

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.

These financial statements are prepared in accordance with IAS 34 'Interim Financial Reporting.

(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.

3 Property and equipments

	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	House hold furniture	Total
Cost						
At 1 January 2022	548,000	1,577,000	3,784,455	98,875	-	6,008,330
Additions during the period	-	-	158,818	-	-	158,818
At 31 Mar 2022	548,000	1,577,000	3,943,273	98,875	-	6,167,148
Accumulated depreciation						
At 1 January 2022	-	259,080	3,643,567	98,875	-	4,001,522
Depreciation charged	-	15,770	39,509	-	-	55,279
At 31 Mar 2022	-	274,850	3,683,076	98,875	-	4,056,801
Net book amount						
At 31 Mar 2022	548,000	1,302,150	260,197	-	-	2,110,346
	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	-	-	66,976	-	-	66,976
At 31 Mar 2021	260,000	840,000	3,710,920	98,875	325,706	5,235,501
Accumulated depreciation						
At 1 January 2021	-	196,000	3,524,177	98,875	325,706	4,144,758
Depreciation charged	-	8,400	27,517	-	-	35,917
At 31 Mar 2021	-	204,400	3,551,694	98,875	325,706	4,180,675
Net book amount						
At 31 Mar 2021	260,000	635,600	159,226	-	-	1,054,826
At 31 December 2021	548,000	1,317,920	140,888	-	-	2,006,808

4 Investment properties	Unaudited	Unaudited	Audited
	31 Mar 22	31 Mar 21	31 Dec 21
As at 1 January	6,150,000	7,675,000	7,675,000
Transfer to property and equipment	-	-	(1,025,000)
Changes in fair value during the period through profit & loss	-	-	(500,000)
At 31 Mar	6,150,000	7,675,000	6,150,000

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 2021, 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	Unaudited	Audited
	31 Mar 22	31 Mar 21	31 Dec 21
Available-for-sale investments (Note 5a)	5,478,322	4,241,566	6,686,802
Investment in equity accounted investees (Note 5b)	3,229,996	2,821,094	3,049,934
Held-to-maturity investments (Note 5d)	10,129,862	9,635,815	9,310,363
Total non-trading investments	18,838,180	16,698,475	19,047,099
Held-for-trading investments (Note 5c)	980,626	569,109	698,686
Investment in Money Market Funds (Note 5e)	1,769,076	3,547,874	2,042,532
Total investments	21,587,882	20,815,458	21,788,317

5A Available for sale investments :	Unaudited	Unaudited	Audited
<u>Quoted equity investments:</u>	31 Mar 22	31 Mar 21	31 Dec 21
Local quoted equity investments:			
Service sector	-	528,373	566,080
Investment sector	3,028,459	1,110,158	3,670,859
	3,028,459	1,638,531	4,236,939
Foreign quoted equity investments:			
Insurance sector	33,643	30,436	33,643
	33,643	30,436	33,643
<u>Unquoted investments:</u>			
Unquoted investments	2,416,221	2,572,599	2,416,220
	2,416,221	2,572,599	2,416,220
	5,478,322	4,241,566	6,686,802

Investment in equity accounted investees :**5B**

The Company has the following investment in associate:

	Number of shares	Percentage of issued share capital	Unaudited 31 Mar 22
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	3,229,996
			<u>3,229,996</u>
	Number of shares	Percentage of issued share capital	Unaudited 31 Mar 21
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,821,094
			<u>2,821,094</u>
	Number of shares	Percentage of issued share capital	Audited 31 Dec 21
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	3,049,934
			<u>3,049,934</u>

5	Investments (continued)	Unaudited		Unaudited		Audited	
5C	Held-for-trading investments	31 Mar 22		31 Mar 21		31 Dec 21	
	<i>Quoted local investments:</i>	Market value	Cost	Market value	Cost	Market value	Cost
	Service sector	766,304	444,221	129,946	326,038	556,402	843,608
	Investment sector	47,056	136,020	20,874	116,715	87,375	68,935
	Others	167,266	73,259	418,288	422,318	54,909	129,944
		980,626	653,500	569,108	865,071	698,686	1,042,487

Held-to-maturity investments

5D

Held-to-maturity investments comprise of the following:

	Unaudited		Unaudited		Audited	
	31 Mar 22		31 Mar 21		31 Dec 21	
	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	4,038,458	4,067,300	4,038,458	4,067,300
Bank Dhofar Prepetual 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	-	-
USD Bonds	4,091,404	4,093,576	1,097,357	1,097,357	3,271,905	3,271,905
	10,129,862	10,160,876	9,635,815	9,664,657	9,310,363	9,339,205

	Unaudited 31 Mar 22	Unaudited 31 Mar 21
5E Investment in money market funds		
As at 1 January	2,042,532	5,260,963
Additions during the year	-	1,724,333
Sales during the year	(288,941)	(3,403,032)
Changes in fair value for the year	15,485	(34,390)
As at 31 March	<u>1,769,076</u>	<u>3,547,874</u>

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.

