

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 equipment

	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	-	-	172,123	-	-	172,123
At 30 June 2022	548,000	1,577,000	3,956,578	98,875	-	6,180,453
Accumulated depreciation						
At 1 January 2022	-	259,080	3,643,567	98,875	-	4,001,522
Depreciation charged	-	31,540	80,311	-	-	111,851
At 30 June 2022	-	290,620	3,723,878	98,875	-	4,113,373
Net book amount						
At 30 June 2022	548,000	1,286,380	232,700	-	-	2,067,080
	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	-	-	99,767	-	-	99,767
At 30 June 2021	260,000	840,000	3,743,711	98,875	325,706	5,268,292
Accumulated depreciation						
At 1 January 2021	-	196,000	3,524,177	98,875	325,706	4,144,758
Depreciation charged	-	16,800	57,623	-	-	74,423
At 30 June 2021	-	212,800	3,581,800	98,875	325,706	4,219,181
Net book amount						
At 30 June 2021	260,000	627,200	161,911	-	-	1,049,111
At 31 December 2021	548,000	1,317,920	140,888	-	-	2,006,808

4 Investment properties	Unaudited 30 June 22	Unaudited 30 June 21	Audited 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 30 June	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 valuer. Fair value was determined as being the most probable price the property can fetch in a competitive open market. In June 2022, 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 June 22	Unaudited 30 June 21	Audited 31 Dec 21
Available-for-sale investments (Note 5a)	4,838,087	4,300,035	6,686,802
Investment in equity accounted investees (Note 5b)	3,437,748	2,821,094	3,049,934
Held-to-maturity investments (Note 5d)	10,275,834	11,181,958	9,310,363
Total non-trading investments	18,551,669	18,303,087	19,047,099
Held-for-trading investments (Note 5c)	981,525	568,499	698,686
Investment in Money Market Funds	-	2,502,579	2,042,532
Total investments	19,533,194	21,374,165	21,788,317

5A Available for sale investments :**Quoted equity investments:****Local quoted equity investments:**

	Unaudited 30 June 22	Unaudited 30 June 21	Audited 31 Dec 21
Service sector	-	583,861	566,080
Investment sector	<u>2,386,059</u>	<u>1,110,158</u>	<u>3,670,859</u>
	<u>2,386,059</u>	<u>1,694,019</u>	<u>4,236,939</u>

Foreign quoted equity investments:

Insurance sector	<u>31,834</u>	<u>33,417</u>	<u>33,643</u>
	<u>31,834</u>	<u>33,417</u>	<u>33,643</u>

**Unquoted
investments:**

Unquoted investments	<u>2,420,194</u>	<u>2,572,599</u>	<u>2,416,220</u>
	<u>2,420,194</u>	<u>2,572,599</u>	<u>2,416,220</u>
	<u>4,838,087</u>	<u>4,300,035</u>	<u>6,686,802</u>

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

The Company has the following investment in associate:

	Number of shares	Percentage of issued share capital	Unaudited 30 June 22
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	<u>3,437,748</u>
			<u>3,437,748</u>
	Number of shares	Percentage of issued share capital	Unadited 30 June 21
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	<u>2,821,094</u>
			<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%	<u>3,049,934</u>
			<u>3,049,934</u>

5C	Investments (continued) Held-for-trading investments	Unaudited 30 June 22		Unaudited 30 June 21		Audited 31 Dec 21	
		Market value	Cost	Market value	Cost	Market value	Cost
	<i>Quoted local investments:</i>						
	Service sector	723,103	1,190,801	195,231	373,274	556,402	843,608
	Investment sector	45,503	136,020	27,043	116,715	87,375	68,935
	Others	212,920	199,985	346,225	342,435	54,909	129,944
		981,525	1,526,806	568,499	832,425	698,686	1,042,487

5D Held-to-maturity investments

Held-to-maturity investments comprise of the following:

	Unaudited 30 June 22		Unaudited 30 June 21		Audited 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 Perpetual Bonds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DIDIC Non Convertible Bonds	-	-	2,500,000	2,500,000	-	-
USD Bond	4,237,376	4,239,705	2,643,500	2,644,994	3,271,905	3,271,905
	10,275,834	10,307,005	11,181,958	11,212,294	9,310,363	9,339,205

6 Bank deposits, bank balances, cash and bank loan

6A	Bank deposits (non-current assets)	Unaudited 30 June 22		Unaudited 30 June 21		Audited 31 Dec 21	
	Bank deposits with a maturity of greater than twelve months from the date of placement	27,672,314		27,619,314		27,619,314	

The bank deposits carry interest rates ranging between 3% per annum and 4.85% per annum (30th June 2021 : between 3% per annum and 4.85% per annum).

