

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.

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	-	-	175,715	-	-	175,715
At 30 Sept 2022	548,000	1,577,000	3,960,170	98,875	-	6,184,045
Accumulated depreciation						
At 1 January 2022	-	259,080	3,643,567	98,875	-	4,001,522
Depreciation charged	-	47,310	120,693	-	-	168,003
At 30 Sept 2022	-	306,390	3,764,260	98,875	-	4,169,526
Net book amount						
At 30 Sept 2022	548,000	1,270,610	195,910	-	-	2,014,519
	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	-	-	-	-	(325,706)	(325,706)
At 30 Sept 2021	260,000	840,000	3,783,151	98,875	-	4,982,026
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	-	-	-	-	(325,706)	(325,706)
At 30 Sept 2021	-	221,200	3,613,692	98,875	-	3,933,767
Net book amount						
At 30 Sept 2021	260,000	618,800	169,459	-	-	1,048,259
At 31 December 2021	548,000	1,317,920	140,888	-	-	2,006,808

INTERIM CONDENSED STATEMENT OF FINANCIAL STATEMENT WERE APPROVED BY THE
BOARD OF DIRECTORS ON 27.010.2022

4 Investment properties	Unaudited 30 Sept 22	Unaudited 30 Sept 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 Sept 2022	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 Sept 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 Sept 22	Unaudited 30 Sept 21	Audited 31 Dec 21
Available-for-sale investments (Note 5a)	5,078,177	7,538,172	6,686,802
Investment in equity accounted investees (Note 5b)	3,692,479	2,821,094	3,049,934
Held-to-maturity investments (Note 5d)	9,775,039	9,310,363	9,310,363
Total non-trading investments	18,545,695	19,669,629	19,047,099
Held-for-trading investments (Note 5c)	1,006,127	724,873	698,686
Investment in Money Market Funds	-	2,022,241	2,042,532
Total investments	19,551,822	22,416,743	21,788,317

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

	Unaudited 30 Sept 22	Unaudited 30 Sept 21	Audited 31 Dec 21
Service sector	-	563,246	566,080
Investment sector	2,606,310	4,368,323	3,670,859
	2,606,310	4,931,569	4,236,939

Foreign quoted equity investments:

Insurance sector	31,834	34,005	33,643
	31,834	34,005	33,643

Unquoted investments:

Unquoted investments	2,440,033	2,572,599	2,416,220
	2,440,033	2,572,599	2,416,220
	5,078,177	7,538,172	6,686,802

5B Investment in equity accounted investees :

The Company has the following investment in associate:

	Number of shares	Percentage of issued share capital	Unaudited 30 Sept 22
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	3,692,479 3,692,479
	Number of shares	Percentage of issued share capital	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	Audited 31 Dec 21
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	3,049,934 3,049,934

5	Investments (continued)	Unaudited		Unaudited		Audited	
5C	Held-for-trading investments	30 Sept 22		30 Sept 21		31 Dec 21	
		Market	Cost	Market	Cost	Market	Cost
	<i>Quoted local investments:</i>	value		value		value	
	Service sector	756,469	1,190,801	293,052	488,271	56,402	843,608
	Investment sector	44,677	136,020	70,127	155,347	87,375	68,935
	Others	204,981	165,581	361,693	390,455	54,909	129,944
		1,006,127	1,492,403	724,873	1,034,073	698,686	1,042,487

5D Held-to-maturity investments

Held-to-maturity investments comprise of the following:

	Unaudited		Unaudited		Audited	
	30 Sept 22		30 Sept 21		31 Dec 21	
	Amortized	Cost	Amortized	Cost	Amortized	Cost
	cost		cost		cost	
Bank Sohar Perpetual Bonds	-	-	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
Oman Arab Bank Perpetual Bonds	476,312	476,379	403,978	397,328		
USD Bond	4,260,269	4,262,638	2,867,927	2,874,577	3,271,905	3,271,905
	9,775,039	9,806,317	9,310,363	9,339,205	9,310,363	9,339,205

6 Bank deposits, bank balances, cash, and bank loan

6A	Bank deposits (non-current assets)	Unaudited	Unaudited	Audited
		30 Sept 22	30 Sept 21	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 5.50% per annum (30th Sept 2021 : between 3% per annum and 4.85% per annum).

