		**(226,946)**	7,615
Commissions paid		**(2,392,115)**	(2,723,509)
Net underwriting result		**7,429,637**	7,495,024
General and administrative expenses	22	**(6,044,510)**	(5,959,333)
Investment income (net)	21	**1,216,785**	863,834
Other income – net		**15,675**	2,611
Profit before taxation		**2,617,587**	2,402,136
Income tax	23	**(550,000)**	(325,000)
Net profit and other comprehensive income for the year		**2,067,587**	2,077,136

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of changes in equity

for the year ended 31 December 2016

	Share capital RO	Special reserve RO	Legal reserve RO	Contingency reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
Balance at 1 January 2015	10,000,000	11,784,883	3,909,423	6,716,682	118,188	1,688,114	34,217,290
Dividend paid	-	-	-	-	-	(1,600,000)	(1,600,000)
Release of revaluation reserve	-	-	-	-	(718)	718	-
Transfer to contingency reserve	-	-	-	1,342,015	-	(1,342,015)	-
Profit for the year	-	-	-	-	-	2,077,136	2,077,136
Balance at 31 December 2015	10,000,000	11,784,883	3,909,423	8,058,697	117,470	823,953	34,694,426
Balance at 1 January 2016	**10,000,000**	**11,784,883**	**3,909,423**	**8,058,697**	**117,470**	**823,953**	**34,694,426**
Dividend paid	-	-	-	-	-	**(800,000)**	**(800,000)**
Release of revaluation reserve	-	-	-	-	**(718)**	**718**	-
Transfer to contingency reserve	-	-	-	**1,469,589**	-	**(1,469,589)**	-
Profit for the year	-	-	-	-	-	**2,067,587**	**2,067,587**
Balance at 31 December 2016	**10,000,000**	**11,784,883**	**3,909,423**	**9,528,286**	**116,752**	**622,669**	**35,962,013**

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Statement of cash flow

for the year ended 31 December 2016

	Notes	2016 RO	2015 RO
Cash flows from operating activities			
Profit before taxation		**2,617,587**	2,402,136
Adjustments for:			
Investment income (net)		**(1,216,785)**	(867,797)
Movement in unearned premium reserve		**(1,944,527)**	(378,147)
Deferred acquisition cost		**226,946**	(7,615)
Allowance for impaired debts		**100,000**	110,000
Depreciation on property and equipment	11	**139,921**	123,467
Provision for end of service benefits	18	**83,347**	105,433
Gain on sale of premises and equipment		**(977)**	-
Cash flows before changes in operating assets and liabilities:		**5,512**	1,487,477
Premiums and insurance balances receivable		**1,677,715**	463,549
Reinsurer's share of outstanding claims		**245,853**	5,282,732
Other receivables and prepayments		**1,271,900**	(41,131)
Gross outstanding claims		**1,021,197**	(4,417,529)
Reinsurance balances payable		**(228,653)**	(481,225)
Other liabilities and accruals		**946,508**	(630,057)
Cash generated from operations		**4,940,032**	1,663,816
Income tax paid		**(279,613)**	(173,813)
End of service benefits paid	18	**(90,813)**	(38,692)
Net cash from operating activities		**4,569,606**	1,451,311
Cash flows from investing activities			
Purchase of premises and equipment	11	**(117,518)**	(162,195)
Proceed from disposal of premises and equipment		**977**	-
Redemption / (placement) in bank deposits (net)		**(4,510,145)**	345,114
Sale / (purchase) of investments		**(87,419)**	(10,308)
Interest received		**709,424**	537,365
Other income		**2,777**	34,517
Net cash from/ (used in) investing activities		**(4,001,904)**	855,113
Financing Activities			
Dividend paid		**(800,000)**	(1,600,000)
Net cash used in financing activities		**(800,000)**	(1,600,000)
Net change in cash and cash equivalents		**(232,298)**	706,424
Cash and cash equivalents at the beginning of the year		**1,513,483**	807,059
Cash and cash equivalents at the end of the year		**1,281,185**	1,513,483

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set forth earlier.

Notes to the financial statements

for the year ended 31 December 2016

1. General

Al Ahlia Insurance Company SAOC (the "Company") is an Omani closed joint stock company registered and incorporated in the Sultanate of Oman. The Company operates in Oman and writes short term insurance contracts covering general risks. The address of its registered office is PO Box 889, Postal Code 100 Muscat, Sultanate of Oman.

The Company is a Subsidiary of Royal & Sun Alliance Insurance (Middle East) BSc (c), whose registered address is Flat No - 81, Building No - 198, Road No - 2803, Block No – 428,P O Box 11871, Manama, Kingdom of Bahrain. The ultimate parent company is RSA PLC registered in UK.

The Company commenced its commercial operations on 1 July 2004 by acquiring the general insurance businesses of the Muscat branch of Royal & Sun Alliance Insurance Plc (Middle East) EC and W J Towell & Co. LLC, both related parties. On 30 April 2010, the Company acquired 99.99% of the issued and fully paid share capital of formerly Al Ahlia Insurance Company SAOC. With effect from 17 January 2011, the formerly Al Ahlia Insurance Company SAOC has been merged in to the Company.

As per Royal Decree 39/2014 dated 17th August 2014, all insurance Companies registered under Commercial Companies Law shall be a Public Joint Stock Company and the paid up capital shall be not less than RO 10 million within 3 years from the date of the Royal Decree. The Company's existing paid up capital is RO 10 million and the Company has initiated a process to become a Public Joint Stock Company through an IPO in the Muscat Securities Market.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2016, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for year beginning on 1 January 2016.

2.1 Standards, Amendments and interpretations that are not yet effective and have not been early adopted by the Company

IFRS 9 Financial Instruments, which deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 15 - Revenue from contracts with Customers (effective on or after 1 January 2018) - IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 16 Leases. Standard provides a single lease accounting model under which it recognises all major leases on balance sheet. The requirement of this standard might represent a significant change from existing requirements in IAS 17 in respect of leases recognition. The standard is effective from annual periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 is also adopted.

Management is in process of assessing the impact of these standards on the financial statements of the Company.

3. Summary of significant accounting policies

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, applicable requirements of the Commercial Companies Law of 1974 as amended, and disclosure requirements of the Capital Market Authority.

Basis of preparation

These financial statements are presented in Rial Omani (RO) since that is the currency in which the majority of the transactions are denominated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value and land and buildings which are valued at revalued amount.

The accounting policies have been consistently applied in dealing with items that are considered material in relation to the Company's financial statements for all the years presented.

Business combination

Acquisition of business is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All significant intercompany transactions and balances are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of insurance business acquired as of the date of acquisition. The cost of acquisition is the amount of cash paid and the fair value of other purchase consideration. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Also refer note 4 (f).

3. Summary of significant accounting policies (continued)

Intangible assets

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expenses on intangible assets are recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that have a maturity of more than three months from the date of acquisition are excluded from cash and cash equivalents.

Premiums and insurance balances receivable

Premiums and insurance balances receivable are carried at estimated realizable value. An estimate is made for impaired debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Investment securities

The Company classifies its investments upon initial recognition into the following categories:

- Investments at fair value through profit or loss
- Held-to-maturity investments
- Available-for-sale investments

Investments at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.
- A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition.

Notes to the financial statements

for the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

Held-to-maturity investments

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities and which the Company has the intention and ability to hold to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. After initial measurement, held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'investment income' in the statement of profit or loss.

Available-for-sale (AFS) investments

Listed shares held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market and whose fair value cannot be reliably measured, but that are also classified as AFS investments and stated at cost less accumulated impairment. Fair value is determined in the manner described in note 29. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Derecognition of financial instruments

The derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Property, plant and equipment

Property and equipment other than land and building, are stated at cost less accumulated depreciation and any impairment in carrying value. Land and building are initially recorded at cost and subsequently measured at fair value.

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

When an asset is fair value, any increase in the carrying amount arising on revaluation is credited directly to other comprehensive income under the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, in which case the increase is credited to profit or loss to the extent of decrease previously expensed. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited to the retained earnings.

Depreciation is provided on a straight-line basis on all premises and equipment, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives of the assets as follows:

Building	over 40 years
Motor vehicles	over 3 years
Furniture and equipment	over 3-4 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

For revalued assets, any surplus arising on revaluation is recognised in other comprehensive income except that the surplus reverses a previous revaluation deficit on the same asset recognized in profit or loss, in which case the credit to that extent is recognized in profit or loss. Any deficit on revaluation is recognized in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case debit to that extent is recognized in other comprehensive income. Incremental depreciation on revaluation surplus is transferred to retained earnings on annual basis.

Impairment and uncollectibility

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or company of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the profit or loss. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value; less any impairment loss previously recognized in the profit or loss;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

c) For assets carried at amortized cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Notes to the financial statements

for the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

Non-financial assets

At each reporting date, the Company assesses if there is any indication of impairment of non-financial assets other than goodwill. If an indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss in the profit or loss. The Company 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 or reversals are recognized immediately in the profit or loss. Any impairment loss recognized for goodwill is not reversed in a subsequent period.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to profit or loss as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provision for reported claims not paid as at the reporting date is made on the basis of individual case estimates. In addition, a provision based on 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 in the following year is included in the underwriting account for that year.

