

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

1 Legal status and principal activities

Dhofar Insurance Company SAOG (the Company) is a joint stock company registered under the Commercial Companies Law of Oman and is engaged in the business of insurance (general and life) within the Sultanate of Oman.

2 Significant accounting policies

(a) Basis of preparation

These unaudited condensed financial statements have been prepared under the going concern and 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 investment properties to the extent required or permitted under IFRS as set out in the relevant accounting policies.

(i) Statement of compliance

These unaudited condensed financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee, the applicable provisions of the Commercial Companies Law 1974, as amended, of the Sultanate of Oman, the Insurance Companies Law 1979 and the Rules and Guidelines on disclosures issued by the Capital Market Authority.

(ii) Interim financial reporting

The Company has elected to publish condensed set of financial statements as its interim financial statements under IAS 34. Recognition and measurement guidance of IAS 34 applies also to complete financial statements for an interim period, and these interim financial statements include all of the disclosures required by IAS 34 as well as those required by other IFRS.

(iii) Use of estimates and judgements

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

(iv) Seasonality of operations

The nature of the Company's business is such that substantial volume of insurance policy renewals and new policies occur in the first half of the year.

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

3 Property and equipments

	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	House hold furniture	Total
Cost						
At 1 January 2021	260,000	840,000	3,643,944	98,875	325,706	5,168,525
Additions during the period	-	-	139,207	-	-	139,207
Disposals / Written off	-	-	-	-	(325,706)	(325,706)
At 30 September 2021	<u>260,000</u>	<u>840,000</u>	<u>3,783,151</u>	<u>98,875</u>	<u>-</u>	<u>4,982,026</u>
Accumulated depreciation						
At 1 January 2021	-	196,000	3,524,177	98,875	325,706	4,144,758
Depreciation charged	-	25,200	89,515	-	-	114,715
On disposals / Written off	-	-	-	-	(325,706)	(325,706)
At 30 September 2021	<u>-</u>	<u>221,200</u>	<u>3,613,692</u>	<u>98,875</u>	<u>-</u>	<u>3,933,767</u>
Net book amount						
At 30 September 2021	<u>260,000</u>	<u>618,800</u>	<u>169,459</u>	<u>-</u>	<u>-</u>	<u>1,048,259</u>
	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	House hold furniture	Total
Cost						
At 1 January 2020	260,000	840,000	3,589,139	98,875	325,706	5,113,720
Additions during the period	-	-	40,661	-	-	40,661
Disposals	-	-	-	-	-	-
At 30 September 2020	<u>260,000</u>	<u>840,000</u>	<u>3,629,800</u>	<u>98,875</u>	<u>325,706</u>	<u>5,154,381</u>
Accumulated depreciation						
At 1 January 2020	-	162,400	3,427,815	98,875	325,706	4,014,796
Depreciation charged	-	25,200	71,899	-	-	97,099
On disposals	-	-	-	-	-	-
At 30 September 2020	<u>-</u>	<u>187,600</u>	<u>3,499,714</u>	<u>98,875</u>	<u>325,706</u>	<u>4,111,895</u>
Net book amount						
At 30 September 2020	<u>260,000</u>	<u>652,400</u>	<u>130,086</u>	<u>-</u>	<u>-</u>	<u>1,042,486</u>
At 31 December 2020	<u>260,000</u>	<u>644,000</u>	<u>119,767</u>	<u>-</u>	<u>-</u>	<u>1,023,767</u>

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

4 Investment properties	Unaudited 30 Sept 21	Unaudited 30 Sept 20	Audited 31 Dec 20
As at 1 January	7,675,000	8,025,000	8,025,000
Changes in fair value during the period through profit & loss	-	(300,000)	(300,000)
Changes in fair value during the period through Comprehensive income	-	(50,000)	(50,000)
Prior year adjustments	-	-	-
At 30 September	7,675,000	7,675,000	7,675,000

Investment properties, comprising real estate investments, are under lien to the Capital Market Authority. The carrying amount of the investment properties is the aggregate fair value as determined by an independent value. Fair value was determined as being the most probable price the property can fetch in a competitive open market. In December 2019, the Company obtained a valuation of its investment properties from an independent valuer, which indicated that the fair values of the investment properties fairly represented their market values.