Bank deposits, bank balances, cash and bank loan

6

6A Bank deposits (non-current assets)	Unaudited 31 Mar 22	Unaudited 31 Mar 21	Audited 31 Dec 21
Bank deposits with a maturity of greater than twelve months from the date of placement	<u>27,619,314</u>	<u>27,619,314</u>	<u>27,619,314</u>

The bank deposits carry interest rates ranging between 1.20% per annum and 4.85% per annum (31st March, 2022: between 1.2% per annum and 4.85% per annum).

6B Bank deposits and cash (current assets)	Unaudited 31 Mar 22	Unaudited 31 Mar 21	Audited 31 Dec 21
Cash and cash equivalents	422,362	6,870,369	2,493,659
Short term deposits	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
	<u>572,362</u>	<u>7,020,369</u>	<u>2,643,659</u>

7	Insurance and reinsurance contract receivables	Unaudited	Unaudited	Audited
		31 Mar 22	31 Mar 21	31 Dec 21
	Premiums receivable	14,002,083	12,801,817	8,029,391
	Premiums receivable from related parties (Note 16B)	2,290,572	311,162	2,463,161
	Reinsurance balance receivable	9,725,301	5,620,220	8,982,620
	Provision for impaired premiums receivables	(1,951,087)	(1,751,087)	(1,911,087)
	Provision for impaired reinsurance receivables	(590,817)	(590,817)	(590,817)
		<u>23,476,052</u>	<u>16,391,295</u>	<u>16,973,268</u>

8	Share capital	Unaudited	Unaudited	Audited
		31 Mar 22	31 Mar 21	31 Dec 21
	Authorised 100,000,000 ordinary shares of RO 0.100 each (2022: 100,000,000 ordinary shares of RO 0.100 each)	10,000,000	10,000,000	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		Unaudited		Audited	
	31 Mar 22		31 Mar 21		31 Dec 21	
	% 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	36.60	36,592,904
H.E.Abdul Alem Mustahil Rakhyyoot	15.06	15,062,797	15.06	15,062,797	15.10	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 RO10,000,000, during this quarter, the Company has not transferred any amount to contingency reserve.

10 Insurance funds

The carrying amounts of the Company's insurance funds at 31 March were as follows:

(a)	General	Unaudited 31 Mar 2022			Unaudited 31 Mar 2021			Audited 31 December 2021		
		Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	Claims outstanding	44,631,114	(34,213,805)	10,417,309	39,119,921	(30,164,382)	8,955,539	44,436,148	(34,710,172)	9,725,976
	Claims incurred but not reported	8,850,063	(5,075,244)	3,774,819	8,636,577	(2,190,864)	6,445,713	7,103,344	(2,868,809)	4,234,535
	Unearned premiums	21,916,686	(12,026,179)	9,890,507	22,849,762	(12,207,497)	10,642,265	19,055,220	(9,869,627)	9,185,593
		<u>75,397,863</u>	<u>(51,315,229)</u>	<u>24,082,634</u>	<u>70,606,260</u>	<u>(44,562,743)</u>	<u>26,043,517</u>	<u>70,594,712</u>	<u>(47,448,608)</u>	<u>23,146,104</u>
(b)	Life									
	Claims outstanding	3,128,271	(2,541,839)	586,432	2,340,464	(1,938,147)	402,317	3,278,484	(2,630,667)	647,817
	Claims incurred but not reported	1,018,004	(680,801)	337,202	760,687	(422,409)	338,278	1,066,886	(694,387)	372,499
	Unearned premiums reserve	4,482,122	(3,299,739)	1,182,383	1,808,607	(1,186,229)	622,378	4,267,683	(3,087,101)	1,180,582
		<u>8,628,396</u>	<u>(6,522,380)</u>	<u>2,106,017</u>	<u>4,909,758</u>	<u>(3,546,785)</u>	<u>1,362,973</u>	<u>8,613,053</u>	<u>(6,412,155)</u>	<u>2,200,898</u>
(b)	Medical Business									
	Claims outstanding	279,778	(202,286)	77,492	77,633	(54,343)	23,290	166,284	(108,003)	58,281
	Claims incurred but not reported	1,215,271	(798,463)	416,808	975,611	(725,045)	250,566	1,215,271	(798,463)	416,808
	Unearned premiums reserve	1,783,239	(1,053,567)	729,672	1,740,296	(1,129,605)	610,691	1,784,820	(1,073,967)	710,853
		<u>3,278,288</u>	<u>(2,054,316)</u>	<u>1,223,972</u>	<u>2,793,540</u>	<u>(1,908,993)</u>	<u>884,547</u>	<u>3,166,375</u>	<u>(1,980,433)</u>	<u>1,185,942</u>
	Total insurance funds	<u><u>87,304,548</u></u>	<u><u>(59,891,925)</u></u>	<u><u>27,412,623</u></u>	<u><u>78,309,558</u></u>	<u><u>(50,018,521)</u></u>	<u><u>28,291,037</u></u>	<u><u>82,374,140</u></u>	<u><u>(55,841,196)</u></u>	<u><u>26,532,944</u></u>