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 profit or loss and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

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.

Amounts due to reinsurers are estimated in a manner consistent with the related reinsured policies and in accordance with the reinsurance contract.

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 claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "Premiums and insurance balances receivable". Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

3. Summary of significant accounting policies (continued)

End of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period.

With respect to its national employees, the Company makes contributions to the Omani Public Authority for Social Insurance under Royal Decree No. 72/91 for Omani employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Other liabilities

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Fair values

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Premiums earned

Net premiums, after deducting policy acquisition costs, are recognised as revenue. Premiums are taken into income over the term of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the profit or loss in order that revenue is recognised over the period of risk.

Unearned premium are those premiums written in a year that relate to period of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent period is deffered as a provision for unearned premium. An additional provision is created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Companies Law of 1979 calculated at 45% of the net retained premiums for the year for all classes of business in the general insurance business.

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Deferred acquisition costs is calculated as a percentage of unearned premium reserve, includes an element of commission and is recognised as a portion of premium earned.

Commissions earned and paid

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

Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Notes to the financial statements

for the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

Dividend income

Dividends on investments are recognized in profit or loss when the Company's right to receive the dividends is established.

Income tax

Taxation is provided for in accordance with Omani tax regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated at the rate of exchange ruling at that date. All exchange differences arising are taken to the profit or loss.

4. Critical accounting judgment and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of available-for-sale investments

The Company determines whether available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

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

Key sources of estimation uncertainty

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

(a) Insurance claims

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The 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 required are made to the provision. Adequacy of the claims estimates on an overall basis is also assessed by an independent actuary and adjustments if required are recorded in the underwriting account. General insurance claims provisions are not discounted for the time value of money.

Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

(b) 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 recognised in profit or loss and an unexpired risk provision created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months of the reporting date.

(c) Useful lives of premises and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

(d) Allowance for impaired debts

Allowance for impaired debts is based on management's best estimates of recoverability of the amounts due and the number of days for which such debts are due.

(e) Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which it relates to. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Notes to the financial statements
for the year ended 31 December 2016

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

Key sources of estimation uncertainty (continued)

(f) Impairment of goodwill

The Company determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise the following:

	2016	2015
	RO	RO
Cash and bank	**1,281,185**	1,513,483

Bank balances amounting to RO 22,389 (2015 – RO 36,075), RO 75 (2015- RO 179) and RO 222,703 (2015 - RO 390,174) are denominated in UAE Dirham's, Pound Sterling and US Dollars respectively.

6. Bank deposits

Bank deposits with a maturity of greater than three months from the value date of deposits	**41,303,194**	36,793,049

The deposits are held with commercial banks in Oman and carry annual interest rates ranging from 1.20% to 4.50% (2015- 0.85% to 4.25%).

At the reporting date, the Company does not hold any bank deposits denominated in foreign currency (2015 – Nil).

7. Premiums and insurance balances receivable

Customers	**2,185,439**	3,410,241
Agents and brokers	**5,181,877**	5,252,239
Reinsurance balances receivable	**386,169**	785,805
	7,753,485	9,448,285
Less: allowance for impaired debts	**(640,021)**	(557,106)
	7,113,464	8,891,179

Customers and reinsurance balance receivable include balances from the related parties amounting to RO 88,676 (2015 - RO 48,191) (Note 24).

Movements in allowance for impaired debts were as follows:

At 1 January	**557,106**	499,995
Charge during the year	**100,000**	110,000
Written off during the year	**(17,085)**	(52,889)
At 31 December	**640,021**	557,106

8. Other receivables and prepayments

	2016	2015
	RO	RO
Accrued interest	2,437,667	1,937,615
Receivable from related parties (Note 24)	-	1,423,126
Prepaid expenses	87,568	81,143
Deferred acquisition costs	1,036,158	1,263,103
Sundry receivables	395,707	250,906
	3,957,100	4,955,893

Deferred acquisition costs pertain to deferrable direct and indirect costs incurred in renewing and acquiring new insurance contracts during the financial period.

9. Investment securities

Investments at fair value through profit or loss	35,864	31,333
Available-for-sale investments	71,429	71,429
Held to maturity investments	87,419	-
	194,712	102,762

9(a) Investments

	Fair value 2016 RO	Cost 2016 RO	Fair Value 2015 RO	Cost 2015 RO
Quoted*				
Banking	35,864	31,333	31,333	21,639
Investments at fair value through profit or loss	35,864	31,333	31,333	21,639
Unquoted - services	71,429	71,429	71,429	71,429
Available for sale investments	71,429	71,429	71,429	71,429

* includes Bank Muscat bonds

	Effective interest rate %	2016 RO	2015 RO
Government Development Bonds	5.21	87,419	-
Held-to-maturity investments		87,419	-

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for the year ended 31 December 2016

9(a) Investments (continued)

9(b) Details of the Company's investments in securities and bonds are set out below:

31 December 2016	% of overall Portfolio	Number of securities	Fair value RO	Cost RO
Bank Muscat Bonds 4.5%	**33%**	**102,039**	**11,735**	**10,819**
Bank Muscat Bonds 4.5%	**40%**	**30,278**	**14,231**	**10,820**
Bank Muscat Bonds 3.5%*	**28%**	**102,039**	**9,898**	**–**
			35,864	**21,639**
31 December 2015				
Bank Muscat Bonds 4.5%	35%	102,039	10,819	10,819
Bank Muscat Bonds 4.5%	35%	102,039	10,820	10,820
Bank Muscat Bonds 3.5%*	30%	102,039	9,694	–
			31,333	21,639

* Represents bonus bonds received from Bank Muscat.

9(c) At the reporting date, details of the Company's investment holdings representing 10% or more of the investees' share capital are set out below:

	% of investees' share capital	Number of securities	Fair value	Cost
31 December 2016			**RO**	**RO**
Orange Card Company SAOC	**14.28**	**71,429**	**71,429**	**71,429**
31 December 2015				
Orange Card Company SAOC	14.28	71,429	71,429	71,429

10. Restriction 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 and investments included in the statement of financial position at a total value of RO 35,103,195 (2015: RO 34,736,061). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

The Company has provided a bank guarantee to the Capital Market Authority of RO 150,000 (2015: RO 300,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 25).

11. Property, Plant and Equipment

	Land and Building RO	Motor vehicles RO	Furniture and equipment RO	Total RO
Cost / valuation				
At 1 January 2015	198,713	128,789	1,727,057	2,054,559
Additions	–	–	162,195	162,195
Disposal	–	–	(78,886)	(78,886)
At 1 January 2016	**198,713**	**128,789**	**1,810,366**	**2,137,868**
Additions	**–**	**–**	**117,518**	**117,518**
Disposal	**–**	**(1,531)**	**–**	**(1,531)**
At 31 December 2016	**198,713**	**127,258**	**1,927,884**	**2,253,855**
Depreciation				
At 1 January 2015	3,522	128,789	1,537,086	1,669,397
Charge for the year	718	–	122,749	123,467
Disposal	–	–	(78,886)	(78,886)
At 31 December 2015	**4,240**	**128,789**	**1,580,949**	**1,713,978**
At 1 January 2016	**4,240**	**128,789**	**1,580,949**	**1,713,978**
Charge for the year	**718**	**–**	**139,203**	**139,921**
Disposal	**–**	**(1,531)**	**–**	**(1,531)**
At 31 December 2016	**4,958**	**127,258**	**1,720,152**	**1,852,368**
Carrying value				
At 31 December 2016	**193,755**	**–**	**207,732**	**401,486**
At 31 December 2015	194,473	–	229,417	423,890

On 31 December 2016, In accordance with the Company's policy, land and buildings were re-valued at their open market value for existing use by a professional value. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount and the net amount restated to the revalued amount of the asset. If land and building had been carried at cost less depreciation, the carrying amount would have been RO 60,852 (2015 – RO 61,570).

12. Goodwill

Goodwill arising on acquisition

Goodwill represents amount arising on acquisition of formerly Al Ahlia Insurance Company SAOC on 30 April, 2010. With effect from 17 January, 2011 the formerly Al Ahlia Insurance Company SAOC has been merged into the Company.

	RO
Consideration transferred	**20,614,225**
Less: fair value of identifiable net assets acquired	**(5,165,696)**
Goodwill	**15,448,529**

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Impairment testing

At the end of the reporting period, the Company assessed the recoverable amount of goodwill, using key assumptions including 4.5% (2015- 6%) terminal growth rate, cost of capital of 10.35% (2015- 9.5%) and determined that goodwill was not impaired. The impairment test, amongst others, is significantly dependent on the cost of capital and achievement of projected results.

Had the discount rate increased up to 10.85% and terminal growth rate been reduced to 4.75%, all other assumptions remaining unchanged, an impairment provision would have been required.

