

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DHOFAR INSURANCE COMPANY SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dhofar Insurance Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants' ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Adoption of IFRS 17 - Insurance Contracts

The Company has adopted IFRS - 17 "Insurance Contracts" for the first time on 1 January 2023 using the modified retrospective approach. IFRS 17 introduces a significantly different accounting model for insurance contracts compared to the previously applied accounting policies which complied with IFRS 4. The adoption of IFRS 17 requires the restatement of the Company's comparative financial statements for 1 January 2022 and 31 December 2022, respectively.

IFRS 17 introduced the General Measurement Model (GMM) and Premium Allocation Approach (PAA) for measuring the contractual obligations, potentially leading to changes in reported profit or loss and statement of financial position items. IFRS 17 requires new line items and disclosures, significant accounting judgments and estimates, restatement of comparative information impacting comparability with prior periods and potentially affecting user's perception of the Company's financial performance and position [refer Note 4(c) for the detailed disclosures arising on adoption of IFRS 17].

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DHOFAR INSURANCE COMPANY SAOG (continued)**

Key Audit Matters (continued)

Adoption of IFRS 17 - Insurance Contracts (continued)

We determined this to be a key audit matter because of the above mentioned complexities involved, assumptions used and significant changes in accounting policies and related changes in presentation and disclosures.

Our audit procedures in this area included, among others:

- evaluated the appropriateness of the Company's chosen transition method and reviewed the calculations of transition adjustments, focusing on areas with significant impact and potential for estimation errors;
- assessed the independence, experience and competency of the Company's actuary to perform the implementation of IFRS 17 and obtained an understanding of the work performed by the Company's appointed actuary;
- assessed the Company's IFRS 17 implementation process, including its data gathering, system updates, accounting policy choices, and transition adjustments;
- evaluated the Contractual Service Margin (CSM) calculation models and key parameters used, and assessed the appropriateness of the assumptions and the discount rate;
- reviewed the Company's criteria for classifying contracts under IFRS 17, performed tests to validate the classification decisions, and assessed the consistency;
- performed substantive audit procedures to test the reasonableness of the Company's estimates and disclosures related to IFRS 17, focusing on areas with significant impact on the financial statements including restatement of the comparative information;
- verified the opening balances in the financial statements prepared in accordance with IFRS 17 to ensure that these are appropriately accounted and presented, including the transition adjustments;
- verified the accuracy and completeness of data used in the transition process, including policyholders' information, CSM, fulfilment cashflows, aggregation of insurance contracts, risk adjustment factors, discounts rates, deferred acquisition cash flows, reinsurance contracts held and other relevant data;
- carried out independent evaluation by our actuarial specialist team members to apply appropriate industry knowledge and experience and compared the methodology, models and assumptions used against recognised and acceptable actuarial practices;
- assessed the Company's internal controls over financial reporting as they relate to IFRS 17, identifying and evaluating control deficiencies and recommending improvements; and
- reviewed the Company's IFRS 17 disclosures against the disclosure requirements of the standard and assessed whether they provide sufficient information for users to understand the impact of the adoption.

Net insurance revenue, reinsurance contract assets and insurance contract liabilities

As disclosed in Notes 4(c) and 23 to 29 of the financial statements of the Company for the year ended 31 December 2023, the Company has net insurance revenue, reinsurance contract assets and insurance contract liabilities amounting to RO 70.374 million, RO 46.551 million and 89.514 million, respectively, which represent significant elements in the financial statements. During the year, the Company has adopted IFRS 17 "Insurance Contracts" for the first time on 1 January 2023 using the modified retrospective approach.



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Key Audit Matters (continued)

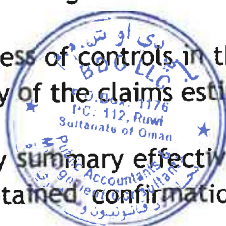
Net insurance revenue, reinsurance contract assets and insurance contract liabilities (continued)

The estimation of net insurance revenue, reinsurance contract assets and insurance contract liabilities is considered as a significant matter as it includes complex actuarial assumptions, historical data, judgments for liability considerations, including risk adjustments and discounting factors, calculation of CSM, fulfilment cash flows, aggregation of insurance contracts, risk adjustment factors, discounts rates, acquisition costs, reinsurance contracts held, and other relevant data.