5 Investments	Unaudited 30 Sept 21	Unaudited 30 Sept 20	Audited 31 Dec 20
Available-for-sale investments (Note 5a)	7,538,172	3,625,063	3,731,688
Investment in equity accounted investees (Note 5b)	2,821,094	2,774,527	2,821,094
Held-to-maturity investments (Note 5d)	9,310,363	8,548,072	8,538,458
Total non-trading investments	19,669,629	14,947,662	15,091,240
Held-for-trading investments (Note 5c)	724,873	266,116	269,160
Investment in Money Market Funds	2,022,241	5,211,644	5,260,963
Total investments	22,416,743	20,425,422	20,621,363

5A Available for sale investments :

Quoted equity investments:

Local quoted equity investments:

	Unaudited 30 Sept 21	Unaudited 30 Sept 20	Audited 31 Dec 20
Service sector	563,246	519,079	562,174
Investment sector	4,368,323	533,433	568,996
	4,931,569	1,052,512	1,131,170

Foreign quoted equity investments:

Insurance sector	34,005	24,236	27,919
	34,005	24,236	27,919

Unquoted investments:

Unquoted investments	2,572,599	2,548,315	2,572,599
	2,572,599	2,548,315	2,572,599
	7,538,172	3,625,063	3,731,688

5B Investment in equity accounted investees :

The Company has the following investment in associate:

	Number of shares	Percentage of issued share	Unaudited 30 Sept 21
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,821,094
			2,821,094
	Number of shares	Percentage of issued share capital	Unaudited 30 Sept 20
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,774,527
			2,774,527
	Number of shares	Percentage of issued share capital	Audited 31 Dec 20
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,821,094
			2,821,094

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

5 Investments (continued)	Unaudited 30 Sept 21		Unaudited 30 Sept 20		Audited 31 Dec 20	
5C Held-for-trading investments	Market value	Cost	Market value	Cost	Market value	Cost
<i>Quoted local investments:</i>						
Banking sector	-	-	-	-	-	-
Service sector	293,052	488,271	138,921	326,038	146,735	326,038
Investment sector	70,127	155,347	20,852	116,715	20,247	116,715
Others	361,693	390,455	106,343	73,259	102,178	73,259
	724,873	1,034,073	266,116	516,012	269,160	516,012

5D Held-to-maturity investments

Held-to-maturity investments comprise of the following:

	Unaudited 30 Sept 21		Unaudited 30 Sept 20		Audited 31 Dec 20	
	Amortized cost	Cost	Amortized cost	Cost	Amortized cost	Cost
Bank Sohar Perpetual Bonds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Sultanate of Oman Government Development Bonds	4,038,458	4,067,300	4,048,072	4,067,300	4,038,458	4,067,300
Bank Dhofar Preperual Bonds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DIDIC Non Convertible Bond	-	-	2,500,000	2,500,000	2,500,000	2,500,000
Oman Arab Bank Perputual Bonds	403,978	397,328	-	-	-	-
Oman Sovereign Bonds (USD)	2,867,927	2,874,577	-	-	-	-
	9,310,363	9,339,205	8,548,072	8,567,300	8,538,458	8,567,300

6 Bank deposits, bank balances, cash and bank loan

6A Bank deposits (non-current assets)	Unaudited 30 Sept 21	Unaudited 30 Sept 20	Audited 31 Dec 20
Bank deposits with a maturity of greater than twelve months from the date of placement	27,619,314	27,619,314	27,619,314

The bank deposits carry interest rates ranging between 1.20 % per annum and 5.50 % per annum (30 Sept, 2019: between 1.2 % per annum and 4.85 % per annum).