13. Share capital

	2016	2015
	RO	RO
Authorised – ordinary shares of RO 1 each	**10,000,000**	10,000,000
Issued and paid up – ordinary shares of RO 1 each	**10,000,000**	10,000,000

Shareholders

The following shareholders of the Company own 10% or more of the Company's share capital:

	2016		2015	
	No of shares	**%**	No of shares	%
Royal & Sun Alliance Insurance (Middle East) BSc (c)	**7,000,000**	**70.00**	7,000,000	70.00
OMINVEST	**2,003,091**	**20.03**	2,003,091	20.03
	9,003,091	**90.03**	9,003,091	90.03

In 2013 a capital restructure program was executed where in the share capital was reduced from RO 22.569 million to RO 10 million by way of RO 1.569 million payback to the shareholders at RO 2 per share and creation of special reserve of RO 11.784 million.

14. Legal reserve

As required by the Commercial Companies Law of Oman, 10% of the profit for the year is required to be transferred to legal reserve until such time as the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution. The reserve is currently 39% of share capital hence no transfer required for current year.

15 Contingency reserve

In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business at the reporting date is transferred from retained earnings to contingency reserve. Whereas 1% of the life assurance premiums in case of the life assurance business is transferred from retained earnings to contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital or RO 5 Million for foreign companies. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

16. Revaluation reserve

This represents the reserve as a result of revaluation of land and building (Note 11).

17. Unearned premium reserve

	2016	2015
	RO	RO
Unearned premiums:		
Gross	**11,876,877**	13,913,927
Reinsurers' share	**(1,526,139)**	(1,618,662)
	10,350,738	12,295,265
Movement during the year :		
At 1 January	**12,295,265**	12,673,412
Movement in statement of profit or loss	**(1,944,527)**	(378,147)
At 31 December	**10,350,738**	12,295,265

18. Other liabilities and accruals

	2016	2015
Due to related parties (Note 24)	**810,722**	47,383
Other payables	**1,660,085**	1,661,246
Accrued expenses	**955,389**	821,451
Provision for end of service benefits	**404,606**	412,072
Accounts payable	**601,767**	551,375
	4,432,569	3,493,527

Movements in the related liability for end of service benefits recognised in the statement of financial position are as follows:

	2016	2015
At 1 January	**412,072**	345,331
Accrued during the year	**83,347**	105,433
Paid during the year	**(90,813)**	(38,692)
At 31 December	**404,606**	412,072

19. Net insurance premium revenue

	2016	2015
Gross written premiums	**26,393,063**	30,919,837
Movement in unearned premiums	**2,037,050**	1,127,439
Insurance premium revenue	**28,430,113**	32,047,276
Reinsurance premiums ceded	**(4,129,005)**	(4,244,028)
Movement in unearned premiums	**(92,523)**	(749,292)
Insurance premium ceded to reinsurers	**(4,221,528)**	(4,993,320)
Net insurance premium revenue	**24,208,585**	27,053,956

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for the year ended 31 December 2016

20. Claims

The amount in the provision for outstanding claims, and the related reinsurer's share is as follows:

	2016		
	Gross	Reinsurers' Share	Net
	RO	RO	RO
At 1 January			
Claims incurred including IBNR	**15,576,234**	**(2,156,077)**	**13,420,157**
Add: claims provided during the year	**15,568,539**	**(673,606)**	**14,894,933**
	31,144,773	**(2,829,683)**	**28,315,090**
Less : insurance claims paid during the year	**(14,547,342)**	**919,459**	**(13,627,883)**
At 31 December	**16,597,431**	**(1,910,224)**	**14,687,207**
	2015		
At 1 January			
Claims incurred including IBNR	19,993,763	(7,438,809)	12,554,954
Add: claims provided during the year	19,417,094	(1,717,808)	17,699,286
	39,410,857	(9,156,617)	30,254,240
Less : insurance claims paid during the year	(23,834,623)	7,000,540	(16,834,083)
At 31 December	15,576,234	(2,156,077)	13,420,157

Claims include claims related to related parties amounting to RO 2,499,867 (2015 – RO 1,228,677).

Majority of the claims are expected to be paid within twelve months of the reporting date. The amounts due from reinsurers are contractually due within a maximum period of three months from the date of payment of the claims. Outstanding claims payable to related parties are disclosed in Note 24.

21. Investment income (net)

	2016	2015
	RO	RO
Interest income	**1,211,169**	941,690
Net change in fair value of investments	**4,531**	-
Loss on disposal	**-**	(116,282)
Dividend income	**1,085**	38,426
	1,216,785	863,834

22. General and administrative expenses

	2016	2015
	RO	RO
Staff costs	3,676,963	3,746,013
Depreciation (Note 11)	139,921	123,467
Central support expense	450,000	309,004
Rent	313,563	305,088
Telephone	95,450	107,697
IT expenses	522,880	477,611
Travel expenses	51,524	52,058
Other expenses	794,209	838,395
	6,044,510	5,959,333

23. Income tax

Statement of comprehensive income:		
Current tax	355,686	308,252
Prior year's tax	207,540	21,012
Deferred tax	(13,226)	(4,264)
	550,000	325,000
Current liability:		
Current year	355,686	308,252
Prior years	1,361,739	1,125,561
	1,717,425	1,433,813
Deferred tax asset		
At 1 January	56,433	52,169
Movement for the year	13,226	4,264
At 31 December	69,659	56,433

The deferred tax asset comprises the following types of temporary differences:

Taxable timing difference on premises and equipment qualifying for accelerated tax relief	30,211	27,427
Deductible timing difference on provisions	39,448	29,006
At 31 December	69,659	56,433

The tax rate applicable to the Company is 12% (2015 - 12%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 21.01% (2015 – 13.5%).

Notes to the financial statements

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23. Income tax (continued)

Set out below is reconciliation of income tax calculated on accounting profits with income tax expense for the year:

	2016	2015
	RO	RO
Profit before income tax	**2,617,587**	2,402,136
Less: statutory deduction	**(30,000)**	(30,000)
Tax calculated at the statutory income tax rate of 12%	**310,510**	284,656
Tax effect of:		
Income / gains not taxable	**(16,070)**	(28,363)
Prior year's tax	**207,540**	21,012
Expenses not deductible in taxable profit	**48,020**	47,695
Income tax expense	**550,000**	325,000

Status of tax assessment

Assessments of the Company and the formerly Al Ahlia Insurance Company SAOC in respect of tax years 2011 to 2015 have not been completed by the tax department. Management believes that tax assessed, if any, in respect of the unassessed tax years would not be material to the financial position of the Company at 31 December 2016.

24. Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains significant balances with these related parties which arise in the normal course of business from commercial transactions and are at mutually agreed terms and conditions.

Balances with related parties included in the statement of financial position are as follows:

31 December 2016

	Other receivables	Premiums and insurance receivable	Re-insurance balances payable	Outstanding claims payable	Other Payables
	RO	RO	RO	RO	RO
Major shareholders	-	39,752	1,288,404	-	810,722
Other related parties	-	48,924	209,281	2,226,823	-
	-	88,676	1,497,685	2,226,823	810,722

31 December 2015

	Other receivables	Premiums and insurance receivable	Re-insurance balances payable	Outstanding claims payable	Other Payables
Major shareholders	1,423,126	-	1,343,232	-	47,383
Other related parties	-	48,191	149,653	689,867	-
	1,423,126	48,191	1,492,885	689,867	47,383

24. Related party transactions (continued)

Transactions with related parties included in the statement of comprehensive income are as follows:

31 December 2016

	Premiums Written	Commission paid	Gross Incurred Claims	Technical service fees
	RO	RO	RO	RO
Major shareholders	-	-	-	**450,000**
Other related parties	**1,602,257**	**170,841**	**2,499,867**	-
	1,602,257	**170,841**	**2,499,867**	**450,000**

31 December 2015

	Premiums Written	Commission paid	Gross Incurred Claims	Technical service fees
Major shareholders	-	-	-	309,004
Other related parties	1,917,576	197,558	1,228,677	-
	1,917,576	197,558	1,228,677	309,004

Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2016	2015
	RO	RO
Short-term benefits	**419,456**	476,313
Employees' end of service benefits	**23,054**	22,046
	442,510	498,359

25. Contingent liabilities

Contingencies

The Company's bankers have provided financial guarantees to third parties on behalf of the Company amounting to RO 48,650 (2015 - RO 71,476).

The Company has provided a bank guarantee to the Capital Market Authority of RO 150,000 (2015 - RO 300,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 10).

Legal claims

The Company, in the normal course of business is subject to litigations and law suits. The Company, based on an independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

26. Segmental information

The Company operates in the insurance industry. The Company's operating revenues arise primarily from insurance activities which are based in the Sultanate of Oman.

27. Risk management

Governance framework

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

Reinsurance risk

In common with other insurance companies, in order 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, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of 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 Company's maximum theoretical credit risk exposure at the reporting date in this connection is RO 1,910,224 (2015 - RO 2,156,077).

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's bank deposits carry fixed rate of interest and therefore, are not exposed to interest rate risk.

Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and accident and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

27. Risk management (continued)

Fire-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.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for owner / drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

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.

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.

The insurance risk arising from insurance contracts is not concentrated in any of the countries in which the Company operates.