6B Bank deposits and cash (current assets)	Unaudited 30 June 22	Unaudited 30 June 21	Audited 31 Dec 21
Cash and cash equivalents	6,284,007	4,611,703	2,493,659
Short term deposits	150,000	150,000	150,000
	6,434,007	4,761,703	2,643,659

7 Insurance and reinsurance contract receivables	Unaudited 30 June 22	Unaudited 30 June 21	Audited 31 Dec 21
Premiums receivable	14,408,271	11,402,343	8,029,391
Premiums receivable from related parties (Note 16B)	1,897,419	855,323	2,463,161
Reinsurance balance receivable	5,971,100	6,413,196	8,982,620
Provision for impaired premiums receivables	(2,011,087)	(1,791,086)	(1,911,087)
Provision for impaired reinsurance receivables	(590,817)	(590,818)	(590,817)
	19,674,886	16,288,959	16,973,268

8 Share capital	Unaudited 30 June 22	Unaudited 30 June 21	Audited 31 Dec 21
Authorised 300,000,000 ordinary shares of RO 0.100 each (2021: 300,000,000 ordinary shares of RO 0.100 each)	30,000,000	30,000,000	30,000,000
Issued and fully paid-up 104,762,046 ordinary shares	11,000,000	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 June 22		Unaudited 30 June 21		Audited 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	36.59	36,592,904
H.E.Abdul Alem Mustahil Rakhoot	15.06	15,062,797	15.06	15,062,797	15.06	15,062,797

9 Contingency reserve

As per the regulations of Insurance companies' Law, contingency reserve of RO 1,000,000 for the year have been transferred from the retained earnings and transferred to contingency reserve account. The total accumulated contingency reserve as at 30 June 2022 amounted to RO 11,000,000 (2021 - RO 10,000,000).

10 Insurance funds

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

	Unaudited 30 June 2022			Unaudited 30 June 2021			Audited 31 December 2021		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
(a) General									
Claims outstanding	46,862,905	(35,728,328)	11,134,577	37,838,548	(27,507,780)	10,330,768	44,436,148	(34,710,172)	9,725,976
Claims incurred but not reported	8,269,027	(4,481,696)	3,787,331	7,064,043	(1,923,613)	5,140,430	7,103,344	(2,868,809)	4,234,535
Unearned premiums	22,749,705	(12,962,425)	9,787,280	22,367,316	(10,974,033)	11,393,283	19,055,220	(9,869,627)	9,185,593
	77,881,637	(53,172,449)	24,709,188	67,269,907	(40,405,426)	26,864,481	70,594,712	(47,448,608)	23,146,104
(b) Life									
Claims outstanding	3,631,628	(2,980,601)	651,027	2,113,436	(1,653,242)	460,194	3,278,484	(2,630,667)	647,817
Claims incurred but not reported	1,181,806	(807,462)	374,345	686,899	(385,957)	300,942	1,066,886	(694,387)	372,499
Unearned premiums reserve	4,732,442	(3,374,244)	1,358,199	1,749,531	(1,177,153)	572,378	4,267,683	(3,087,101)	1,180,582
	9,545,877	(7,162,306)	2,383,571	4,549,866	(3,216,352)	1,333,514	8,613,053	(6,412,155)	2,200,898
(c) Medical									
Claims outstanding	302,980	(230,763)	72,217	151,899	(59,627)	92,272	166,284	(108,003)	58,281
Claims incurred but not reported	1,215,271	(798,463)	416,808	1,037,731	(779,508)	258,223	1,215,271	(798,463)	416,808
Unearned premiums reserve	1,645,505	(907,067)	738,438	2,032,415	(2,716,515)	(684,100)	1,784,820	(1,073,967)	710,853
	3,163,756	(1,936,293)	1,227,463	3,222,045	(3,555,650)	(333,605)	3,166,375	(1,980,433)	1,185,942
Total insurance funds	90,591,270	(62,271,048)	28,320,222	75,041,818	(47,177,428)	27,864,390	82,374,140	(55,841,196)	26,532,944

11 Net assets per share

The calculation of net assets per share is based on net assets of RO 27,340,426/- (30 June 2021 : RO26,287,107/- and RO 27,056,185/- as at 31 December 2021) attributable to ordinary shareholder on 104,762,046 ordinary shares being the number of ordinary share outstanding as at 30 June 2022 (100,000,000 ordinary shares on 30 June 2021 and 100,000,000 ordinary shares on 31 December 2021)

12 Net underwriting results

	Unaudited period ended 30 June 2022			Unaudited period ended 30 June 2021		
	General business	Life	Total	General business	Life	Total
Revenue						
Gross premium written	34,115,171	4,565,463	38,680,634	25,945,262	3,775,366	29,720,628
Reinsurance premium ceded	(23,115,007)	(2,098,638)	(25,213,645)	(15,686,735)	(1,910,341)	(17,597,076)
Net retained premium	11,000,164	2,466,825	13,466,989	10,258,527	1,865,025	12,123,552
Movement in unearned premium reserve (net)	(629,272)	(177,617)	(806,889)	(1,298,681)	(48,647)	(1,347,328)
Commission earned on reinsurance ceded	1,448,340	146,491	1,594,831	1,578,606	65,701	1,644,307
	819,068	(31,126)	787,942	279,925	17,054	296,979
Total insurance revenue	11,819,232	2,435,699	14,254,931	10,538,452	1,882,079	12,420,531
Costs						
Gross claims paid	12,525,947	2,208,878	14,734,825	710,275	3,230,024	3,940,299
Reinsurance share	(5,299,250)	(1,498,715)	(6,797,965)	6,820,512	(2,078,070)	4,742,442
Net claims paid	7,226,697	710,163	7,936,860	7,530,787	1,151,954	8,682,741
Movement in outstanding claims reserve (net)	975,334	5,056	980,390	(1,366,086)	(162,607)	(1,528,693)
Net claims incurred	8,202,031	715,219	8,917,250	6,164,701	989,347	7,154,048
Commission expenses	850,634	35,397	886,031	814,247	86,828	901,075
Total insurance costs	9,052,665	750,616	9,803,280	6,978,948	1,076,175	8,055,123
Net underwriting results	2,766,567	1,685,083	4,451,651	3,559,504	805,904	4,365,408