6B	Bank deposits and cash (current assets)	Unaudited	Unaudited	Audited
		30 Sept 22	30 Sept 21	31 Dec 21
	Cash and cash equivalents	7,604,910	3,257,606	2,493,659
	Short term deposits	150,000	150,000	150,000
		7,754,910	3,407,606	2,643,659

7 Insurance and reinsurance contract receivables	Unaudited 30 Sept 22	Unaudited 30 Sept 21	Audited 31 Dec 21
Premiums receivable	15,082,636	13,928,027	8,029,391
Premiums receivable from related parties (Note 16B)	2,160,537	2,133,238	2,463,161
Reinsurance balance receivable	6,590,753	4,547,587	8,982,620
Provision for impaired premiums receivables	(2,111,087)	(1,901,087)	(1,911,087)
Provision for impaired reinsurance receivables	(590,817)	(590,818)	(590,817)
	21,132,022	18,116,947	16,973,268
8 Share capital	Unaudited 30 Sept 22	Unaudited 30 Sept 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 Sept 22		Unaudited 30 Sept 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	37.43	39,211,076	36.59	36,592,904	36.59	36,592,904
H.E.Abdul Alem Mustahil Rakhyoot	14.38	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 Sept 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 Sept were as follows:

	Unaudited 30 Sept 2022			Unaudited 30 Sept 2021			Audited 31 December 2021		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
(a) General									
Claims outstanding	45,163,849	(33,671,736)	11,492,113	34,347,816	(24,049,648)	10,298,168	44,436,148	(34,710,172)	9,725,976
Claims incurred but not reported	10,352,286	(6,146,912)	4,205,374	6,303,586	(1,589,300)	4,714,286	7,103,344	(2,868,809)	4,234,535
Unearned premiums	23,086,033	(12,645,391)	10,440,642	23,540,035	(13,730,328)	9,809,707	19,055,220	(9,869,627)	9,185,593
	78,602,168	(52,464,039)	26,138,129	64,191,437	(39,369,276)	24,822,161	70,594,712	(47,448,608)	23,146,104
(b) Life									
Claims outstanding	4,520,285	(3,360,523)	1,159,762	34,347,816	(24,049,648)	10,298,168	44,436,148	(34,710,172)	9,725,976
Claims incurred but not reported	1,470,994	(804,123)	666,871	6,303,586	(1,589,300)	4,714,286	7,103,344	(2,868,809)	4,234,535
Unearned premiums	5,286,424	(3,855,795)	1,430,630	23,540,035	(13,730,328)	9,809,707	19,055,220	(9,869,627)	9,185,593
	11,277,703	(8,020,440)	3,257,263	64,191,437	(39,369,276)	24,822,161	70,594,712	(47,448,608)	23,146,104
(c) Medical									
Claims outstanding	273,590	(192,462)	81,128	200,176	(126,475)	73,701	166,284	(108,003)	58,281
Claims incurred but not reported	1,366,271	(798,464)	567,807	1,037,731	(699,508)	338,223	1,215,271	(798,463)	416,808
Unearned premiums	1,667,481	(723,479)	944,002	2,061,930	(1,195,057)	866,873	1,784,820	(1,073,967)	710,853
	3,307,342	(1,714,405)	1,592,937	3,299,837	(2,021,040)	1,278,797	3,166,375	(1,980,433)	1,185,942
Total insurance funds	93,187,213	(62,198,884)	30,988,329	72,413,957	(44,879,859)	27,534,098	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 27,879,334/- (30 Sept 2021: RO27,362,238/- 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 Sept 2022 (100,000,000 ordinary shares on 30 Sept 2021 and 100,000,000 ordinary shares on 31 December 2021)

12 Net underwriting results

	Unaudited period ended 30 Sept 2022			Unaudited period ended 30 Sept 2021		
	General business	Life	Total	General business	Life	Total
Revenue						
Gross premium written	48,489,372	6,903,109	55,392,480	40,586,932	5,198,185	45,785,117
Reinsurance premium ceded	(31,203,474)	(2,919,510)	(34,122,982)	(25,556,711)	(2,061,795)	(27,618,506)
Net retained premium	17,285,898	3,983,599	21,269,498	15,030,221	3,136,390	18,166,611
Movement in unearned premium reserve (net)	(1,488,199)	(250,047)	(1,738,246)	(1,266,077)	(183,660)	(1,449,738)
Commission earned on reinsurance ceded	2,450,304	217,097	2,667,401	2,227,239	83,724	2,310,963
	962,105	(32,950)	929,155	961,162	(99,936)	861,225
Total insurance revenue	18,248,003	3,950,649	22,198,653	15,991,383	3,036,454	19,027,836
Costs						
Gross claims paid	19,349,462	3,217,477	22,566,938	7,387,466	4,502,091	11,889,557
Reinsurance share	(7,980,038)	(2,019,945)	(9,999,983)	3,841,260	(2,354,175)	1,487,085
Net claims paid	11,369,424	1,197,532	12,566,955	11,228,726	2,147,916	13,376,642
Movement in outstanding claims reserve (net)	1,910,822	806,317	2,717,139	(1,763,401)	(197,994)	(1,961,395)
Net claims incurred	13,280,246	2,003,849	15,284,094	9,465,325	1,949,922	11,415,247
Commission expenses	1,214,786	(38,823)	1,175,963	1,187,136	97,881	1,285,017
Total insurance costs	14,495,031	1,965,026	16,460,057	10,652,461	2,047,803	12,700,264
Net underwriting results	3,752,972	1,985,624	5,738,595	5,338,922	988,651	6,327,573

