1 Legal status and principal activities

Dhofar Insurance Company SAOG (the "Company") is an Omani joint stock company registered on 13 April 1991 with the Ministry of Commerce and Industry, in accordance with the provisions of the Commercial Companies Law 1974 as amended, superseded by Commercial Company Law 2019 promulgated by the Royal Decree No. 18/2019 "The Commercial Companies Law of the Sultanate of Oman". The Company's principal activity is undertaking the business of insurance (general and life) in the Sultanate of Oman.

The Company's principal place of business is located at Muscat, Sultanate of Oman.

These financial statements were approved for issuance by the Board of Directors on 24 February 2021.

2 Margin of solvency

The Company has reviewed its insurance regulatory solvency margin as at 31 December 2020 and the Company has been able to comply with the solvency margin requirements of the CMA.

3 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the applicable disclosure requirements of the Capital Market Authority (CMA) and the relevant requirements of the Commercial Companies Law of 2019.

The financial statements have been prepared under the going concern assumption and the historical cost basis, except for the measurement at fair value of available-for-sale investments, investments at fair value through profit or loss (held-for-trading and money market funds), held-to-maturity investments, investment properties, and equity accounting of investments in equity accounted investees.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6 (y).

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

4 Coronavirus (Covid-19) impact

The existence of novel coronavirus (Covid-19) was confirmed in early 2020. World Health Organisation characterised Covid-19 as a pandemic on 11 March 2020, thus negatively impacting global markets, disrupting supply chains, and changing social behaviours. Currently it is uncertain if Covid-19 will continue to disrupt global markets and what impact it will have on the Company's operation. As the situation is fluid and rapidly evolving, the Management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company and the Management does not consider it to have a material impact as at 31 December 2020.

5 Adoption of new and revised IFRSs

New Standards adopted as at 1 January 2020

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted but do not have a significant impact on the Company's financial results or position, are as follows:

- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19 Rent Related Concessions (Amendments to IFRS 16).

Standards, amendments and interpretations effective but neither applicable nor adopted in the year 2020

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first-time for the financial year beginning 1 January 2018 but have not been adopted in the preparation of the financial statements:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" that replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

5 Adoption of new and revised IFRSs (continued)

Standards, amendments and interpretations effective but neither applicable nor adopted in the year 2020 (continued)

The Company has deferred the application of IFRS 9 until the earlier of the effective date of the new Insurance Contracts standard (IFRS 17) as of 1 January 2023, applying the temporary exemption from applying IFRS 9 as introduced by amendments (see below).

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new Insurance Contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemptions enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

In the year 2018, the Company has performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2018. Therefore, the Company has also taken benefit of this temporary exemption in the reporting period ending 31 December 2020.

IFRS 15, 'Revenue from Contracts with Customers' issued in May 2014 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18, and SIC-31. IFRS 15 is applicable for annual periods beginning on or after 1 January 2018. The standard is based on a 5-step approach to recognise revenue and also provides specific principles to apply, when there is a contract modification, accounting for contract costs and accounting for refunds and warranties. On application of the standard, the disclosures are likely to increase for the Company. Based on the temporary exemption available, the Company has not adopted IFRS 15.

Standards, amendments and interpretations issued but not yet effective in the year 2020

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023

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

- A group of contracts that are onerous at initial recognition, if any;
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- A group of the remaining contracts in the portfolio, if any.

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

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.

An entity shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

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

The Company has not adopted IFRS 17 in the current year, but is currently in the process of assessing the impact and intends to adopt the standard from its effective date.

6 Summary of significant accounting policies

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

(a) Foreign currency

i) Functional and presentation currency

The financial statements are presented in Omani Rials (OMR), which is the Company's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at either the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at the year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gains or losses. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(b) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any identified impairment loss, except for freehold land which is not depreciated. The cost of property and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

Description	% per annum
Buildings on freehold land	4
Office furniture and equipment	25
Motor vehicles	25
Household furniture	25

Freehold land is not depreciated as it is deemed to have an infinite future life.

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

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

Gains and losses on disposal of property and equipment, determined by reference to their carrying amounts, are recognised within 'other income' and are taken into account in determining net profit.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policy. Interest costs on bank borrowings to finance specific property and equipment are capitalised, during the period that is required to bring the asset to a condition when it is ready for use.

(c) Investment properties

Investment properties are properties which are held either to earn rental income, for capital appreciation or both. Investment properties are stated at their fair values. External independent valuers, having appropriate recognised professional qualifications and experience, value the investment property at every reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gains or losses arising from changes in fair value of the investment properties are recognised in the statement profit or loss.

6 Summary of significant accounting policies (continued)

(d) Investment in associates (equity accounted investees)

Associates are those entities over which the Company exercises significant influence, but not control or joint control, over the financial and operating policies. Investment in associates are accounted for using the equity method, which are recognised initially at cost including transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of the associates, until the date on which significant influence ceases.

The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in the statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

The most recent available financial statements of the associates are used by the Company. When the reporting dates of the Company and the associate are different, the associate prepares the financial statements as of the same date as the financial statements of the Company unless it is impracticable to do so.

When the financial statements of an associate are prepared as of a different reporting date from that of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. In any case, the difference between the reporting date of the associate and that of the Company is not more than three months.

(e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

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

(f) Financial assets

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

Financial assets at fair value through profit or loss

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

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

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

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

6 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

Available-for-sale investments

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

The fair value of available-for-sale investments is based on their quoted market prices as at the date of the statement of financial position. The fair value of financial instruments that are not traded in an active market (for example, unquoted investments) is determined by Leve 2 or Level 3 of the fair value hierarchy as defined in IFRS 13 'Fair Value Measurement'.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Management has the positive intention and ability to hold it to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities of less than 12 months from the statement of financial position date, which are classified as current assets. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and other costs.

Held-for-trading investments

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as fair value through profit or loss. Investments which are designated at held for trading upon initial recognition. Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in the statement of profit or loss.

Loans and receivables

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

Derecognition

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

Trade and settlement date accounting

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

(g) Impairment and uncollectability of financial assets

Available-for-sale investments

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

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

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

6 Summary of significant accounting policies (continued)

(g) Impairment and uncollectability of financial assets (continued)

Available-for-sale investments (continued)

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

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

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

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

(h) Offsetting

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

(i) Insurance and reinsurance contract receivables

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

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and bank fixed deposits with original maturities of three months or less from the date of placement.

(k) Insurance contracts

The Company mainly issues short-term insurance contracts in connection with property and motor (collectively known as fire and general accident) and marine risks. The Company also issues life insurance contracts.

Property insurance

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

Life insurance

Life insurance is designed to compensate contract holders for loss of life or limbs of the insured.

6 Summary of significant accounting policies (continued)

(k) Insurance contracts (continued)

Motor insurance

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

Marine insurance

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

(l) Reinsurance contracts held

In order to minimise financial exposure from large claims, the Company enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as reinsurer's share of insurance funds contracts held 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 "insurance and reinsurance contract receivables".

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. 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.

(m) Liability adequacy test

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

(n) Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of comprehensive income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

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

The Company does not discount its liability for unpaid claims.