6B Bank deposits and cash (current assets)	Unaudited 30 Sept 21	Unaudited 30 Sept 20	Audited 31 Dec 20
Cash and cash equivalents	3,257,606	6,645,917	8,760,756
Short term deposits	150,000	150,000	1,150,000
	3,407,606	6,795,917	9,910,756

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

7 Insurance and reinsurance contract receivables	Unaudited 30 Sept 21	Unaudited 30 Sept 20	Audited 31 Dec 20
Premiums receivable	13,928,027	10,810,104	9,293,664
Premiums receivable from related parties (Note 16B)	2,133,238	246,246	997,427
Reinsurance balance receivable	4,547,587	4,071,364	2,362,763
Provision for impaired premiums receivables	(1,901,087)	(1,617,952)	(1,711,087)
Provision for impaired reinsurance receivables	(590,817)	(583,952)	(590,817)
	18,116,947	12,925,810	10,351,950

8 Share capital	Unaudited 30 Sept 21	Unaudited 30 Sept 20	Audited 31 Dec 20
Authorised 100,000,000 ordinary shares of RO 0.100 each (2019: 100,000,000 ordinary shares of RO 0.100 each)	10,000,000	30,000,000	10,000,000
Issued and fully paid-up 100,000,000 ordinary shares of RO 0.100 each	10,000,000	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:

	Unaudited 30 Sept 21		Unaudited 30 Sept 20		Audited 31 Dec 20	
	% of Holding	Number of shares	% of Holding	Number of shares	% of Holding	Number of shares
Dhofar International Development and Investment Company SAOG	36.59	36,592,904	36.59	36,592,904	36.59	36,592,904
H.E.Abdul Alem Mustahil Rakhyoot	15.06	15,062,797	15.06	15,062,797	15.06	15,062,797

9 Contingency reserve

Since the contingency reserve of the Company has reached the maximum limit of RO. 10,000,000, which is equivalent to the paid up capital of RO. 10,000,000, during this quarter, the Company has not transferred any amount to contingency reserve.

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

10 Insurance funds

The carrying amounts of the Company's insurance funds at 30 September were as follows:

	Unaudited 30 Sept 2021			Unaudited 30 Sept 2020			Audited 31 December 2020		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
(a) General									
Claims outstanding	34,547,992	(24,176,123)	10,371,869	41,733,983	(31,488,644)	10,245,339	43,103,060	(33,390,118)	9,712,942
Claims incurred but not reported	7,341,317	(2,288,808)	5,052,509	14,012,902	(6,455,812)	7,557,090	10,278,873	(3,159,980)	7,118,893
Additional reserves	-	-	-	-	-	-	355,944	-	355,944
Unearned premiums	25,601,965	(14,925,385)	10,676,580	23,427,623	(13,202,768)	10,224,855	21,923,410	(12,512,908)	9,410,502
	<u>67,491,274</u>	<u>(41,390,316)</u>	<u>26,100,958</u>	<u>79,174,508</u>	<u>(51,147,224)</u>	<u>28,027,284</u>	<u>75,661,287</u>	<u>(49,063,006)</u>	<u>26,598,281</u>
(b) Life									
Claims outstanding	2,384,375	(1,889,990)	494,385	2,235,200	(1,842,062)	393,138	3,181,769	(2,562,382)	619,387
Claims incurred but not reported	622,144	(390,780)	231,364	1,319,981	(842,876)	477,105	830,205	(540,342)	289,863
Additional reserves	-	-	-	-	-	-	14,493	-	14,493
Unearned premiums reserve	1,916,164	(1,208,773)	707,391	1,200,487	(688,391)	512,096	1,730,685	(1,206,954)	523,731
	<u>4,922,683</u>	<u>(3,489,543)</u>	<u>1,433,140</u>	<u>4,755,668</u>	<u>(3,373,329)</u>	<u>1,382,339</u>	<u>5,757,152</u>	<u>(4,309,678)</u>	<u>1,447,474</u>
Total insurance funds	<u>72,413,957</u>	<u>(44,879,859)</u>	<u>27,534,098</u>	<u>83,930,176</u>	<u>(54,520,553)</u>	<u>29,409,623</u>	<u>81,418,439</u>	<u>(53,372,684)</u>	<u>28,045,755</u>