12 Net underwriting results

	Unaudited period ended 30 Sept 2022	Unaudited period ended 30 Sept 2021
Motor	(599,408)	2,068,334
Fire and general accident	3,698,436	2,975,783
Marine cargo and hull	43,199	115,404
Medical	610,744	179,400
Life	1,985,624	988,651
	5,738,595	6,327,573

INTERIM CONDENSED STATEMENT OF FINANCIAL STATEMENT WERE APPROVED BY THE BOARD OF DIRECTORS ON 27.010.2022

The net claims ratio is as follows:

	Unaudited 30 Sept 2022 Percentage	Unaudited 30 Sept 2021 Percentage
Motor	103	78
Fire and general accident	27	24
Marine cargo and hull	53	87
Medical	55	60
Life	54	66
Overall loss ratio	<u>78</u>	<u>68</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).

13 Investment income and changes in fair value of investment property

Investment income	Unaudited Period ended 30 Sept 2022	Unaudited Period ended 30 Sept 2021
Interest income on bank deposits	989,799	975,952
Rental income from investment properties	205,312	199,301
Dividend income	63,876	48,781
Interest Income From Money Market Fund	17,292	92,368
Interest on Bond	512,259	496,656
Profit / Loss on sale of Bonds	(9,333)	(2,344)
Profit / (Loss) on Sale of Shares	(44,463)	-
Net unrealised loss on held-for-trading investments	69,900	(67,647)
Share of profit from investment in equity accounted investees	692,785	-
Commission Income from Orange Card	180,918	116,196
	<u>2,678,345</u>	<u>1,859,263</u>

14 Other income

	Unaudited Period ended 30 Sept 2022	Unaudited Period ended 30 Sept 2021
Policy fees	73,842	38,619
Transfer fees	265,361	201,723
Miscellaneous Fees	8,679	21,693
Profit on sale of AAA card	109,196	69,503
	<u>457,078</u>	<u>331,537</u>

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 2022	Unaudited Period ended 30 Sept 2021
Net profit for the period (RO)	2,415,934	2,316,311
Average number of shares outstanding during the period	100,762,980	100,000,000
Basic earnings per share (RO)	0.024	0.023

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 Sept 2022	Unaudited Period ended 30 Sept 2021
<i>Premiums written</i>		
Omani Vegetable Oils and Derivatives LLC	127,894	107,385
Dhofar International Development and Investment Company SAOG	45,522	44,097
Bank Dhofar	3,180,091	3,784,086
Other related parties	328,966	200,812
	3,682,473	4,136,380
<i>Claims paid</i>		
Omani Vegetable Oils and Derivatives LLC	33,507	22,306
Dhofar International Development and Investment Company SAOG	10,452	15,883
Bank Dhofar SAOG	1,478,235	1,136,885
Other related parties	112,762	42,177
	1,634,956	1,217,251
Directors' sitting fees	28,600	39,200
Directors' meeting attendance expenses	7,098	-

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 Sept 2022, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (30 Sept 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 Sept 2022	Unaudited Period ended 30 Sept 2021
Other receivables and prepayments		
Receivable from Ex-Chief Executive Officer	932,353	932,353
Premiums receivable from related parties	2,160,537	2,133,238
Outstanding claims payable (included in outstanding claims reserve) to other related parties	266,344	2,216,745
Perpetual Bond	1,000,000	1,000,000
Interst Accrued on Perpetual Bond	19,726	-
Fixed deposits with Bank Dhofar SAOG	13,992,674	18,939,674
Rental Income from Bank Dhofar	72,000	72,000
Accrued Rent from related parties - OFIC	10,656	-
Ticket fare paid to International Travel & tourism Co. LLC	4,677	89

(c) Compensation to key management personnel of the Company

	Unaudited Period ended 30 Sept 2022	Unaudited Period ended 30 Sept 2021
Short-term-benefits	198,075	284,152
Employees' terminal benefits	11,884	9,465
	209,959	293,617

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.

	30 Sept 2022	30 Sept 2021
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 Sept 2022 and 31 December 2021 and for statement of comprehensive income and cash flows, period ended 30 Sept 2021.