(o) Contingency reserve

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979, and the letter CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims at the statement of financial position date for general insurance and 1% of the premiums for the year for life business are transferred from retained earnings to a contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital of the Company.

(p) Accruals and other payables

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

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

(q) Employees' terminal benefits and leave entitlements

The provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date with regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the Scheme)

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme at 11.5% and 7% respectively, of gross salaries.

6 Summary of significant accounting policies (continued)

(q) Employees' terminal benefits and leave entitlements (continued)

Non-Omani employee terminal benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

(r) Revenue recognition

Premiums earned

Net premiums, after deducting policy acquisition costs, are recognised as revenue (earned premium) proportionally over the period of coverage. A proportion of net retained premiums is provided as 'unearned premium reserve' (UPR) to cover portions of risks which have not expired at the statement of financial position date. The change in the provision for unearned premiums is taken to the profit or loss that revenue is recognised over the period of risk.

Commissions earned and paid

Commissions earned and paid are recognised on a pro-rata basis over the term of the related policy coverage.

Interest income

Interest income is accrued on a daily basis.

Dividends

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

Rental income

Revenue from rental income of investment properties are reported within 'Investment income'.

(s) Income tax

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

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

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

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

(t) Directors' remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law 2019, and the rules prescribed by the CMA.

The Annual General Meeting approves the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the Shareholders. Such fees shall not exceed OMR 200,000 in one year. The sitting fees for each Director shall not exceed OMR 10,000 in one year.

(u) Dividend distribution

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

(v) Fair values and fair value hierarchy

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the statement of financial position date, adjusted for transaction costs necessary to realise the asset.

For unquoted investments, a reasonable estimate of the fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

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.

6 Summary of significant accounting policies (continued)

(v) **Fair values and fair value hierarchy (continued)**

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category included all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There have been no transfers from one level to the other.

(w) **Operating segment**

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

(x) **Earnings per share**

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

(y) **Significant management judgement in applying accounting policies and estimation uncertainty**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

Going concern

The Management of the Company reviews the financial position on a periodical basis and assesses the requirement of any additional funding, including unutilised credit facilities with banks, to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.

Contingencies

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

Taxation

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

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

6 Summary of significant accounting policies (continued)

(y) Critical accounting estimates and judgments (continued)

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of available for-sale-investments

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

Outstanding claims

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

Impairment of premium and insurance receivables

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

Economic useful lives of property and equipment

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

Liability adequacy test

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

Claims made under insurance contracts

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and Management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the statement of other comprehensive income in the year of settlement.

Grant Thornton
C.R. No. 1058977
Chartered Certified Accountants

7 Property and equipment

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

Year 2020	**Freehold land**	**Buildings on freehold land**	**Office furniture and equipment**	**Motor vehicles**	**Household furniture**	**Total**
Cost						
At 1 January 2020	260,000	840,000	3,589,139	98,875	325,706	5,113,720
Additions during the year	-	-	54,805	-	-	54,805
At 31 December 2020	**260,000**	**840,000**	**3,643,944**	**98,875**	**325,706**	**5,168,525**
Accumulated depreciation						
At 1 January 2020	-	162,400	3,427,815	98,875	325,706	4,014,796
Charge for the year	-	33,600	96,362	-	-	129,962
At 31 December 2020	**-**	**196,000**	**3,524,177**	**98,875**	**325,706**	**4,144,758**
Net book value						
At 31 December 2020	**260,000**	**644,000**	**119,767**	**-**	**-**	**1,023,767**

Year 2019	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	Household furniture	Total
Cost						
At 1 December 2019	260,000	840,000	3,516,154	98,875	325,706	5,040,735
Additions during the year	-	-	72,985	-	-	72,985
At 31 December 2019	260,000	840,000	3,589,139	98,875	325,706	5,113,720
Accumulated depreciation						
At 1 December 2019	-	128,800	3,229,594	96,375	325,706	3,780,475
Charge for the year	-	33,600	198,221	2,500	-	234,321
At 31 December 2019	-	162,400	3,427,815	98,875	325,706	4,014,796
Net book value						
At 31 December 2019	260,000	677,600	161,324	-	-	1,098,924

8 Investment properties

	2020	2019
As at 1 January	8,025,000	8,665,000
Changes in fair value during the year through profit or loss	(300,000)	(365,000)
Changes in fair value during the year through other comprehensive income	(50,000)	(205,000)
Prior year adjustments	-	(70,000)
As at 31 December	7,675,000	8,025,000

Investment properties comprise of five estate investments which are located in Muscat, Oman. One of the property was previously reclassified from Own use according to IAS 16 'Property, Plant and Equipment' to IAS 40 'Investment Properties'.

The carrying amount of the investment properties is the aggregate fair value as determined by an independent property valuer. Fair value was determined as being the most probable price the property can fetch in a competitive open market. On 30 June 2020, the Company obtained a valuation of its investment properties from an independent property valuer, which indicated that the fair values of the investment properties were decreased by OMR 350,000 (2019: OMR 570,000), which has therefore been charged to the profit or loss account and other comprehensive income, as applicable.

Thus five real estate properties are held under lien with the CMA.

8.1 Revaluation reserves on investment property

	2020	2019
Opening revaluation reserves	603,950	848,200
Changes in fair value during the year	(50,000)	(205,000)
Prior year adjustments	-	(70,000)
Deferred tax adjustments	7,500	30,750
Closing revaluation reserves	561,450	603,950

9 Investments

	2020	2019
Available-for-sale investments (Note 9a)	3,731,688	3,871,144
Investment in equity accounted investees (Note 9b)	2,821,094	2,774,527
Held-to-maturity investments (Note 9d)	8,538,458	11,746,035
Investment in money market funds (Note 9e)	5,260,963	-
Held-for-trading investments (Note 9c)	269,160	325,806
Total investments	20,621,363	18,717,512

Investments amounting to OMR 14,902,947 (2019: OMR 14,695,933) are held under lien with the CMA.

a) Available-for-sale investments

	2020	2019
As at 1 January	3,871,144	3,855,461
written off during the year	(7,720)	-
Changes in fair values (Note 9f)	(131,736)	15,683
As at 31 December	3,731,688	3,871,144
Quoted equity investments:		
Local quoted equity investments:		
Service sector	562,174	572,798
Investment sector	568,996	584,801
	1,131,170	1,157,599
Foreign quoted equity investments:		
Insurance sector	27,919	20,291
Unquoted investments:		
- Dhofar University SAOC, Oman	1,549,444	1,523,727
- Omani Unified Bureau of Orange Card SAOC, Oman	198,073	343,573
- Fair Oil and Energy Insurance Syndicat, Bahrain	-	7,720
- Salalah Ports and Airport Logistics Services SAOC, Oman	89,700	89,700
- Arab War Risk Insurance Syndicate, Bahrain	735,382	728,534
	2,572,599	2,693,254
Total quoted and unquoted available-for-sale investments	3,731,688	3,871,144

At 31 December 2020, available-for-sale investments amounting to OMR 1,159,089 (2019: OMR 1,177,890) are measured using Level I and OMR 2,572,599 (2019: OMR 2,693,254) are measured using Level III of fair value hierarchy.