Medical

-Medical insurance is sold as a group policy primarily to employers to cover the risk of employees' medical expenses in house or outpatient as per the terms of their respective agreements.

Group life

For group life, the insurance risks are group protection primarily sold to the employees covering the lives of the employees.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Considering the fact that the Omani Rial is effectively pegged to US Dollar, the Company is not exposed to any material currency risk.

Equity and bond price risk

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

100% (2015: 100%) of the Company's investments at the reporting date are within the Sultanate of Oman.

27. Risk management (continued)

Equity and bond price risk (continued)

A 10% increase/decrease in the fair value of quoted investments at fair value through profit or loss will result in an increase/decrease in profits of RO 3,586 (2015: RO 3,133)

Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties.
- The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Premium and insurance balances receivable comprise a large number of customers mainly within Sultanate of Oman.
- The Company's bank balances and bank deposits are maintained with a range of international and local banks in accordance with limits, based on their credit standing, set by the board of directors.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The following tables explain the credit position of the Company.

31 December 2016

	Neither past due nor impaired RO	Past due but not impaired RO	Impaired RO	Total RO
Premium and insurance balance Receivable	**3,903,320**	**3,210,144**	**640,021**	**7,753,485**
Reinsurers' share of outstanding Claims	**1,910,224**	**-**	**-**	**1,910,224**
Investments in local bonds	**123,283**	**-**	**-**	**123,283**
Available for sale investments	**71,429**	**-**	**-**	**71,429**
Bank balances	**1,276,490**	**-**	**-**	**1,276,490**
Bank deposits	**41,303,194**	**-**	**-**	**41,303,194**
Other receivables	**2,833,374**	**-**	**-**	**2,833,374**
Total	**51,421,314**	**3,210,144**	**640,021**	**55,271,479**

31 December 2015

Premium and insurance balance receivable	5,543,174	3,348,005	557,106	9,448,285
Reinsurers' share of outstanding claims	2,156,077	-	-	2,156,077
Investments in local bonds	31,333	-	-	31,333
Available for sale investments	71,429	-	-	71,429
Bank balances	1,508,888	-	-	1,508,888
Bank deposits	36,793,049	-	-	36,793,049
Other receivables	3,611,646	-	-	3,611,646
Total	49,715,596	3,348,005	557,106	53,620,707

The Company has made full provision towards its impaired receivable balances.

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

	Past due but not impaired						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	> 12 months	Total	Past due and impaired
31 Dec 16	**1,830,398**	**704,801**	**341,175**	**327,702**	**6,068**	**3,210,144**	**640,021**
31 Dec 15	2,046,538	955,403	181,970	163,117	977	3,348,005	557,106

27. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The majority of time deposits held by the Company at the reporting dates had original maturity periods not exceeding twelve months. The table below summaries the maturity of assets and liabilities of the Company based on remaining undiscounted contractual obligations. As the Company does not have any interest bearing liabilities, the totals in the table match the statement of financial position.

	31 December 2016			31 December 2015		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
	RO	**RO**	**RO**	RO	RO	RO
ASSETS						
Bank deposits*	**11,586,284**	**29,716,910**	**41,303,194**	8,074,204	28,718,845	36,793,049
Premiums and insurance balances receivable	**7,113,464**	**-**	**7,113,464**	8,891,179	-	8,891,179
Reinsurers' share of outstanding claims	**1,910,224**	**-**	**1,910,224**	2,156,077	-	2,156,077
Investments at fair value through profit or loss	**35,864**	**-**	**35,864**	31,333	-	31,333
Available-for-sale investments	**71,429**	**-**	**71,429**	71,429	-	71,429
Held-to-maturity investments	**87,419**	**-**	**87,419**	-	-	-
Other receivables	**2,833,374**	**-**	**2,833,374**	3,611,646	-	3,611,646
Cash and cash equivalents	**1,281,185**	**-**	**1,281,185**	1,513,483	-	1,513,483
TOTAL ASSETS	**24,919,243**	**29,716,910**	**54,636,153**	24,349,351	28,718,845	53,068,196
LIABILITIES						
Liabilities arising from insurance contracts						
gross outstanding claims	**16,597,431**	**-**	**16,597,431**	15,576,234	-	15,576,234
Reinsurance balances payable	**2,619,377**	**-**	**2,619,377**	2,848,030	-	2,848,030
Other liabilities and accruals	**4,027,963**	**-**	**4,027,963**	3,081,455	-	3,081,455
TOTAL LIABILITIES	**23,244,771**	**-**	**23,244,771**	21,505,719	-	21,505,719

* Bank deposits have been classified based on maturity date but can be liquidated within 3 days subject to necessary approvals

28. Capital management

Capital management framework

Regulatory framework

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

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

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

29. Fair values of financial instruments

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.

Management believes that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

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

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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29. Fair values of financial instruments (continued)

31 December 2016

	Level 1	Level 3	Total
	RO	RO	RO
Financial assets at FVTPL			
Quoted local	**35,864**	**-**	**35,864**
Financial assets at HTM			
Quoted local	**88,500**	**-**	**88,500**
Available-for-sale financial assets			
Unquoted equities	**-**	**71,429**	**71,429**
Total	**124,364**	**71,429**	**195,793**
31 December 2015			
Financial assets at FVTPL			
Quoted local	31,333	-	31,333
Available-for-sale financial assets			
Unquoted equities	-	71,429	71,429
Total	31,333	71,429	102,762

There were no Level 2 investments. There were no transfers between Level 1 and 3 during the year.

30. Proposed dividend

The Board of Directors at the meeting held on XX February 2017 proposed a cash dividend of 0.06 Baizas per share, for the year 2016 (2015: 0.08 Baizas per share). A resolution to approve the dividend will be presented to the shareholders at the Annual General Meeting.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting held on 23 February 2017..

AL AHLIA INSURANCE COMPANY SAOC

Financial statements
for the period ended 31 March 2017

Registered address:

P.O.Box 889
Ruwi PC 100
Sultanate of Oman

Al Ahlia Insurance Company SAOG
(Under Transformation)

Report and financial statements
for the period ended 31 March 2017

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Statement of financial position

at 31 March

	Notes	Q1 2017 (Unaudited) RO	2016 (Audited) RO	Q1 2016 (Unaudited) RO
Assets				
Cash and cash equivalents	5	**1,216,860**	1,281,185	1,301,364
Bank deposits	6	**40,353,194**	41,303,194	38,258,431
Premiums and insurance balances receivable	7	**7,983,765**	7,113,464	9,576,918
Reinsurer's share of outstanding claims	20	**1,929,101**	1,910,224	2,185,342
Other receivables and prepayments	8	**4,599,086**	3,957,100	3,922,602
Investments at fair value through PL	9	**33,168**	35,864	31,333
Available-for-sale investments	9	**71,429**	71,429	71,429
Held-to-maturity investments		**627,157**	87,419	-
Property, plant and equipment	11	**378,654**	401,486	402,684
Deferred tax asset	23	**69,659**	69,659	56,433
Goodwill	12	**15,448,529**	15,448,529	15,448,529
Total assets		**72,710,602**	71,679,553	71,255,065
Equity and liabilities				
Capital and reserves				
Share capital	13	**10,000,000**	10,000,000	10,000,000
Special reserve	13	**11,784,883**	11,784,883	11,784,883
Legal reserve	14	**3,909,423**	3,909,423	3,909,423
Contingency reserve	15	**9,528,286**	9,528,286	8,058,697
Revaluation reserve	16	**116,752**	116,752	117,470
Retained earnings		**2,225,418**	622,669	897,274
Total equity		**37,564,762**	35,962,013	34,767,747
Liabilities				
Liabilities arising from insurance contracts				
Unearned premium reserve	17	**10,114,642**	10,350,738	12,022,000
Gross outstanding claims	20	**15,825,702**	16,597,431	16,155,987
		25,940,344	26,948,169	28,177,987
Reinsurance balances payable		**2,775,790**	2,619,377	2,147,146
Other liabilities and accruals	18	**4,567,130**	4,432,569	4,743,987
Income tax payable	23	**1,862,576**	1,717,425	1,418,198
Total liabilities		**35,145,840**	35,717,540	36,487,318
Total equity and liabilities		**72,710,602**	71,679,553	71,255,065

The accompanying notes form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

for the period ended 31 March

	Notes	Q1 2017 (Unaudited) RO	2016 (Audited) RO	Q1 2016 (Unaudited) RO
Insurance premium revenue	19	**8,078,357**	28,430,113	8,913,968
Insurance premium ceded to reinsurers	19	**(1,628,953)**	(4,221,528)	(2,080,445)
Net insurance premium revenue	19	**6,449,404**	24,208,585	6,833,523
Commissions received on ceded reinsurance		**193,283**	735,046	314,659
Claims	20	**(3,455,368)**	(15,568,539)	(4,398,264)
Reinsurers' share of claims	20	**252,587**	673,606	249,546
Deferred acquisition cost		**194,310**	(226,946)	136,000
Commissions paid		**(655,122)**	(2,392,115)	(825,665)
Net underwriting result		**2,979,094**	7,429,637	2,309,799
General and administrative expenses	22	**(1,465,371)**	(6,044,510)	(1,540,032)
Investment income (net)	21	**371,660**	1,216,785	254,038
Other income – net		**366**	15,675	(1,534)
Profit before taxation		**1,885,749**	2,617,587	1,022,271
Income tax	23	**(283,000)**	(550,000)	(148,950)
Profit and other comprehensive income for the year		**1,602,749**	2,067,587	873,321