We determined this to be a key audit matter because minor changes in this information and assumptions can lead to a material impact on the insurance revenue, insurance service expenses, net income/expense from reinsurance, and net insurance financial results and valuation of insurance and reinsurance contract assets and contract liabilities.

Our audit procedures in this area included, among others:

- assessed the independence, experience and competency of the Company's actuary to measure net insurance revenue and insurance and reinsurance contract assets and insurance and reinsurance liabilities, and obtained an understanding of the work performed by the Company's appointed actuary;
- verified the accuracy and completeness of data used in the calculation, including policyholders' information, CSM, fulfilment cashflows, aggregation of insurance contracts, risk adjustment factors, discounts rates, deferred acquisition cash flows, reinsurance contracts held and other relevant data;
- carried out independent evaluation by our actuarial specialist team members to apply appropriate industry knowledge and experience and compared the methodology, models and assumptions used against recognised and acceptable actuarial practices;
- verified the accuracy and completeness of claims data, including information on reported and unreported claims, claims development, and claims settlement patterns;
- verified the completeness and accuracy of insurance acquisition expenses and also basis of the allocation of other expenses;
- reviewed the Company's criteria for classifying contracts under either PAA or GMM, performed tests to validate the classification decisions, and assessed the consistency;
- evaluated the CSM calculation models and key parameters used, and assessed the appropriateness of the assumptions and the discount rates applied;
- evaluated the reasonableness of key assumptions such as future revenue, claims, and expenses, considering historical experience and changes in economic conditions;
- performed procedures, including an assessment of the IT controls over revenue/expense recording and collection, and testing their operating effectiveness;
- tested the operating effectiveness of controls in the claims handling and reservation process, including controls over completeness and accuracy of the claims estimates recorded;
- obtained the reinsurance treaty summary effective for the year and verified the details in the summary to the respective agreements and obtained confirmations from the reinsurance parties to reconcile the year-end balances;



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DHO FAR INSURANCE COMPANY SAOG (continued)**

Key Audit Matters (continued)

Net insurance revenue, reinsurance contract assets and insurance contract liabilities (continued)

- performed substantive audit procedures to test the reasonableness of the Company's estimates and disclosures, focusing on areas with significant impact on the net insurance net insurance revenue, reinsurance contract assets and insurance contract liabilities;
- reviewed and assessed the appropriateness of the measurement methods used by the Company in calculating the liability for remaining coverage (LRC) and liability for incurred claims (LIC), including consideration of discount rates and other actuarial assumptions; and
- reviewed the Company's disclosures against the disclosure requirements of the standard and assessed whether they provide sufficient information for users to understand the impact of the adoption.

Other Information included in the Company's 2023 Annual Report

Management of the Company is responsible for the other information. The other information comprises the Chairman's Report, Management Discussion and Analysis Report and Report on Corporate Governance which is included in Company's Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the Commercial Companies Law and Regulations of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those Charged With Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITOR'S REPORT TO THE
DHOFAR INSURANCE COMPANY SAOG (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged With Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged With Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged With Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.





INDEPENDENT AUDITOR'S REPORT TO THE
DHOFAR INSURANCE COMPANY SAOG (continued)

Report on Other Legal and Regulatory Requirements

We report that, the financial statements of the Company as at, and for the year ended, 31 December 2023, in all material respects, comply with the applicable provisions of the Commercial Companies Law and Regulations and the Insurance Companies Law of the Sultanate of Oman and the relevant disclosure requirements issued by the Capital Market Authority.

BDO

Muscat

27 February 2024

B. Kapur

Bipin Kapur

Partner

Membership No. 043615

Institute of Chartered Accountants of
India