Abu Timam
Grant Thornton
C.R. No. 1038977
Abu Timam - Chartered Certified Accountants

9 Investments (continued)

b) Investment in equity accounted investees

	2020	2019
Investment in associates	**2,821,094**	2,774,527

The Company has the following investment in associates:

	Number of shares	**Percentage of issued share capital**	**2020**	2019
Omani Vegetable Oils and Derivatives Company LLC (OVOD), Oman	2,500,000	38.46%	**2,821,094**	2,774,527
Trust Syria Insurance Company SASC	2,493,217	34.00%	**-**	-
			2,821,094	2,774,527

For the year 2020, the Company's share of revaluation reserve movement in OVOD is a loss of OMR 67,429 (2019: profit of OMR 92,020) that is recognised in other comprehensive income and share of profit is OMR 113,996 (2019: profit of OMR 76,570). At 31 December 2020, the Company has accumulated share of revaluation reserve of OVOD in its statement of financial position of OMR 584,662 (2019: OMR 641,977).

During the year, the Company did not receive any dividend from Trust Syria Insurance Co. SASC ("TSI") (2019: OMR Nil). Due to the economic conditions in Syria, the Company had accounted for an impairment loss of the entire amount of OMR 2,493,217 invested in TSI in the financial year ended 31 December 2015.

Summarised financial information of the associates as at and for the year ended 31 December 2020 and 31 December 2019 is as follows:

Oman Vegetable Oils and Derivatives Company LLC	**2020**	2019
Total assets	**16,943,615**	14,396,333
Total liabilities	**9,608,477**	7,182,275
Revenue for the year	**28,608,139**	24,795,881
Net profit/(loss) for the year	**109,460**	(210,638)

c) Held-for-trading investments

	2020	2019
As at 1 January	**325,806**	402,141
Sales during the year	**-**	-
Changes in fair values for the year	**(56,646)**	(76,335)
As at 31 December	**269,160**	325,806

Quoted local trading investments:	**2020**		2019	
	Market value	**Cost**	Market value	Cost
Service sector	**146,735**	**326,038**	184,086	326,038
Investment sector	**20,247**	**116,715**	24,007	116,715
Others	**102,178**	**73,259**	117,713	73,259
	269,160	**516,012**	325,806	516,012

At 31 December 2020, held-for-trading investments amounting to OMR 269,160 (2019: OMR 325,806) are measured using Level I of fair value hierarchy.

d) Held-to-maturity investments

	2020	2019
As at 1 January	**11,746,035**	6,123,800
Purchases during the year	**3,064,838**	5,682,372
Disposals during the year	**(6,262,801)**	-
Amortisation of bond	**(9,614)**	5,977
Prior year adjustments	**-**	(66,114)
As at 31 December	**8,538,458**	11,746,035

Held-to-maturity investments comprise the following:

	2020		2019	
	Amortized cost	**Cost**	Amortized cost	Cost
(i) Bank Sohar Perpetual Bonds	**1,000,000**	**1,000,000**	1,000,000	1,000,000
(ii) Sultanate of Oman Government Development Bonds	**4,038,458**	**4,067,300**	7,246,035	7,249,672
(iii) Bank Dhofar Perpetual Bonds	**1,000,000**	**1,000,000**	1,000,000	1,000,000
(iv) Dhofar International Development and Investment Company	**2,500,000**	**2,500,000**	2,500,000	2,500,000
	8,538,458	**8,567,300**	11,746,035	11,749,672

Abu Timam Grant Thornton C.R. No. 1098977 Chartered Certified Accountants

9 Investments (continued)

d) Held-to-maturity investments (continued)

(i) Bonds, issued by Bank Sohar, are perpetual bonds denominated in OMR. The bonds carry a coupon rate of 7.75% per annum.

(ii) Bonds, issued by the Sultanate of Oman, are denominated in OMR and USD, and have a nominal redemption value of OMR 7.1 million. The bonds carry a coupon rate ranges from 5.25% to 6.75% per annum. During the year, USD bonds were disposed off completely.

(iii) Bonds, issued by Bank Dhofar, are perpetual bonds denominated in OMR. The bonds carry a coupon rate of 7.5% per annum.

(iv) Bonds, issued by Dhofar International Development and Investment Company, are denominated in OMR and have a nominal redemption value of OMR 2.5 million. The bonds carry a coupon rate of 9% per annum.

Investments in held-to-maturity investments amounting to OMR 8,538,458 (2019: OMR 11,746,035) are held under lien with the CMA.

e) Investment in money market funds

	Cost 2020	Cost 2019
As at 1 January	-	-
Additions during the year	10,093,302	-
Sales during the year	(4,939,883)	-
Changes in fair value for the year	107,544	-
As at 31 December	5,260,963	-

During the year, the Company has invested in money market funds (MMF) offered by Bank Muscat. It is a liquid fund with no maturity and fixed interest rate. Fair value model is being used for MMF to incorporate the mark-to-market with changes in value taken to profit or loss account.

f) Investment fair value reserve

	2020	2019
At 1 January	248,265	232,820
Changes in fair value of available-for-sale investments (Note 9a)	(131,736)	15,683
Deferred tax liability adjustment on investment fair value reserve	-	(238)
At 31 December	116,529	248,265

g) Details of significant investments:

Details of the Company's investments in which its holdings either exceed 10% of the market value of its investment portfolio or where the Company's holding represents 10% or more of the issuer's share capital are set out below:

Investments:

As at 31 December 2020:	**% of overall portfolio**	**Number of shares**	**Fair value**	**Cost**
Omani Vegetable Oils and Derivatives LLC	38.46%	2,500,000	2,821,094	2,500,000
Trust Syria Insurance Company SASC	34.00%	2,493,217	-	2,493,217

As at 31 December 2019:	% of overall portfolio	Number of shares	Fair value	Cost
Omani Vegetable Oils and Derivatives LLC	38.46%	2,500,000	2,774,527	2,500,000
Trust Syria Insurance Company SASC	34.00%	2,493,217	-	2,493,217

h) Sensitivity analysis – Equity price risk

Most of the Company's listed equity investments are listed on the Muscat Securities Market (MSM) and the Bahrain Stock Exchange.

For listed investments, classified as available-for-sale investments, a 15% increase/(decrease) in MSM 30 index would have increased/(decreased) the Shareholders' equity by OMR 169,676 (2019: OMR 173,640).

For investments classified as held-for-trading, a 15% increase/(decrease) in the MSM 30 index would have increased/(decreased) the net profit by OMR 40,374 (2019: OMR 48,871).

10 Bank deposits

	2020	2019
Bank deposits with a maturity of greater than twelve months from the date of placement.	27,619,314	27,619,314

The bank deposits earn interest rates ranging between 3% to 5.5% per annum (2019: between 3% to 4.85% per annum).

11 Cash and cash equivalents

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

	2020	2019
Cash and cash equivalents	**8,760,756**	7,643,154
Short-term fixed deposits	**1,150,000**	1,733,943
	9,910,756	9,377,097

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

The bank deposits earn interest rates ranging between 3% to 5.5% per annum (2019: between 3% to 4.85% per annum).

Bank deposits amounting to OMR 24,774,025 (2019: OMR 28,057,968) are under lien with the CMA.