11 Net assets per share

The calculation of net assets per share is based on net assets of RO 27,362,238/- (30 Sept 2020 : RO 24,772,366/- and RO 25,536,589/- as at 31 December 2020) attributable to ordinary shareholder on 100,000,000 ordinary shares being the number of ordinary share outstanding as at 30 Sept 2021 (100,000,000 ordinary shares on 30 Sept 2020 and 100,000,000 ordinary shares on 31 December 2020)

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

12 Net underwriting results

	Unaudited period ended 30 Sept 2021			Unaudited period ended 30 Sept 2020		
	General business	Life	Total	General business	Life	Total
Revenue						
Gross premium written	40,586,932	5,198,185	45,785,117	33,664,114	4,573,057	38,237,171
Reinsurance premium ceded	(25,556,711)	(2,061,795)	(27,618,506)	(20,021,421)	(2,419,363)	(22,440,784)
Net retained premium	15,030,221	3,136,390	18,166,611	13,642,693	2,153,694	15,796,387
Movement in unearned premium reserve (net)	(1,266,077)	(183,660)	(1,449,738)	(601,855)	(263,096)	(864,951)
Commission earned on reinsurance ceded	2,227,239	83,724	2,310,963	1,906,040	114,718	2,020,758
	961,162	(99,936)	861,225	1,304,185	(148,378)	1,155,807
Total insurance revenue	15,991,383	3,036,454	19,027,836	14,946,878	2,005,316	16,952,194
Costs						
Gross claims paid	7,387,466	4,502,091	11,889,557	29,478,230	2,702,708	32,180,938
Reinsurance share	3,841,260	(2,354,175)	1,487,085	(20,731,675)	(1,561,894)	(22,293,569)
Net claims paid	11,228,726	2,147,916	13,376,642	8,746,555	1,140,814	9,887,369
Movement in outstanding claims reserve (net)	(1,763,401)	(197,994)	(1,961,395)	(657,570)	184,416	(473,155)
Net claims incurred	9,465,325	1,949,922	11,415,247	8,088,985	1,325,230	9,414,214
Commission expenses & TPA Charges	1,187,136	97,881	1,285,017	1,073,358	76,563	1,149,921
Total insurance costs	10,652,461	2,047,803	12,700,264	9,162,343	1,401,793	10,564,135
Net underwriting results	5,338,922	988,651	6,327,573	5,784,535	603,523	6,388,059

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

12 Net underwriting results (continued)

	Unaudited period ended 30 Sept 2021	Unaudited period ended 30 Sept 2020
Motor	2,068,334	3,821,172
Fire and general accident	2,975,783	1,757,949
Marine cargo and hull	11,404	108,561
Medical	179,400	96,854
Life	988,651	603,523
	<u>6,223,573</u>	<u>6,388,059</u>

The net claims ratio is as follows:

	Unaudited 30 Sept 2021 Percentage	Unaudited 30 Sept 2020 Percentage
Motor	78	61
Fire and general accident	24	77
Marine cargo and hull	87	29
Medical	60	45
Life	66	70
Overall loss ratio	<u>68</u>	<u>63</u>

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).