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

for the period ended 31 March 2017

	Share capital	Special reserve	Legal reserve	Contingency reserve	Revaluation reserve	Retained earnings	Total
	RO	RO	RO	RO	RO	RO	RO
Balance at 1 January 2016	10,000,000	11,784,883	3,909,423	8,058,697	117,470	823,953	34,694,426
Dividend paid	–	–	–	–	–	(800,000)	(800,000)
Release of revaluation reserve	–	–	–	–	(718)	718	–
Transfer to contingency reserve	–	–	–	1,469,589	–	(1,469,589)	–
Profit for the year	–	–	–	–	–	2,067,587	2,067,587
Balance at 31 December 2016	10,000,000	11,784,883	3,909,423	9,528,286	116,752	622,669	35,962,013
Balance at 1 January 2017	**10,000,000**	**11,784,883**	**3,909,423**	**9,528,286**	**116,752**	**622,669**	**35,962,013**
Dividend paid	–	–	–	–	–	–	–
Release of revaluation reserve	–	–	–	–	–	–	–
Transfer to contingency reserve	–	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	**1,602,749**	**1,602,749**
Balance at 31 March 2017	**10,000,000**	**11,784,883**	**3,909,423**	**9,528,286**	**116,752**	**2,225,418**	**37,564,762**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

for the period ended 31 March

	Notes	Q1 2017	2016	Q1 2016
		RO	RO	RO
Cash flows from operating activities				
Profit before taxation		**1,885,749**	2,617,587	1,022,271
Adjustments for:				
Investment income (net)		**(371,660)**	(1,216,785)	(254,038)
Movement in unearned premium reserve		**(236,096)**	(1,944,527)	(273,265)
Deferred acquisition cost		**(194,310)**	226,946	(136,000)
Allowance for impaired debts		**15,000**	100,000	12,000
Depreciation on property and equipment	11	**32,525**	139,921	37,298
Provision for end of service benefits	18	**17,457**	83,347	19,019
Gain on sale of premises and equipment		**-**	(977)	-
Cash flows before changes in operating assets and liabilities:		**1,148,665**	5,512	427,285
Premiums and insurance balances receivable		**(885,301)**	1,677,715	(697,739)
Reinsurer's share of outstanding claims		**(18,877)**	245,853	(29,265)
Other receivables and prepayments		**(105,266)**	1,271,900	1,150,782
Gross outstanding claims		**(771,729)**	1,021,197	579,753
Reinsurance balances payable		**156,413**	(228,653)	(700,884)
Other liabilities and accruals		**143,022**	946,508	1,250,841
Cash generated from operations		**(333,073)**	4,940,032	1,980,773
Income tax paid		**(137,849)**	(279,613)	(164,565)
End of service benefits paid	18	**(25,918)**	(90,813)	(19,400)
Net cash from operating activities		**(496,840)**	4,569,606	1,796,808
Cash flows from investing activities				
Purchase of premises and equipment	11	**(9,694)**	(117,518)	(16,093)
Proceed from disposal of premises and equipment		**-**	977	-
Redemption / (placement) in bank deposits (net)		**950,000**	(4,510,145)	(1,465,382)
Sale / (purchase) of investments		**(539,738)**	(87,419)	-
Interest received		**31,947**	709,424	272,548
Other income		**-**	2,777	-
Net cash from/ (used in) investing activities		**432,515**	(4,001,904)	(1,208,927)
Financing Activities				
Dividend paid		**-**	(800,000)	(800,000)
Net cash used in financing activities		**-**	(800,000)	(800,000)
Net change in cash and cash equivalents		**(64,325)**	(232,298)	(212,119)
Cash and cash equivalents at the beginning of the year		**1,281,185**	1,513,483	1,513,483
Cash and cash equivalents at the end of the year		**1,216,860**	1,281,185	1,301,364

The accompanying notes form an integral part of these financial statements.

1. General

Al Ahlia Insurance Company SAOC (the "Company") is an Omani closed joint stock company registered and incorporated in the Sultanate of Oman. The Company operates in Oman and writes short term insurance contracts covering general risks. The address of its registered office is PO Box 889, Postal Code 100 Muscat, Sultanate of Oman.

The Company is a Subsidiary of Royal & Sun Alliance Insurance (Middle East) BSc (c), whose registered address is Flat No - 81, Building No - 198, Road No - 2803, Block No – 428,P O Box 11871, Manama, Kingdom of Bahrain. The ultimate parent company is RSA PLC registered in UK.

The Company commenced its commercial operations on 1 July 2004 by acquiring the general insurance businesses of the Muscat branch of Royal & Sun Alliance Insurance Plc (Middle East) EC and W J Towell & Co. LLC, both related parties. On 30 April 2010, the Company acquired 99.99% of the issued and fully paid share capital of formerly Al Ahlia Insurance Company SAOC. With effect from 17 January 2011, the formerly Al Ahlia Insurance Company SAOC has been merged in to the Company.

As per Royal Decree 39/2014 dated 17th August 2014, all insurance Companies registered under Commercial Companies Law shall be a Public Joint Stock Company and the paid up capital shall be not less than RO 10 million within 3 years from the date of the Royal Decree.

The Company's existing paid up capital is RO 10 million and the Company has initiated a process to become a Public Joint Stock Company through an IPO in the Muscat Securities Market.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2016, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for year beginning on 1 January 2016.

2.1 Standards, Amendments and interpretations that are not yet effective and have not been early adopted by the Company

IFRS 9 Financial Instruments, which deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 15 - Revenue from contracts with Customers (effective on or after 1 January 2018) - IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 16 Leases. Standard provides a single lease accounting model under which it recognises all major leases on balance sheet. The requirement of this standard might represent a significant change from existing requirements in IAS 17 in respect of leases recognition. The standard is effective from annual periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 is also adopted.

Management is in process of assessing the impact of these standards on the financial statements of the Company.

Notes to the financial statements

for the period ended 31 March 2017

3. Summary of significant accounting policies

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, applicable requirements of the Commercial Companies Law of 1974 as amended, and disclosure requirements of the Capital Market Authority.

Basis of preparation

These financial statements are presented in Rial Omani (RO) since that is the currency in which the majority of the transactions are denominated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit and loss and land and building.

The accounting policies have been consistently applied in dealing with items that are considered material in relation to the Company's financial statements for all the years presented.

Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All significant intercompany transactions and balances are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of insurance business acquired as of the date of acquisition. The cost of acquisition is the amount of cash paid and the fair value of other purchase consideration. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Also refer note 4 (f).

3. Summary of significant accounting policies (continued)

Intangible assets

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets 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 intangible assets are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expenses on intangible assets are recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that have an original maturity of more than three months from the date of acquisition are excluded from cash and cash equivalents.

Premiums and insurance balances receivable

Premiums and insurance balances receivable are measured at amortis ed cost and carried at estimated realizable value. An estimate is made for impaired debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Investment securities

The Company classifies its investments upon initial recognition into the following categories:

- Investments at fair value through profit or loss
- Held-to-maturity investments
- Available-for-sale investments

Investments at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.
- A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition.

3. Summary of significant accounting policies (continued)

Investment securities (continued)

Held-to-maturity investments

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities and which the Company has the intention and ability to hold to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. After initial measurement, held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'investment income' in the statement of profit or loss.

Available-for-sale (AFS) investments

Listed shares held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market and whose fair value cannot be reliably measured, but that are also classified as AFS investments and stated at cost less accumulated impairment. Fair value is determined in the manner described in note 29. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Derecognition of financial instruments

The derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Property, plant and equipment

Property and equipment other than land and building, are stated at cost less accumulated depreciation and any impairment in carrying value. Land and building are initially recorded at cost and subsequently measured at fair value.

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

When an asset is fair value, any increase in the carrying amount arising on revaluation is credited directly to other comprehensive income under the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, in which case the increase is credited to profit or loss to the extent of decrease previously expensed. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited to the retained earnings.

Depreciation is provided on a straight-line basis on all premises and equipment, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives of the assets as follows:

Building	over 40 years
Motor vehicles	over 3 years
Furniture and equipment	over 3-4 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

For revalued assets, any surplus arising on revaluation is recognised in other comprehensive income except that the surplus reverses a previous revaluation deficit on the same asset recognized in profit or loss, in which case the credit to that extent is recognized in profit or loss. Any deficit on revaluation is recognized in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case debit to that extent is recognized in other comprehensive income. Incremental depreciation on revaluation surplus is transferred to retained earnings on annual basis.