12 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified, to the CMA, certain specific bank deposits amounting to OMR 24,774,025 (2019: OMR 28,057,968), investment in shares amounting to OMR 3,417,613 (2019: OMR 2,957,791), held-to-maturity investments amounting to OMR 8,538,458 (2019: OMR 11,738,142), investment in money market funds amounting to OMR 2,946,877 (2019: OMR Nil), investment property amounting to OMR 7,675,000 (2019: OMR 8,025,000) and land and building amounting to OMR 904,000 (2019: OMR 937,600). These are included in the statement of financial position at a total value of OMR 47,351,973 (2019: OMR 50,778,901). Under the terms of the legislation, the Company can sell these assets only with the prior approval of the CMA.

13 Insurance and reinsurance contract receivables

	2020	2019
Premiums receivable	**9,293,664**	8,789,651
Premiums receivable from related parties	**997,427**	99,934
Reinsurance balance receivable	**2,362,763**	1,628,241
Provision for impaired premiums receivables	**(1,711,087)**	(1,517,952)
Provision for impaired reinsurance receivables	**(590,817)**	(583,952)
	10,351,950	8,415,922

Ageing of insurance and reinsurance premiums receivable net of provision at the reporting date is as follows:

	2020	2019
Not due 0-60 days	**6,809,528**	6,653,369
61-120 days	**1,731,695**	923,503
More than 120 days	**1,810,727**	839,050
Total past due but not impaired	**3,542,422**	1,762,553
	10,351,950	8,415,922

In accordance with the credit policy of the Company, customers are extended an average credit period in the normal course of business of up to 60 days.

The premiums receivable that are past due are not considered impaired as they pertain to a number of independent customers from whom there is no recent history of default.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The Company's premiums and reinsurance receivables are primarily denominated in OMR.

The movement in provision for impaired premiums and reinsurance receivables is as follows:

	2020	2019
Opening balance	**2,101,904**	2,101,904
Provision during the year	**200,000**	-
Closing balance	**2,301,904**	2,101,904

The creation and release of provision for impaired premium and reinsurance receivables have been included in the statement of profit or loss. Amounts charged to the provision account are generally written-off, when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

14 Other receivables and prepayments

	2020	2019
Other receivables	**764,658**	617,735
Prepayments	**188,469**	157,201
Amounts due from ex-CEO	**932,353**	932,353
	1,885,480	1,707,289

15 Share capital

	2020	2019
Authorised 100,000,000 ordinary shares of OMR 0.100 each (2019: 100,000,000 ordinary shares of OMR 0.100 each)	10,000,000	10,000,000
Issued and fully paid-up 100,000,000 ordinary shares of OMR 0.100 each (2019: 100,000,000 ordinary shares of OMR 0.100 each)	10,000,000	10,000,000

Significant shareholdings:

Shareholders of the Company who own 10% or more of the Company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	2020		2019	
	Shareholding percentage	**Number of shares**	Shareholding percentage	Number of shares
Dhofar International Development and Investment Company SAOG, Oman	**36.593%**	**36,592,904**	36.593%	36,592,904
H.E. Abdul Alim Mustahil Rakhyoot, Oman	**15.0628%**	**15,062,797**	15.0628%	15,062,797

16 Legal reserve

In accordance with the provisions of the Commercial Companies Law 2019, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve until such time as a minimum of one-third of the share capital is set aside. During the year ended 31 December 2020, the Company has transferred an amount of OMR 385,163 to the legal reserve (2019: OMR 270,625).

17 Special reserve

In accordance with Article 78 of the Commercial Companies Law of 2019, the surplus of share issue fees over the pre-formation expenses was transferred to a non-distributable special reserve. However during the year 2018, based on the capital restructuring of the Company, the special reserve of OMR 50,000 had been utilised to offset against the accumulated losses of the Company.

18 Contingency reserve

The amount to be transferred to the contingency reserve should be equal to the sum of 10% of the net outstanding claims at the statement of financial position date for general insurance and 1% of the premiums for the year for life business until such time as a minimum of 100% of the share capital is set aside. During the year there is no any transfer of funds to contingency reserve as the Company has already reached the maximum limit of equivalent to its share capital.

19 Dividends paid and proposed

During the year, the Board of Directors has proposed a cash dividend in respect of the year 2020 which is 10 baiza per share (2019: OMR Nil) totaling to OMR 1,000,000 (2019: OMR Nil). This is subject to the approval of the Shareholders in the Annual General Meeting.

20 Insurance funds

The carrying amounts of the Company's insurance funds at 31 December 2020 and 2019 were as follows:

		2020			2019		
		Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
(a)	**General**						
	Claims outstanding	43,103,060	(33,390,118)	9,712,942	66,438,856	(55,663,071)	10,775,785
	Claims incurred but not reported	10,278,873	(3,159,980)	7,118,893	9,919,949	(2,235,735)	7,684,214
	Additional reserve	355,944	-	355,944	-	-	-
	Unearned premium reserve	21,923,410	(12,512,908)	9,410,502	21,266,000	(11,643,000)	9,623,000
		75,661,287	**(49,063,006)**	**26,598,281**	97,624,805	(69,541,806)	28,082,999
(b)	**Life**						
	Claims outstanding	3,181,769	(2,562,382)	619,387	1,816,973	(1,507,146)	309,827
	Claims incurred but not reported	830,205	(540,342)	289,863	1,073,000	(697,000)	376,000
	Additional reserve	14,493	-	14,493	-	-	-
	Unearned premium reserve	1,730,685	(1,206,954)	523,731	1,230,000	(981,000)	249,000
		5,757,152	**(4,309,678)**	**1,447,474**	4,119,973	(3,185,146)	934,827
	Total insurance funds	**81,418,439**	**(53,372,684)**	**28,045,755**	101,744,778	(72,726,952)	29,017,826

Substantially all of the claims are expected to be paid within twelve months of the statement of financial position date. The amounts due from reinsurers are contractually due within a maximum period of three months from the date of payment of the claims.

The Company estimates its insurance liabilities and reinsurance assets principally based on previous experience. Claims requiring either court or arbitration decisions are estimated individually. Independent loss adjusters generally estimate property claims.

The Company has created the reserves for claims incurred but not reported based on the actuarial report received from an independent actuary.

Total outstanding claims amounting to OMR 46,284,829 (2019: OMR 68,255,829) which includes due to related parties amounting to OMR 1,988,928 (2019: OMR 2,218,456).

Abu Timam Grant Thornton C.R. No. 1098977 Chartered Certified Accountants

	Year ended 31 December 2020	Year ended 31 December 2019
21 Accounts payable, provisions and accruals		
Accounts payable	**3,527,534**	1,928,193
Fees payable	**683,786**	625,927
Accrued expenses	**670,794**	153,469
Other payables	**35,416**	388,916
	4,917,530	3,096,505

Accounts payable are generally settled within 90 to 120 days of the suppliers' invoice date.

22 Employees' terminal benefits	Year ended 31 December 2020	Year ended 31 December 2019
At 1 January	**382,669**	390,877
Provision for the year	**57,692**	13,823
Payments during the year	**(29,348)**	(22,031)
At 31 December	**411,013**	382,669

The number of employees employed by the Company as at 31 December 2020 were 325 (2019: 324 employees).