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

13 Investment income and changes in fair value of investment property	Unaudited Period ended 30 Sept 2021	Unaudited Period ended 30 Sept 2020
Investment income		
Interest income on bank deposits	975,952	976,442
Rental income from investment properties	199,301	229,513
Dividend income	48,781	262,277
Interest Income From Money Market Fund	92,368	87,038
Commission Income from Orange C&	116,196	183,673
Interest on Bond	496,656	472,438
Profit on Sale of Bonds	-	419,403
(Loss) / Profit on Sale of Bonds	(2,344)	-
Net unrealised loss on held-for-trading investments	(67,647)	(59,690)
Net unrealised Gain/(Loss) on Investment properties	-	(300,000)
	1,859,263	2,271,093
14 Other income	Unaudited Period ended 30 Sept 2021	Unaudited Period ended 30 Sept 2020
Policy fees	38,619	34,009
Transfer fees	201,723	141,496
Cancellation fees	1,470	475
Tender fee collection	-	950
Sundry income	20,223	2,663
Profit on sale of AAA card	69,503	17,486
Foreign Exchange (Loss) / Profit	-	(139)
	331,537	196,940
15 Earnings per share		
Earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period as follows:		
	Unaudited Period ended 30 Sept 2021	Unaudited Period ended 30 Sept 2020
Net profit for the period	2,316,311	3,151,941
Average number of shares outstanding during the period	100,000,000	100,000,000
Basic earnings per share	0.023	0.032
16 Related party transactions		

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners. 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 period were as follows:

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

16 Related party transactions (continued)

(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 profit or loss are as follows:

	Unaudited Period ended 30 Sept 2021	Unaudited Period ended 30 Sept 2020
<i>Premiums written</i>		
Omani Vegetable Oils and Derivatives LLC	107,385	104,134
Dhofar International Development and Investment Company SAOG	44,097	42,601
Bank Dhofar	3,784,086	2,479,051
Other related parties	200,812	201,636
	4,136,380	2,827,423
<i>Claims paid</i>		
Omani Vegetable Oils and Derivatives LLC	22,306	13,202
Dhofar International Development and Investment Company SAOG	15,883	17,398
Bank Dhofar SAOG	1,136,885	1,271,020
Other related parties	42,177	59,815
	1,217,251	1,361,435
Directors' sitting fees	39,200	37,000
Directors' meeting attendance expenses	-	20,352

Terms and conditions of transactions with related parties

Outstanding balances at the period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the period ended 30 September 2021, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (30 September 2020 : 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:

	Unaudited Period ended 30 Sept 2021	Unaudited Period ended 30 Sept 2020
Receivables / Investments / Income from Related Parties		
Receivable from Ex-Chief Executive Officer	932,353	932,353
Premiums receivable from related parties	2,133,238	246,246
Outstanding claims payable (included in outstanding claims reserve) to other related parties	2,216,745	1,173,956
Fixed deposits with Bank Dhofar SAOG	18,939,674	20,939,674
Rental Income from Bank Dhofar	72,000	98,000
Ticket fare paid to International Travel & Tourism Co. LLC.	89	9,527
DIDIC Non Convertible Bonds	-	2,500,000
Bank Dhofar Perpetual Bond	1,000,000	1,000,000

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period Nine months ended 30 September, 2021
(Expressed in Omani Rial)

(c) Compensation to key management personnel of the Company

	Unaudited Period ended 30 Sept 2021	Unaudited Period ended 30 Sept 2020
Short-term-benefits	284,152	336,614
Employees' terminal benefits	9,465	10,994
	<u>293,617</u>	<u>347,608</u>

17 Contingencies

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

18 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 1974, as amended, 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 one million are to be compulsorily converted to shares at the end of twenty four months (ie 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 (ie 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 and accordingly OMR One million has been redeemed in the month of June 2021.

	Unaudited Period ended 30 Sept 2021	Unaudited Period ended 30 Sept 2020
Optional convertible bonds	4,000,000	5,000,000
Less; Current portion	(1,000,000)	(1,000,000)
Non current portion of optional convertible bonds	<u>3,000,000</u>	<u>4,000,000</u>

19 Comparative figures

Certain comparative information/corresponding figures have been reclassified to conform to the presentation adopted in these financial statements, the effect of which is not material. Corresponding figures for comparative purposes presented in the statement of financial position are as at 30 Sept 2021 "unaudited" and 31 December 2020 "audited" and for statement of comprehensive income and cash flows, period ended 30 Sept 2020 "unaudited".