Impairment and uncollectibility

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or company of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the profit or loss. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value; less any impairment loss previously recognized in the profit or loss;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

c) For assets carried at amortized cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Notes to the financial statements

for the period ended 31 March 2017

3. Summary of significant accounting policies (continued)

Non-financial assets

At each reporting date, the Company assesses if there is any indication of impairment of non-financial assets other than goodwill. If an indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss in the profit or loss. The Company 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 or reversals are recognized immediately in the profit or loss. Any impairment loss recognized for goodwill is not reversed in a subsequent period.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to profit or loss as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provision for reported claims not paid as at the reporting date is made on the basis of individual case estimates. In addition, a provision based on 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 in the following year is included in the underwriting account for that year.

Liability adequacy test

At each reporting date, the Company assesses whether the 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 profit or loss and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

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.

Amounts due to reinsurers are estimated in a manner consistent with the related reinsured policies and in accordance with the reinsurance contract.

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 claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "Premiums and insurance balances receivable". Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

3. Summary of significant accounting policies (continued)

End of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period.

With respect to its national employees, the Company makes contributions to the Omani Public Authority for Social Insurance under Royal Decree No. 72/91 for Omani employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Other liabilities

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Fair values

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Premiums earned

Net premiums, after deducting policy acquisition costs, are recognised as revenue. Premiums are taken into income over the term of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the profit or loss in order that revenue is recognised over the period of risk.

Unearned premium are those premiums written in a year that relate to period of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent period is deffered as a provision for unearned premium. An additional provision is created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Companies Law of 1979 calculated at 45% of the net retained premiums for the year for all classes of business in the general insurance business.

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Deferred acquisition costs is calculated as a percentage of unearned premium reserve, includes an element of commission and is recognised as a portion of premium earned.

Commissions earned and paid

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

Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Notes to the financial statements

for the period ended 31 March 2017

3. Summary of significant accounting policies (continued)

Dividend income

Dividends on investments are recognized in profit or loss when the Company's right to receive the dividends is established.

Income tax

Taxation is provided for in accordance with Omani tax regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the

period when the asset is realised or the liability is settled, based on laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated at the rate of exchange ruling at that date. All exchange differences arising are taken to the profit or loss.

4. Critical accounting judgment and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of available-for-sale investments

The Company determines whether available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

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

Key sources of estimation uncertainty

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

(a) Insurance claims

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The 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 required are made to the provision. Adequacy of the claims estimates on an overall basis is also assessed by an independent actuary and adjustments if required are recorded in the underwriting account. General insurance claims provisions are not discounted for the time value of money.

Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

(b) 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 recognised in profit or loss and an unexpired risk provision created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months of the reporting date.

(c) Useful lives of premises and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

(d) Allowance for impaired debts

Allowance for impaired debts is based on management's best estimates of recoverability of the amounts due and the number of days for which such debts are due.

(e) Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which it relates to. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

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for the period ended 31 March 2017

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

Key sources of estimation uncertainty (continued)

(f) Impairment of goodwill

The Company determines whether goodwill is impaired on at least an annual basis. The recoverable amount of an asset or CGU (Cash generating unit) is the greater of its value in use and its fair value less cost to sell. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise the following:

	31 Mar 2017	2016
	RO	RO
Cash and bank	**1,216,860**	1,281,185

Bank balances amounting to RO 27,390 (2016 – RO 22,389), RO 75 (2016- RO 75) and RO 108,465 (2016 - RO 222,703) are denominated in UAE Dirham's, Pound Sterling and US Dollars respectively.

6. Bank deposits

Bank deposits with a maturity of greater than three months from the value date of deposits	40,353,194	41,303,194

The deposits are held with commercial banks in Oman and carry annual interest rates ranging from 1.75% to 4.50% (2016- 1.20% to 4.50%).

At the reporting date, the Company does not hold any bank deposits denominated in foreign currency (2016 – Nil).

7. Premiums and insurance balances receivable

Customers	**2,615,503**	2,185,439
Agents and brokers	**5,782,468**	5,181,877
Reinsurance balances receivable	**240,815**	386,169
	8,638,786	7,753,485
Less: allowance for impaired debts	**(655,021)**	(640,021)
	7,983,765	7,113,464

Customers and reinsurance balance receivable include balances from the related parties amounting to RO 48,924 (2016 - RO 88,676) (Note 24).

7. Premiums and insurance balances receivable (continued)

Movements in allowance for impaired debts were as follows:

	31 Mar 2017	2016
	RO	RO
At 1 January	**640,021**	557,106
Charge during the year	**15,000**	100,000
Written off during the year	**–**	(17,085)
At 31 March	**655,021**	640,021

8. Other receivables and prepayments

Accrued interest	**2,780,078**	2,437,667
Receivable from related parties (Note 24)	**–**	–
Prepaid expenses	**203,842**	87,568
Deferred acquisition costs	**1,230,468**	1,036,158
Sundry receivables	**384,698**	395,707
	4,599,086	3,957,100

Deferred acquisition costs pertain to deferrable direct and indirect costs incurred in renewing and acquiring new insurance contracts during the financial period.

9. Investment securities

Investments at fair value through profit or loss	**33,168**	35,864
Available-for-sale investments	**71,429**	71,429
Held to maturity investments	**627,157**	87,419
	731,754	194,712

9(a) Investments

	Fair value 2017	Cost 2017	Fair Value 2016	Cost 2016
	RO	RO	RO	RO
Quoted*				
Banking	**9,897**	**–**	35,864	–
Investments at fair value through profit or loss	**9,897**	**–**	35,864	–
Unquoted – services	**71,429**	**71,429**	71,429	71,429
Available for sale investments	**71,429**	**71,429**	71,429	71,429

*includes Bank Muscat bonds

Notes to the financial statements
for the period ended 31 March 2017

9. Investment securities (continued)

9(a) Investments (continued)

	Effective interest rate %	2017 RO	2016 RO
Government Development Bonds – Issue 50	**5.21**	**87,465**	87,419
Government Development Bonds – Issue 52	**5.08**	**248,555**	–
Government Development Bonds – Issue 52	**5.13**	**247,839**	–
Government Development Bonds – Issue 52	**5.17**	**43,298**	
Held-to-maturity investments		**627,157**	87,419

9(b) Details of the Company's investments in securities and bonds are set out below:

31 March 2017	% of overall Portfolio	Number of securities	Fair value RO	Cost RO
Bank Muscat Bonds 3.5% *	**100%**	**102,039**	**9,897**	**–**
			9,897	**–**
31 December 2016				
Bank Muscat Bonds 4.5%	35%	102,039	11,735	10,819
Bank Muscat Bonds 4.5%	35%	102,039	14,231	10,820
Bank Muscat Bonds 3.5%	30%	102,039	9,898	–
			35,864	21,639

* Represents bonus bonds received from Bank Muscat.

9(c) At the reporting date, details of the Company's investment holdings representing 10% or more of the investees' share capital are set out below:

	% of investees' share capital	Number of securities	Fair value	Cost
31 December 2016			RO	RO
Orange Card Company SAOC	**14.28**	**71,429**	**71,429**	**71,429**
31 December 2015				
Orange Card Company SAOC	14.28	71,429	71,429	71,429

10. Restriction 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 and investments included in the statement of financial position at a total value of RO 35,153,195 (2016: RO 35,103,195). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

The Company has provided a bank guarantee to the Capital Market Authority of RO 150,000 (2016: RO 150,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 25).

11. Property, Plant and Equipment

	Land and Building RO	Motor vehicles RO	Furniture and equipment RO	Total RO
Cost / valuation				
At 1 January 2016	198,713	128,789	1,810,366	2,137,868
Additions	–	–	117,518	117,518
Disposal	–	(1,531)	–	(1,531)
At 1 January 2017	**198,713**	**127,258**	**1,927,884**	**2,253,855**
Additions	**–**	**–**	**9,694**	**9,694**
Disposal	**–**	**–**	**–**	**–**
At 31 March 2017	**198,713**	**127,258**	**1,937,578**	**2,263,549**
Depreciation				
At 1 January 2016	4,240	128,789	1,580,949	1,713,978
Charge for the year	718	–	139,203	139,921
Disposal	**–**	**(1,531)**	**–**	**(1,531)**
At 31 December 2016	4,958	127,258	1,720,152	1,852,368
At 1 January 2017	**4,958**	**127,258**	**1,720,152**	**1,852,368**
Charge for the year	**180**	**–**	**32,347**	**32,527**
Disposal	**–**	**–**	**–**	**–**
At 31 March 2017	**4,958**	**127,258**	**1,752,499**	**1,884,895**
Carrying value				
At 31 March 2017	**193,575**	**–**	**185,079**	**378,654**
At 31 December 2016	193,755	–	207,732	401,486

On 31 December 2016, In accordance with the Company's policy, land and buildings were re-valued at their open market value for existing use by a professional value. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount and the net amount restated to the revalued amount of the asset. If land and building had been carried at cost less depreciation, the carrying amount would have been RO 60,672 (2016 – RO 60,852).

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for the period ended 31 March 2017

12. Goodwill

Goodwill arising on acquisition

Goodwill represents amount arising on acquisition of formerly Al Ahlia Insurance Company SAOC on 30 April, 2010. With effect from 17 January, 2011 the formerly Al Ahlia Insurance Company SAOC has been merged into the Company.