23 Optional convertible bonds

In the Extra-Ordinary General Meeting of the Shareholders held on 18 January 2018 in accordance with Article 116 of the Commercial Companies Law 2019, the Shareholders also approved the rights issue of 5,000,000 mandatory convertible bonds of OMR 1 each amounting to OMR five million. The bonds bear an interest coupon of 7.5% per annum.

Twenty percent of the bonds amounting to OMR 1 million are to be compulsorily converted to shares at the end of twenty four months (i.e. 3 July 2020) at a price equivalent to a 20% discount to the average prevailing market price of the shares during the quarter of the year preceding the conversion of the bonds, with the balance 80% being converted to shares at the end of 60 months (i.e. 3 July 2023) at a price equivalent to a 20% discount to the average prevailing market price of the shares during the quarter of the year preceding the conversion of the bonds.

In the Extra-Ordinary General Meeting of the Shareholders held on 2 November 2020, the Shareholders approved the amendment of the terms and conditions of the mandatory convertible bonds issued by the Company from mandatory convertible bonds to bonds with conversion or redemption option. Further the interest coupon has reduced to 6% per annum. Optional convertible bonds will be either converted into equity shares or redeemed amounting to OMR 1,000,000 based on solvency condition as per the approved terms and conditions which is "In the event the solvency ratio of the Company remains at or below 135%, the relevant portion of optional convertible bonds shall be converted into equity share. Redemption/conversion shall take place on every 1 June starting from 2021 to 2025.

	2020	2019
Optional convertible bonds	**5,000,000**	5,000,000
Less: Current portion	**(1,000,000)**	(1,000,000)
Non-current portion of optional convertible bonds	**4,000,000**	4,000,000

24 Income tax

(a) Statement of comprehensive income	**2020**	2019
Deferred tax		
Current year	**641,046**	486,954
Prior years	**(8,536)**	42,752
	632,510	529,706
Current liabilities/(asset)		
Income tax payable/(receivable)	-	(88,309)
Non-current liabilities/(asset)		
Deferred tax liability/(asset)	**353,033**	(261,863)

24 Income tax (continued)

(a) Statement of comprehensive income (continued)

Deferred tax (asset)/liability

Deferred tax arises on account of temporary differences between the tax base of assets, liabilities and losses and their carrying values in the statement of financial position.

	2019	Charged to the statement of comprehensive income and OCI	2020
Effect of tax depreciation on property and equipment	26,710	(5,256)	**21,454**
Investment property	(1,019,408)	33,718	**(985,690)**
Equity accounted investment in TSI	136,540	-	**136,540**
Receivables write-off of TSI	22,698	-	**22,698**
Revaluation reserve on equity accounted for investment (OVOD)	(113,290)	10,114	**(103,176)**
Unrealized gain on money market funds	-	(16,132)	**(16,132)**
Investment fair value reserve	(101,896)	-	**(101,896)**
Provision for insurance receivables	315,287	30,000	**345,287**
Losses carried forward	1,003,758	(675,876)	**327,882**
Adjustment for under/over provided deferred tax	(8,536)	8,536	**-**
Net deferred tax (asset)/liability	261,863	(614,896)	**(353,033)**

	2018	Charged to the statement of comprehensive income and OCI	2019
Effect of tax depreciation on property and equipment	22,080	4,630	26,710
Investment property	(1,096,626)	77,218	(1,019,408)
Equity accounted investment in TSI	136,540	-	136,540
Receivables write-off of TSI	22,698	-	22,698
Revaluation reserve on equity accounted for investment (OVOD)	(99,487)	(13,803)	(113,290)
Investment fair value reserve	(101,658)	(238)	(101,896)
Provision for insurance receivables	317,112	-	317,112
Losses carried forward	1,531,449	(538,052)	993,397
Adjustment for under/over provided deferred tax	42,752	(42,752)	-
Net deferred tax asset/(liability)	774,860	(512,997)	261,863

Reconciliation of income tax expenses

The Company is subject to income tax at the rate of 15% of the taxable income in accordance with the income tax law of Sultanate of Oman (2019: 15%).

The following is the reconciliation of income taxes calculated at the applicable tax rates with the income tax expenses:

	2020	2019
Profit before income tax	**4,484,144**	3,235,952
Income tax	**672,622**	485,393
Non-deductible expenses	**20,756**	23,821
Tax exempt revenue	**(52,332)**	(22,260)
Current tax	**641,046**	486,954
Deferred tax	**(8,536)**	42,752
Tax expense for the year	**632,510**	529,706

24 Income tax (continued)

(b) Current status of tax assessments

The Company's income tax assessments for the years 2017 to 2020 have not been finalised by the Tax Authority.

25 Reserves withheld from reinsurers

	2020	2019
Premium reserve withheld	**2,446,765**	2,317,094
Excess of loss claim recovery reserve	**213,279**	222,119
Outstanding loss reserve withheld	**3,529,153**	4,311,971
	6,189,197	6,851,184

The reserves withheld from reinsurers bear interest rate of 1% per annum (2019: 1% per annum).

26 Due to reinsurers

	2020	2019
Due to local companies	**2,714,666**	2,133,207
Due to foreign companies	**5,919,847**	6,913,333
	8,634,513	9,046,540

27 Net assets per share

The calculation of the net assets per share is based on net assets as at 31 December 2020 attributable to ordinary Shareholders of OMR 25,536,589 (2019: OMR 21,916,506) and the weighted average number of shares outstanding during the year of 100,000,000 ordinary shares (2019: 100,000,000 ordinary shares) being the number of shares outstanding as at 31 December 2020.

	31 December 2020	31 December 2019
Net assets as at the year end (OMR)	**25,536,589**	21,916,506
Weighted average number of shares outstanding during the year	**100,000,000**	100,000,000
Net assets per share (OMR)	**0.255**	0.219

28 Net underwriting results

The net underwriting results for the years ended 31 December 2020 and 2019 is as follows:

	2020	**2020**	**2020**	2019	2019	2019
	General business	**Life**	**Total**	General business	Life	Total
Revenue						
Gross premium written	42,662,387	5,833,021	48,495,408	39,540,102	6,092,368	45,632,470
Reinsurance premium ceded	(24,435,027)	(3,030,740)	(27,465,767)	(20,903,401)	(3,604,246)	(24,507,647)
Net retained premium	**18,227,360**	**2,802,281**	**21,029,641**	18,636,701	2,488,122	21,124,823
Movement in unearned premium reserve (net)	212,499	(274,731)	(62,232)	(797,000)	10,000	(787,000)
Commission earned on reinsurance ceded	2,170,782	138,026	2,308,808	2,037,477	370,038	2,407,515
	2,383,281	**(136,705)**	**2,246,576**	1,240,477	380,038	1,620,515
Total insurance revenue	**20,610,641**	**2,665,576**	**23,276,217**	19,877,178	2,868,160	22,745,338
Costs						
Gross claims paid	35,228,058	4,055,822	39,283,880	25,750,010	4,231,538	29,981,548
Reinsurance share	(22,864,533)	(2,349,373)	(25,213,906)	(11,567,843)	(2,746,717)	(14,314,560)
Net claims paid	**12,363,525**	**1,706,449**	**14,069,974**	14,182,167	1,484,821	15,666,988
Movement in outstanding claims reserve (net)	(1,272,220)	237,916	(1,034,304)	(1,325,635)	66,679	(1,258,956)
Net claims incurred	**11,091,305**	**1,944,365**	**13,035,670**	12,856,532	1,551,500	14,408,032
Commission expenses	1,364,481	109,345	1,473,826	699,227	33,753	732,980
Total insurance costs	**12,455,786**	**2,053,710**	**14,509,496**	13,555,759	1,585,253	15,141,012
Net underwriting results	**8,154,855**	**611,866**	**8,766,721**	6,321,419	1,282,907	7,604,326