12 Net underwriting results (continued)

	Unaudited period ended 30 June 2022	Unaudited period ended 30 June 2021
Motor	135,779	1,306,524
Fire and general accident	2,251,236	2,148,625
Marine cargo and hull	94,326	46,679
Medical	285,226	57,676
Life	1,685,083	805,904
	4,451,651	4,365,408
The net claims ratio is as follows:		
	Unaudited 30 June 2022	Unaudited 30 June 2021
	Percentage	Percentage
Motor	96	78
Fire and general accident	27	22
Marine cargo and hull	(6)	202
Medical	53	73
Life	31	54
Overall loss ratio	70	66

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).

13	Investment income and changes in fair value of investment property	Unaudited	Unaudited
		Period ended	Period ended
	Investment income	30 June 2022	30 June 2021
	Interest income on bank deposits	645,836	738,730
	Rental income from investment properties	170,584	155,508
	Dividend income	63,808	48,498
	Interest Income From Money Market Fund	17,292	71,576
	Interest on Bond	329,787	332,000
	Profit / Loss on sale of Bonds	(9,437)	8,501
	Profit / (Loss) on Sale of Shares	(38,979)	-
	Net unrealised loss on held-for-trading investments	33,364	(22,374)
	Share of profit from investment in equity accounted investees	421,307	-
	Commission Income from Orange Card	180,918	116,196
		1,814,480	1,448,635
14	Other income	Unaudited	Unaudited
		Period ended	Period ended
		30 June 2022	30 June 2021
	Policy fees	29,440	25,951
	Transfer fees	164,796	127,881
	Miscellaneous Fees	7,687	19,673
	Profit on sale of AAA card	67,385	34,099
		269,309	207,603
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	Unaudited
		Period ended	Period ended
		30 June 2022	30 June 2021
	Net profit for the period (RO)	2,100,369	1,782,001
	Average number of shares outstanding during the period	100,762,980	100,000,000
	Basic earnings per share (RO)	0.021	0.018

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:

(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 June 2022	Unaudited Period ended 30 June 2021
<i>Premiums written</i>		
Omani Vegetable Oils and Derivatives LLC	72,933	67,570
Dhofar International Development and Investment Company SAOG	44,832	41,095
Bank Dhofar	1,454,448	1,866,119
Other related parties	216,957	156,604
	1,789,170	2,132,197
<i>Claims paid</i>		
Omani Vegetable Oils and Derivatives LLC	28,635	11,790
Dhofar International Development and Investment Company SAOG	10,452	12,808
Bank Dhofar SAOG	1,478,235	654,997
Other related parties	112,762	33,546
	1,630,084	713,141
Directors' sitting fees	21,000	24,500
Directors' meeting attendance expenses	800	-

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 30 June 2022, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (30 June 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:

	Unaudited Period ended 30 June 2022	Unaudited Period ended 30 June 2021
Other receivables and prepayments		
Receivable from Ex-Chief Executive Officer	932,353	932,353
Premiums receivable from related parties	1,897,419	855,323
Outstanding claims payable (included in outstanding claims reserve) to other related parties	3,294,339	3,336,923
Non Convertible Bonds	-	2,500,000
Interest Accrued on Non Convertible Bonds	-	341,903
Perpetual Bond	1,000,000	1,000,000
Interest Accrued on Perpetual Bond	822	1,027
Fixed deposits with Bank Dhofar SAOG	13,992,674	20,939,674
Rental Income from Bank Dhofar	48,000	48,000
Accrued Rent from related parties - OIFC	7,104	-

(c) Compensation to key management personnel of the Company

	Unaudited Period ended 30 June 2022	Unaudited Period ended 30 June 2021
Short-term- benefits	192,129	189,253
Employees' terminal benefits	7,923	6,310
	<u>200,052</u>	<u>195,563</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 converted into shares in the month of June 2022.

	<u>30 June</u> <u>2022</u>	<u>30 June</u> <u>2021</u>
Optional convertible bonds	3,000,000	4,000,000
Less; Current portion	(1,000,000)	(1,000,000)
Non current portion of optional convertible bonds	<u>2,000,000</u>	<u>3,000,000</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 June 2022 and 31 December 2021 and for statement of comprehensive income and cash flows, period ended 30 June 2021.