	RO
Consideration transferred	**20,614,225**
Less: fair value of identifiable net assets acquired	**(5,165,696)**
Goodwill	**15,448,529**

Impairment testing

At the end of the reporting period, the Company assessed the recoverable amount of goodwill, using key assumptions including 4.5% (2015- 6%) terminal growth rate, cost of capital of 10.35% (2015- 9.5%) and determined that goodwill was not impaired. The impairment test, amongst others, is significantly dependent on the cost of capital and achievement of projected results.

Had the discount rate increased up to 10.85% and terminal growth rate been reduced to 4.75%, all other assumptions remaining unchanged, an impairment provision would have been required.

13. Share capital

	2017	2016
	RO	RO
Authorised – ordinary shares of RO 1 each	**10,000,000**	10,000,000
Issued and paid up – ordinary shares of RO 1 each	**10,000,000**	10,000,000

Shareholders

The following shareholders of the Company own 10% or more of the Company's share capital:

	2017		2016	
	No of shares	%	No of shares	%
Royal & Sun Alliance Insurance (Middle East) BSc (c)	**7,000,000**	**70.00**	7,000,000	70.00
OMINVEST	**2,003,091**	**20.03**	2,003,091	20.03
	9,003,091	**90.03**	9,003,091	90.03

In 2013 a capital restructure program was executed where in the share capital was reduced from RO 22.569 million to RO 10 million by way of RO 1.569 million payback to the shareholders at RO 2 per share and creation of special reserve of RO 11.784 million.

14. Legal reserve

As required by the Commercial Companies Law of Oman, 10% of the profit for the year is required to be transferred to legal reserve until such time as the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution. The reserve is currently 39% of share capital hence no transfer required for current year.

15. Contingency reserve

In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business at the reporting date is transferred from retained earnings to contingency reserve. Whereas 1% of the life assurance premiums in case of the life assurance business is transferred from retained earnings to contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital or RO 5 Million for foreign companies. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

16. Revaluation reserve

This represents the reserve as a result of revaluation of land and building (Note 11).

17. Unearned premium reserve

	31 Mar 2017	2016
	RO	RO
Unearned premiums:		
Gross	**11,441,438**	11,876,877
Reinsurers' share	**(1,326,796)**	(1,526,139)
	10,114,642	10,350,738
Movement during the year :		
At 1 January	**10,350,738**	12,295,265
Movement in statement of profit or loss	**(236,096)**	(1,944,527)
At 31 March	**10,114,642**	10,350,738

18. Other liabilities and accruals

Due to related parties (Note 24)	**682,952**	810,722
Other payables	**2,240,783**	1,660,085
Accrued expenses	**806,261**	955,389
Provision for end of service benefits	**396,145**	404,606
Accounts payable	**440,989**	601,767
	4,567,130	4,432,569

Movements in the related liability for end of service benefits recognised in the statement of financial position are as follows:

At 1 January	**404,606**	412,072
Accrued during the year	**17,457**	83,347
Paid during the year	**(25,918)**	(90,813)
At 31 March	**396,145**	404,606

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19. Net insurance premium revenue

	31 Mar 2017	2016
	RO	RO
Gross written premiums	7,642,918	26,393,063
Movement in unearned premiums	435,439	2,037,050
Insurance premium revenue	8,078,357	28,430,113
Reinsurance premiums ceded	(1,429,610)	(4,129,005)
Movement in unearned premiums	(199,343)	(92,523)
Insurance premium ceded to reinsurers	(1,628,953)	(4,221,528)
Net insurance premium revenue	6,449,404	24,208,585

20. Claims

The amount in the provision for outstanding claims, and the related reinsurer's share is as follows:

		2017	
	Gross	Reinsurers' Share	Net
	RO	RO	RO
At 1 January			
Outstanding claims including IBNR	16,597,431	(1,910,224)	14,687,207
Add: claims provided during the year	3,455,368	(252,587)	3,202,781
	20,052,799	(2,162,811)	17,889,988
Less : insurance claims paid during the year	(4,227,097)	233,710	(3,993,387)
At 31 March	15,825,702	(1,929,101)	13,896,601
At 1 January			
Outstanding claims including IBNR	15,576,234	(2,156,077)	13,420,157
Add: claims provided during the year	15,568,539	(673,606)	14,894,933
	31,144,773	(2,829,683)	28,315,090
Less : insurance claims paid during the year	(14,547,342)	919,459	(13,627,883)
At 31 December	16,597,431	(1,910,224)	14,687,207

Claims include claims related to related parties amounting to RO 54,879 (2016 – RO 2,449,867).

Majority of the claims are expected to be paid within twelve months of the reporting date. The amounts due from reinsurers are contractually due within a maximum period of three months from the date of payment of the claims. Outstanding claims payable to related parties are disclosed in Note 24.

21. Investment income (net)

	31 Mar 2017	2016
	RO	RO
Interest income	**374,355**	1,211,169
Net change in fair value of investments	**(2,695)**	4,531
Loss on disposal	**-**	-
Dividend income	**-**	1,085
	371,660	1,216,785

22. General and administrative expenses

Staff costs	**835,206**	3,676,963
Depreciation (Note 11)	**32,525**	139,921
Central support expense	**111,000**	450,000
Rent	**79,617**	313,563
Telephone	**33,073**	95,450
IT expenses	**151,310**	522,880
Travel expenses	**11,970**	51,524
Other expenses	**210,670**	794,209
	1,465,371	6,044,510

23. Income tax

Statement of comprehensive income:		
Current tax	**283,000**	355,686
Prior year's tax	**-**	207,540
Deferred tax	**-**	(13,226)
	283,000	550,000
Current liability:		
Current year	**283,000**	355,686
Prior years	**1,579,576**	1,361,739
	1,862,576	1,717,425
Deferred tax asset		
At 1 January	**69,659**	56,433
Movement for the year	**-**	13,226
At 31 December	**69,659**	69,659

The deferred tax asset comprises the following types of temporary differences:

Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**30,211**	30,211
Deductible timing difference on provisions	**39,448**	39,448
At 31 December	**69,659**	69,659

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23. Income tax (continued)

The tax rate applicable to the Company is 15% (2016 - 12%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 15% (2016 – 21.01%).

Set out below is reconciliation of income tax calculated on accounting profits with income tax expense for the year:

	31 Mar 2017	2016
	RO	RO
Profit before income tax	**1,885,749**	2,617,587
Less: statutory deduction	-	(30,000)
Tax calculated at the statutory income tax rate of 15%	**283,000**	310,510
Tax effect of:		
Income / gains not taxable	-	(16,070)
Prior year's tax	-	207,540
Expenses not deductible in taxable profit	-	48,020
Income tax expense	**283,000**	550,000

Status of tax assessment

Assessments of the Company and the formerly Al Ahlia Insurance Company SAOC in respect of tax years 2011 to 2015 have not been completed by the tax department. Management believes that tax assessed, if any, in respect of the unassessed tax years would not be material to the financial position of the Company at 31 December 2016.

24. Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains significant balances with these related parties which arise in the normal course of business from commercial transactions and are at mutually agreed terms and conditions.

24. Related party transactions (continued)

Balances with related parties included in the statement of financial position are as follows:

31 March 2017

	Other receivables	Premiums and insurance receivable	Re-insurance balances payable	Outstanding claims payable	Other Payables
	RO	RO	RO	RO	RO
Major shareholders	-	-	1,395,330	-	660,336
Other related parties	-	48,924	116,274	2,039,533	-
	-	48,924	1,511,604	2,039,533	660,366

31 December 2016

	Other receivables	Premiums and insurance receivable	Re-insurance balances payable	Outstanding claims payable	Other Payables
Major shareholders	-	39,752	1,288,404	-	810,722
Other related parties	-	48,924	209,281	2,226,823	-
	1,423,126	88,676	1,497,685	2,226,823	810,722

Transactions with related parties included in the statement of comprehensive income are as follows:

31 March 2017

	Premiums Written	Commission paid	Gross Incurred Claims	Technical service fees
	RO	RO	RO	RO
Major shareholders	-	-	-	111,000
Other related parties	610,278	39,206	54,879	-
	610,278	39,206	54,879	111,000

31 December 2016

	Premiums Written	Commission paid	Gross Incurred Claims	Technical service fees
Major shareholders	-	-	-	450,000
Other related parties	1,602,257	170,841	2,499,867	-
	1,602,257	170,841	2,499,867	450,000

25. Contingent liabilities

Contingencies

The Company's bankers have provided financial guarantees to third parties on behalf of the Company amounting to RO 51,150 (2015 - RO 48,650).

The Company has provided a bank guarantee to the Capital Market Authority of RO 150,000 (2016 - RO 150,000) to comply with the requirements of Article 51 of the Insurance Companies Law of the Sultanate of Oman (Note 10).

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25. Contingent liabilities (continued)

Legal claims

The Company, in the normal course of business is subject to litigations and law suits. The Company, based on an independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

26. Segmental information

The Company operates in the insurance industry. The Company's operating revenues arise primarily from insurance activities which are based in the Sultanate of Oman.