Abu Timam Grant Thornton C.R. No. 1056977

28 Net underwriting results (continued)

The underwriting result before reinsurance recoveries are analysed as follows:

	2020		2019	
	Net retained premium	**Underwriting result before reinsurance recoveries**	Net retained premium	Underwriting result before reinsurance recoveries
Motor	14,370,710	4,969,203	15,632,676	1,027,916
Fire and general accident	2,315,137	22,463,773	1,958,105	32,061,067
Marine cargo and hull	66,552	741,591	71,595	605,672
Medical	1,474,961	(141,200)	974,326	180,982
Life	2,802,281	30,676	2,488,121	1,175,320
	21,029,641	**28,064,043**	21,124,823	35,050,957

The net claims ratio is as follows:

	2020 Percentage	2019 Percentage
Motor	**63%**	81%
Fire and general accident	**55%**	15%
Marine cargo and hull	**12%**	-123%
Medical	**43%**	59%
Life	**77%**	62%
Overall loss ratio	**62%**	71%

The net claims ratio is calculated by dividing the net claims incurred (gross claims less reinsurance and other recoveries) by the net earned premiums (gross premiums written less premiums ceded plus movement in unearned premium reserve).

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29 Investment income

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income on bank deposits	**1,321,035**	1,328,001
Interest earned on held-to-maturity investments	**625,644**	468,030
Profit on sale of held-to-maturity investments	**426,738**	-
Rental income from investment properties	**284,917**	362,338
Dividend income from investments	**262,277**	111,430
Commission income (Orange Card)	**183,673**	82,896
Share of profit from investment in equity accounted investees (Note 9b)	**113,996**	76,570
Unrealised gain from money market funds (Note 9e)	**107,544**	-
Realised gain on sale of money market funds	**25,129**	-
Investment written off (Note 9a)	**(7,720)**	-
Amortisation of bond (Note 9d)	**(9,614)**	5,977
Net unrealised fair value losses on held-for-trading investments (Note 9c)	**(56,646)**	(76,335)
Change in fair value of investment properties (Note 8)	**(300,000)**	(435,000)
	2,976,973	1,923,907

30 Other income

	Year ended 31 December 2020	Year ended 31 December 2019
Transfer fees	**217,032**	294,526
Policy fees	**46,871**	182,810
Profit on sale of AAA card	**25,472**	13,964
Miscellaneous income	**13,492**	55,254
	302,867	546,554

Miscellaneous income includes stale cheques of OMR Nil (2019: OMR 24,854) and foreign exchange gain of OMR 3,635 (2019: OMR 11,971).

31 General and administrative expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and allowances	**4,813,975**	4,286,813
Rent	**365,394**	393,494
Other expenses	**284,097**	233,425
Communication expenses	**258,361**	229,937
Insurance costs	**166,263**	162,529
Directors' remuneration and sitting fees	**154,980**	52,700
Transportation and travel expenses	**128,622**	150,209
Business promotion expenses	**118,621**	88,840
Legal and professional fees	**107,241**	131,470
Repairs and maintenance to investment properties	**80,624**	142,868
Bank charges	**72,167**	79,641
Registration and other fees	**57,907**	59,782
Expenses on Corporate Social Responsibility (CSR) activities	**50,000**	1,663
Call center expense	**46,253**	32,700
Printing and stationery	**43,649**	49,282
Electricity and water charges	**39,808**	51,465
	6,787,962	6,146,818

32 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2020	2019
Net profit for the year (OMR)	**3,851,634**	2,706,246
Weighted average number of shares outstanding during the year	**100,000,000**	100,000,000
Basic profit per share (OMR)	**0.0385**	0.0271

Diluted earnings per share has not been presented, as the Company has not issued any instruments which would have an impact on the earnings per share when exercised.

33 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors and subsequently ratified by the shareholders in the Annual General Meeting. The transactions are entered into at mutually agreed terms and conditions. The approximate volume of such transactions involving related parties and holders of 10% or more of the Company's shares or their family members, other than those separately disclosed, during the year were as follows:

(a) Statement of profit or loss and other comprehensive income

Transactions with related parties or holders of 10% or more of the Company's shares or their family members, included in the statement of comprehensive income are as follows:

Premiums written	Year ended 31 December 2020	Year ended 31 December 2019
Bank Dhofar SAOG	**3,871,517**	3,178,834
Shanfari and Partners Company LLC	**130,966**	149,417
Omani Vegetable Oils and Derivatives LLC	**118,668**	103,178
Sharikat Fanniya Omaniya	**60,210**	57,058
Dhofar International Development and Investment Company SAOG	**42,804**	51,029
Oman Factory for School and Offices Stationery LLC	**1,629**	2,005
Other related parties	**25,864**	25,517
	4,251,658	3,567,038

Claims paid	Year ended 31 December 2020	Year ended 31 December 2019
Bank Dhofar SAOG	**1,622,164**	2,376,736
Shanfari and Partners Company LLC	**61,434**	31,763
Dhofar International Development and Investment Company SAOG	**21,790**	24,910
Omani Vegetable Oils and Derivatives LLC	**13,202**	468,689
Sharikat Fanniya Omaniya	**2,032**	11,450
Other related parties	**12,301**	22,592
	1,732,923	2,936,140
Directors' remuneration and sitting fees	**154,980**	52,700
Directors' meeting attendance expenses	**20,352**	29,767

Terms and conditions of transactions with related parties

Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2020, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (2019: same terms and conditions). This assessment is undertaken at each financial year through examining the financial position of the related party and the market in which the related party operates.

(b) Balances with related parties, included under the following headings, are as follows:

Balances due from related parties or holders of 10% or more of the Company's shares, or their family members, less provisions and write-offs, is analysed as follows:

	2020	2019
Premiums receivable from related parties (Note 13)	**997,427**	99,934
Outstanding claims payable (included in outstanding claims reserve) to other related parties	**1,988,928**	2,218,456

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33 Related party transactions (continued)

(c) Compensation to key managerial personnel of the Company

	2020	2019
Short-term benefits	**442,577**	459,433
Employees' terminal benefits	**14,411**	15,361
	456,988	474,794

34 Operating segment

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

The Company has the following operating segments:

General insurance: General business includes insurance and re-insurance of motor; fire and general accident; and marine cargo and hull.

Life insurance: Life business relates to insuring of the life of an individual.