Net assets per share

11 The calculation of net assets per share is based on net assets of RO 26,249,551/- (31 March 2021 : RO 25,421,555/- and RO 27,056,185/- as at 31 December 2021) attributable to ordinary shareholder on 100,000,000 ordinary shares being the number of ordinary share outstanding as at 31 March 2022 (100,000,000 ordinary shares on 31 March 2021 and 100,000,000 ordinary shares on 31 December 2021)

12 Net underwriting results

	Unaudited period ended 31 Mar 2022			Unaudited period ended 31 Mar 2021		
	General business	Life	Total	General business	Life	Total
Revenue						
Gross premium written	19,612,038	2,446,473	22,058,511	13,967,793	2,081,924	16,049,717
Reinsurance premium ceded	(13,044,879)	(1,379,117)	(14,423,996)	(7,698,751)	(1,020,669)	(8,719,420)
Net retained premium	6,567,159	1,067,356	7,634,515	6,269,042	1,061,255	7,330,297
Movement in unearned premium reserve (net)	(723,733)	(1,800)	(725,533)	(1,842,454)	(98,647)	(1,941,101)
Commission earned on reinsurance ceded	776,894	84,599	861,493	774,351	53,278	827,629
	53,161	82,799	135,960	(1,068,103)	(45,368)	(1,113,472)
Total insurance revenue	6,620,320	1,150,154	7,770,474	5,200,939	1,015,887	6,216,825
Costs						
Gross claims paid	7,376,593	1,258,964	8,635,557	10,289,467	1,786,338	12,075,805
Reinsurance share	(3,562,550)	(869,105)	(4,431,655)	(6,111,999)	(1,239,490)	(7,351,489)
Net claims paid	3,814,043	389,859	4,203,902	4,177,468	546,848	4,724,316
Movement in outstanding claims reserve (net)	250,828	(96,682)	154,146	(1,512,671)	(183,148)	(1,695,819)
Net claims incurred	4,064,871	293,177	4,358,048	2,664,797	363,700	3,028,497
Commission expenses	562,308	21,163	583,471	540,378	32,145	572,523
Total insurance costs	4,627,179	314,340	4,941,519	3,205,175	395,845	3,601,020
Net underwriting results	1,993,141	835,814	2,828,955	1,995,764	620,041	2,615,805

12 Net underwriting results (continued)

	Unaudited period ended 31 Mar 2022	Unaudited period ended 31 Mar 2021
Motor	464,836	964,810
Fire and general accident	1,336,374	932,982
Marine cargo and hull	60,661	17,572
Medical	131,270	80,399
Life	835,814	620,041
	2,828,955	2,615,804

The net claims ratio is as follows:

	Unaudited 31 Mar 2021 Percentage	Unaudited 31 Mar 2020 Percentage
Motor	86	68
Fire and general accident	24	9
Marine cargo and hull	(10)	180
Medical	57	63
Life	28	38
Overall loss ratio	63	56

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).

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 31 Mar 2022	Unaudited Period ended 31 Mar 2021
<i>Premiums written</i>		
Omani Vegetable Oils and Derivatives LLC	69,039	67,549
Dhofar International Development and Investment Company SAOG	114	132
Bank Dhofar	780,385	676,755
Other related parties	71,004	118,086
	<u>920,541</u>	<u>862,521</u>
<i>Claims paid</i>		
Omani Vegetable Oils and Derivatives LLC	11,802	7,352
Dhofar International Development and Investment Company SAOG	5,308	7,442
Bank Dhofar SAOG	1,331,576	653,722
Other related parties	47,421	18,616
	<u>1,396,107</u>	<u>687,132</u>
Directors' sitting fees	10,500	10,500

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 period ended 31 March 2022, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (31 March 2021: 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:

	Unaudited Period ended 31 Mar 2022	Unaudited Period ended 31 Mar 2021
Other receivables and prepayments		
Premiums receivable from related parties	2,290,572	311,162
Outstanding claims payable (included in outstanding claims reserve) to other related parties	4,324,232	1,728,556
Non Convertible Bonds	-	2,500,000
Interst Accrued on Non Converible Bonds	18,493	248,831
Perpetual Bond	1,000,000	1,000,000
Fixed deposits with Bank Dhofar SAOG	18,939,674	20,939,674

(c) Compensation to key management personnel of the Company	Unaudited	Unaudited
	Period ended 31 Mar 2022	Period ended 31 Mar 2021
Short-term-benefits	96,345	94,626
Employees' terminal benefits	3,961	3,155
	<u>100,306</u>	<u>97,780</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.

However, in an 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. Accordingly, during the year twenty percent of the bonds amounting to OMR 1 million have been redeemed.

	31 Mar 2022	31 Mar 2021
Optional convertible bonds	4,000,000	5,000,000
Less; Current prtion	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Non current portion of mandatory 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 31 March 2021 and 31 December 2021 and for statement of comprehensive income and cash flows, period ended 31 March 2021.