27. Risk management

Governance framework

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

Reinsurance risk

In common with other insurance companies, in order 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, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of 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 Company's maximum theoretical credit risk exposure at the reporting date in this connection is RO 1,929,101 (2016 - RO 1,910,224).

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's bank deposits carry fixed rate of interest and therefore, are not exposed to interest rate risk.

27. Risk management (continued)

Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and accident and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Fire-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.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for owner / drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

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.

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.

The insurance risk arising from insurance contracts is not concentrated in any of the countries in which the Company operates.

Medical

Medical insurance is sold as a group policy primarily to employers to cover the risk of employees' medical expenses in house or outpatient as per the terms of their respective agreements.

Group life

For group life, the insurance risks are group protection primarily sold to the employers covering the lives of the employees.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Notes to the financial statements

for the period ended 31 March 2017

27. Risk management (continued)

Considering the fact that the Omani Rial is effectively pegged to US Dollar, the Company is not exposed to any material currency risk.

Equity and bond price risk

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

100% (2016: 100%) of the Company's investments at the reporting date are within the Sultanate of Oman.

A 10% increase/decrease in the fair value of quoted investments at fair value through profit or loss will result in an increase/decrease in profits of RO 3,317 (2016: RO 3,586)

Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties.
- The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Premium and insurance balances receivable comprise a large number of customers mainly within Sultanate of Oman.
- The Company's bank balances and bank deposits are maintained with a range of international and local banks in accordance with limits, based on their credit standing, set by the board of directors.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The following tables explain the credit position of the Company.

31 March 2017

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	RO	RO	RO	RO
Premium and insurance balance Receivable	5,718,135	2,265,630	655,021	8,638,786
Reinsurers' share of outstanding Claims	1,929,101	–	–	1,929,101
Investments in local bonds	627,157	–	–	627,157
Available for sale investments	71,429	–	–	71,429
Bank balances	1,212,015	–	–	1,212,015
Bank deposits	40,353,194	–	–	40,353,194
Other receivables	3,164,776	–	–	3,164,776
Total	53,075,807	2,265,630	655,021	55,996,458

27. Risk management (continued)

31 December 2016

	Neither past due nor impaired RO	Past due but not impaired RO	Impaired RO	Total RO
Premium and insurance balance Receivable	3,903,320	3,210,144	640,021	7,753,485
Reinsurers' share of outstanding Claims	1,910,224	–	–	1,910,224
Investments in local bonds	123,283	–	–	123,283
Available for sale investments	71,429	–	–	71,429
Bank balances	1,276,490	–	–	1,276,490
Bank deposits	41,303,194	–	–	41,303,194
Other receivables	2,833,374	–	–	2,833,374
Total	51,421,314	3,210,144	640,021	55,271,479

The Company has made full provision towards its impaired receivable balances.

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

	Past due but not impaired						
	Less than 3 months RO	**3 to 6 months RO**	**6 to 9 months RO**	**9 to 12 months RO**	**> 12 months RO**	**Total RO**	**Past due and impaired RO**
31 Mar 17	1,377,877	448,087	–	439,666	–	2,265,630	655,021
31 Dec 16	1,830,398	704,801	341,175	327,702	6,068	3,210,144	640,021

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The table below summaries the maturity of assets and liabilities of the Company based on remaining undiscounted contractual obligations. As the Company does not have any interest bearing liabilities, the totals in the table match the statement of financial position.

27. Risk management (continued)

Liquidity risk (continued)

	31 March 2017			31 December 2016		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	RO	RO	RO	RO	RO	RO
ASSETS						
Bank deposits*	**10,086,284**	**30,266,910**	**40,353,194**	11,586,284	29,716,910	41,303,194
Premiums and insurance balances receivable	**7,983,765**	-	**7,983,765**	7,113,464	-	7,113,464
Reinsurers' share of outstanding claims	**1,929,101**	-	**1,929,101**	1,910,224	-	1,910,224
Investments at fair value through profit or loss	**33,168**	-	**33,168**	35,864	-	35,864
Available-for-sale investments	**71,429**	-	**71,429**	71,429	-	71,429
Held-to-maturity investments	**627,157**	-	**627,157**	87,419	-	87,419
Other receivables	**3,164,776**	-	**3,164,776**	2,833,374	-	2,833,374
Cash and cash equivalents	**1,216,860**	-	**1,216,860**	1,281,185	-	1,281,185
TOTAL ASSETS	**25,112,540**	**30,226,910**	**55,339,450**	24,919,243	29,716,910	54,636,153
LIABILITIES						
Liabilities arising from insurance contracts						
gross outstanding claims	**15,825,702**	-	**15,825,702**	16,597,431	-	16,597,431
Reinsurance balances payable	**2,775,790**	-	**2,775,790**	2,619,377	-	2,619,377
Other liabilities and accruals	**4,170,985**	-	**4,170,985**	4,027,963	-	4,027,963
TOTAL LIABILITIES	**22,772,477**	-	**22,772,477**	23,244,771	-	23,244,771

* Bank deposits have been classified based on maturity date but can be liquidated within 3 days subject to necessary approvals

28. Capital management

Capital management framework

Regulatory framework

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

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

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

29. Fair values of financial instruments

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.

Management believes that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

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

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements
for the period ended 31 March 2017

29. Fair values of financial instruments (continued)

31 March 2017

	Level 1	Level 3	Total
	RO	RO	RO
Financial assets at FVTPL			
Quoted local	**33,168**	**–**	**33,168**
Financial assets at HTM			
Quoted local	**627,157**	**–**	**627,157**
Available-for-sale financial assets			
Unquoted equities	**–**	**71,429**	**71,429**
Total	**660,325**	**71,429**	**731,754**

31 December 2016

	Level 1	Level 3	Total
Financial assets at FVTPL	35,864	–	35,864
Quoted local			
Financial assets at HTM			
Quoted local	88,500	–	88,500
Available-for-sale financial assets			
Unquoted equities	–	71,429	71,429
Total	124,364	71,429	195,793

There were no Level 2 investments. There were no transfers between Level 1 and 3 during the year.

CHAPTER 21
UNDERTAKINGS

(1) Al Ahlia Insurance Company SAOG (under transformation)

The Board of Directors of Al Ahlia Insurance Company SAOG (under transformation) jointly and severally hereby confirm that:

- The information provided in this Prospectus is true and complete.
- Due diligence has been taken to ensure that no material information has been omitted, the omission of which would render this Prospectus misleading.
- All the provisions set out in the Capital Market Law, the CCL, and the rules and regulations issued pursuant to them have been complied with.

On behalf of the Board of Directors (Authorised Signatories):

Name	Signature
Anwar Ali Sultan	Sd/-
Laurence Loughnane	Sd/-

(2) Issue Manager

Pursuant to our responsibilities under Article 3 of the Capital Market Law, Article 13 of the Executive Regulations of the Capital Market Law, issued under CMA Decision No. 1/2009 (as amended), and the directives issued by the CMA, we have reviewed all the relevant documents and other material required for the preparation of this Prospectus pertaining to the issue of the shares of Al Ahlia Insurance Company SAOG (under transformation).

The Board of Directors of Al Ahlia Insurance Company SAOG (under transformation) will bear the responsibility with regard to the correctness of the information provided for in this Prospectus, and they have confirmed that they have not omitted any material information from it, the omission of which would render this Prospectus misleading.

We confirm that we have undertaken the due diligence required by our profession with regard to this Prospectus which was prepared under our supervision and, based on the reviews and discussions with Al Ahlia Insurance, its directors, officers and other related parties, we confirm the following:

- We have undertaken reasonable due diligence to ensure the information given to us by Al Ahlia Insurance and included in this Prospectus is conformant with the facts in the documents and other materials of the Offer.
- To the best of our knowledge and from the information available from Al Ahlia Insurance, Al Ahlia Insurance has not omitted any material information, the omission of which would render this Prospectus misleading.
- This Prospectus and the Offer to which it relates, is conformant with all the rules and terms of disclosure stipulated for in the Capital Market Law, the Executive Regulations of the Capital Market Law, the prospectus models applied by the CMA, the CCL and the directives and decisions issued in this regard.
- The information contained in this Prospectus in the Arabic language (and the unofficial translation into the English language) is true, sound and adequate to assist the investor to take the decision as to whether or not to invest in the securities offered.

Financial Adviser & Issue Manager

Sd/-

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bank muscat SAOG

(3) Legal Adviser

The legal adviser whose name appears below, hereby confirms that all the procedures taken for the offering of the securities as described in this Prospectus are in line with the laws and legislations related to Al Ahlia Insurance's business and the CCL, the CML and the regulations and directives issued pursuant to them, the requirements and rules for the issue of shares issued by the CMA, the Articles of Al Ahlia Insurance, and the resolutions of the general meeting and Board of Directors of Al Ahlia Insurance. Al Ahlia Insurance has obtained all the consents and approvals of the official authorities required to carry out the activities described in this Prospectus.

Legal Adviser

Sd/-

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Al Busaidy, Mansoor Jamal & Co.

الأهلـيـة
AL AHLIA
PART OF THE RSA GROUP

Al Ahlia Insurance Company SAOG
(Under Transformation)

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