Year ended 31 December 2020	**General insurance**	**Life insurance**	**Total insurance**
Insurance revenue (net of reinsurance)	20,610,640	2,665,577	**23,276,217**
Insurance costs (net of reinsurance)	(12,455,786)	(2,053,710)	**(14,509,496)**
Segment results	8,154,854	611,867	**8,766,721**
Segment expenses	(7,401,362)	(31,093)	**(7,432,455)**
Allocated other income	3,220,803	59,037	**3,279,840**
Segment profit before taxation	3,974,295	639,811	**4,614,106**
Less: Unallocated expenses			**(762,472)**
Profit for the year			**3,851,634**
Segment assets	96,726,186	6,413,997	**103,140,183**
Unallocated assets	-	-	**29,320,131**
Total assets	96,726,186	6,413,997	**132,460,314**
Segment liabilities	95,745,682	6,413,997	**102,159,679**

Year ended 31 December 2019	General insurance	Life insurance	Total insurance
Insurance revenue (net of reinsurance)	19,877,178	2,868,160	22,745,338
Insurance costs (net of reinsurance)	(13,555,759)	(1,585,253)	(15,141,012)
Segment results	6,321,419	1,282,907	7,604,326
Segment expenses	(6,595,980)	(8,534)	(6,604,514)
Allocated other income	2,450,704	19,757	2,470,461
Segment loss before taxation	2,176,143	1,294,130	3,470,273
Less: Unallocated expense			(764,027)
Profit for the year			2,706,246

Year ended 31 December 2019	General insurance	Life insurance	Total insurance
Segment assets	115,854,604	4,342,141	120,196,745
Unallocated assets	-	-	27,841,437
Total assets	115,854,604	4,342,141	148,038,182
Segment liabilities	117,554,209	4,184,798	121,739,007

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Abu Timam Grant Thornton C.R. No. 1058371 Abu Timam - Chartered Certified Accountants

34 Operating segment (continued)

Geographical information	**31 December 2020** Revenue	**31 December 2020** Non-current assets	31 December 2019 Revenue	31 December 2019 Non-current assets
Sultanate of Oman	**48,495,408**	**50,646,019**	45,632,470	54,378,399
Kingdom of Bahrain	**-**	**763,302**	-	756,545
	48,495,408	**51,409,321**	45,632,470	55,134,944

Underwriting results department wise - 2020

	Motor	**Fire and general accident**	**Marine and cargo**	**Medical**	**Life**	**Total**
Total insurance revenue	14,601,107	4,140,174	239,219	1,630,141	2,665,576	23,276,217
Total insurance costs	(9,560,595)	(1,652,412)	(101,662)	(1,141,117)	(2,053,710)	(14,509,496)
Underwriting results	**5,040,512**	**2,487,762**	**137,557**	**489,024**	**611,866**	**8,766,721**

Underwriting results department wise - 2019

	Motor	**Fire and general accident**	**Marine and cargo**	**Medical**	**Life**	**Total**
Total insurance revenue	14,983,676	3,878,863	233,314	781,326	2,868,160	22,745,339
Total insurance costs	(12,339,199)	(600,877)	13,186	(628,870)	(1,585,253)	(15,141,013)
Underwriting results	**2,644,477**	**3,277,986**	**246,500**	**152,456**	**1,282,907**	**7,604,326**

35 Financial instruments by categories

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

31 December 2020

Assets	**Money market funds**	**Held-to-maturity investments**	**Available-for-sale investments**	**Held-for-trading investments**	**Loans and receivables**	**Total**
Available-for-sale investments	-	-	**3,731,688**	-	-	**3,731,688**
Held-for-trading investments	-	-	-	**269,160**	-	**269,160**
Money market funds	**5,260,963**	-	-	-	-	**5,260,963**
Insurance and reinsurance contracts	-	-	-	-	**10,351,950**	**10,351,950**
Other receivables (excluding prepayments)	-	-			**1,697,011**	**1,697,011**
Held-to-maturity investments	-	**8,538,458**	-	-	-	**8,538,458**
Bank deposits and cash	-	-	-	-	**37,530,070**	**37,530,070**
	5,260,963	**8,538,458**	**3,731,688**	**269,160**	**49,579,031**	**67,379,300**

Liabilities	**Financial liabilities**	**Total**
Reserves withheld from reinsurers	**6,189,197**	**6,189,197**
Due to reinsurers	**8,634,513**	**8,634,513**
Accounts payable, provisions and accruals	**4,917,530**	**4,917,530**
	19,741,240	**19,741,240**

35 Financial instruments by categories (continued)

31 December 2019

Assets	Money market fund	Held-to-maturity investments	Available-for-sale investments	Held-for-trading investments	Loans and receivables	Total
Available-for-sale investments	-	-	3,871,144	-	-	3,871,144
Held-for-trading investments	-	-	-	325,806	-	325,806
Money market funds	-	-	-	-	-	-
Insurance and reinsurance contracts	-	-	-	-	8,415,922	8,415,922
Other receivables (excluding prepayments)	-	-	-	-	1,550,088	1,550,088
Held-to-maturity investments	-	11,746,035	-	-	-	11,746,035
Bank deposits and cash	-	-	-	-	36,996,411	36,996,411
	-	11,746,035	3,871,144	325,806	46,962,421	62,905,406

Liabilities	Financial liabilities	Total
Reserves withheld from reinsurers	6,851,184	6,851,184
Due to reinsurers	9,046,540	9,046,540
Accounts payable, provisions and accruals	3,096,505	3,096,505
	18,994,229	18,994,229

36 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 the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees. This is in addition to a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing the 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 either from economic shocks or natural disasters.

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

Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with adequate reinsurance arrangements and pro-active claims handling.

The concentration of insurance risk exposure is mitigated by the implementation of the underwriting strategy of the Company, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Company principally issues general insurance contracts which constitutes mainly motor, marine and aviation and fire and general risks.

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements 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.

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

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

36 Risk management (continued)

Insurance risk (continued)

The Company only deals with reinsurers approved by the management, which are generally international re-insurance companies that are rated by international rating agencies.

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

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 contracts 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. The Company only deals with reinsurers approved by the Board of Directors.

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.

Financial risk

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed and unlisted investments, cash and cash equivalents and interest bearing deposits.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk.

The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Significantly all of the foreign currency transactions of the Company are either in US Dollars or in currencies linked to the US Dollar. The rate of exchange between the US Dollar and the OMR has remained unchanged since the year 1986. Management therefore does not consider any significant risk arising from transactions in foreign currencies.

The Company's exposure to foreign currency risk is as follows (Amount mentioned in Omani Rial below):

	2020		2019	
	US Dollars	**Other currencies**	US Dollars	Other currencies
Insurance and reinsurance receivables	**1,791,347**	**-**	1,081,570	-
Bank deposits	**2,848,545**	**18,749**	2,567,370	420,817
Reserves withheld from reinsurers	**5,915,472**	**-**	6,676,099	-
Due to reinsurers	**5,919,847**	**-**	6,913,333	-
	16,475,211	**18,749**	17,238,372	420,817

Sensitivity

The Company's bank deposits are denominated in foreign currencies, mainly US Dollars, as at 31 December 2020. As the US Dollar is pegged to the OMR, the management does not believe that the Company is exposed to any material foreign exchange risk. Further, the bank balances are held with reputed financial institutions.

Interest rate risk

The Company invests in securities and has bank deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest-bearing securities. The Company limits interest rate risk by monitoring changes in interest rates.

Profile

At the reporting date, the interest-rate profile of the Company's interest-bearing financial instruments was as follows:

36 Risk management (continued)

Profile (continued)

	Carrying amounts	
Fixed rate instruments	**2020**	2019
Financial assets	**28,769,314**	29,353,257
Financial liabilities	**(6,189,197)**	(6,851,184)
	22,580,117	22,502,073

Fair value sensitivity analysis for fixed rate instruments

The Company accounts for fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the reporting date would not affect profit or loss. The interest rates are contractually agreed and remain constant throughout the maturity period.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring the market. In addition, the Company monitors actively the key factors that affect stock market movements.

1.164% of the Company's investments, including investment properties, at the statement of financial position date are outside of the Sultanate of Oman (31 December 2019: 1.187%).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. Relevant financial instruments of the Company include bank balances, bank deposits and insurance premiums receivable. The Company monitors receivables on a regular basis and ensures bank balances and bank deposits are placed with reputable financial institutions.

Premiums receivable comprise a large number of customers mainly within the Sultanate of Oman.

The maximum credit exposure to credit risk for premiums and re-insurance premiums receivable at the reporting date by geographic region are as follows:

	2020	2019
Sultanate of Oman	**8,808,424**	7,559,817
Europe	**889,313**	583,137
Middle East	**289,947**	156,948
Other Asian countries	**364,266**	116,020
	10,351,950	8,415,922

The maximum exposure to credit risk for premiums and reinsurance premiums receivable at the reporting date by type is as follows:

	2020	2019
Corporate clients	**8,378,115**	7,132,452
Individuals	**201,889**	239,181
Reinsurers	**1,771,946**	1,044,289
	10,351,950	8,415,922

The credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and Management's experience. External ratings generally are not available in the environment in which the Company is operating.

Credit quality of financial assets

In accordance with the credit policy of the Company, customers, brokers, agents and reinsurers are extended a credit period in the normal course of business of upto 60 days, which in some cases, due to the market conditions and historical business relationship with the customers may be extended by a further period of 30 days as the demands of business may require. The credit quality of financial assets is determined by the counterparties' history of meeting commitments, market intelligence related information and Management's trade experience. External ratings generally are not available in the environment in which the Company is operating.

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36 Risk management (continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are monitored regularly and management ensures that sufficient funds are available, including unutilised credit facilities with banks, to meet any commitments as they arise.

Maturity profile

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	31 December 2020		31 December 2019	
Particulars	**Within one year**	**Total**	Within one year	Total
Insurance funds	**81,418,439**	**81,418,439**	101,744,778	101,744,778
Reserves withheld from reinsurers	**6,189,197**	**6,189,197**	6,851,184	6,851,184
Due to reinsurers	**8,634,513**	**8,634,513**	9,046,540	9,046,540
Accounts payable, provisions and accruals	**4,917,530**	**4,917,530**	3,096,505	3,096,505
Net principal liabilities	**101,159,679**	**101,159,679**	120,739,007	120,739,007

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Company defines as total Shareholders' equity and the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year.

The Company is subject to capital requirements imposed by local regulatory authorities.

Maturity profile

Capital management	**31 December 2020**	31 December 2019
Insurance funds	**81,418,439**	101,744,778
Reserves withheld from reinsurers	**6,189,197**	6,851,184
Due to reinsurers	**8,634,513**	9,046,540
Accounts payable, provisions and accruals	**4,917,530**	3,096,505
Less: Cash and bank balances	**(9,910,756)**	(9,377,097)
Net debt	**91,248,923**	111,361,910
Share capital	**10,000,000**	10,000,000
Legal reserve	**769,834**	384,671
Contingency reserve	**10,000,000**	10,000,000
Investment fair value reserve	**116,529**	248,265
Revaluation reserve in equity accounted investees	**584,662**	641,977
Retained earnings	**561,450**	37,643
Revaluation reserve on investment property	**3,504,114**	603,950
Total Shareholders' equity	**25,536,589**	21,916,506
Total capital and net debt	**116,785,512**	133,278,416
Gearing ratio	**78%**	84%

37 Fair value

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.

The fair values of the Company's financial assets and liabilities, with the exception of certain unquoted investments, are not materially different from their carrying values as at the statement of financial position date.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Investment in equity securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

38 Comparative figures

Certain comparative information/corresponding figures have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current year's financial statements, the effect of which is not material, and which does not result in any changes in net profits/(losses) or Shareholders' equity.

39 Event after reporting period

The Covid-19 pandemic has resulted in a series of unprecedented measures being enforced by Global and Local governments which will significantly impact the business landscape of the Sultanate of Oman. At the time of signing of these financial statements, the rapidly evolving situation of the Covid-19 pandemic is expected to have a significant effect on the global economy and on the Company itself. The directors are continuing to monitor, plan and act - whereas and as appropriate to this crisis in so far as it impacts the current and future obligations of the Company.

However, it is the view of the Directors that the going concern basis of preparation remains appropriate for the Company and that it has sufficient resources to meet its ongoing obligations and commitments.

40 Legal court cases and contingent liabilities

(a) Legal court cases

As at 31 December 2020, the Company has the following outstanding contingent assets arising from the legal cases filed against its ex-employees for misappropriation of funds and misusing their authority for personal gains. However, these employees have filed counter claims against the Company which can lead to contingent liabilities in future.

	31 December 2020		31 December 2019	
	Contingent liabilities	**Contingent assets**	Contingent liabilities	Contingent assets
The Company had filed a civil case against the ex-Chief Executive Officer, to repay OMR 1,124,986 plus 6.5% interest and court expenses. The Company lost the case in the Appeals Court and filed again which was accepted by Supreme Court and transferred to Muscat Appeal Court. Now the judgement is pending by the Muscat Appeal Court.	-	**1,124,986**	-	1,124,986
Eviction case was filed against the ex- chief executive officer for the villa occupied by him that was given to him by the Company. The Primary Court has rendered a judgement condemning the ex-chief executive officer to vacate the villa and pay OMR 3,000 per month from 1 September 2016. The ex-chief executive officer has filed an appeal against vacating the villa. The Appeal court has issued judgement in favour of Dhofar Insurance Company to enforce ex-chief executive officer to pay the amount.	-	**80,000**	-	80,000

40 Legal court cases and contingent liabilities (continued)

(a) Legal court cases (continued)

	31 December 2020		31 December 2019	
	Contingent liabilities	**Contingent assets**	Contingent liabilities	Contingent assets
A judgment was issued from Muscat Primary Court for eviction case against to ex-GM for villa rent and utility consumption which was earlier paid by the Company. As per the judgement the ex-GM is obliged to pay to the Company.	-	31,000	-	31,000
Total (a)	-	1,235,986	-	1,235,986

	31 December 2020	31 December 2019
(b) Contingent liabilities		
Letters of lien against fixed deposits	25,269,314	28,316,323
Total (b)	25,269,314	28,316,323
Total contingent liabilities (a + b)	25,269,314	28,316,323

(c) Legal claims

The Company, consistent with the 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 the court cases will have a material impact on its income or financial position.

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